

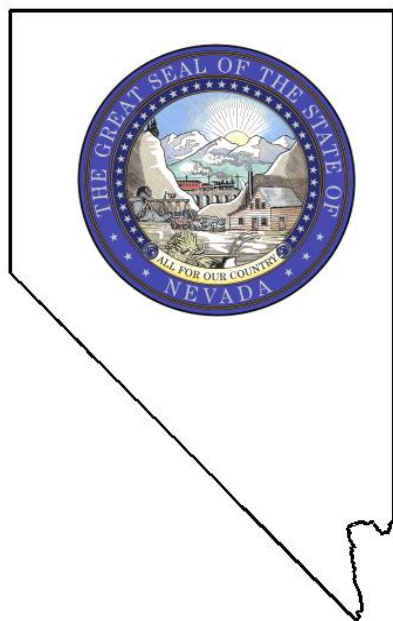
# STATE OF NEVADA

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## Performance Audit

Department of Business and Industry  
Nevada State Athletic Commission

2014



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on the Nevada State Athletic Commission issued on April 28, 2014. Report # LA14-17.

## Background

The Nevada State Athletic Commission administers and enforces state laws and regulations pertaining to unarmed combat for the protection of the public and to ensure the health and safety of the contestants. The Commission's mission is to regulate all unarmed combat contests or exhibitions. Generally, unarmed combat includes boxing, kickboxing and mixed martial arts. The Commission was established in 1941 and became part of the Department of Business and Industry in 1993.

The Commission consists of five members appointed by the Governor, an executive director, and four staff. The Commission maintains one office in Las Vegas. In fiscal year 2013, the Commission regulated 110 events, issued 1,957 licenses, and collected \$4,083,797 in permit and license fees which were deposited directly into the General Fund. During the same time, the Commission expended approximately \$595,000.

## Purpose of Audit

The purpose of the audit was to evaluate: (1) financial and administrative practices in place to carry out applicable laws and regulations, (2) information security controls to protect the confidentiality, integrity, and availability of sensitive information and information systems, and (3) performance measures, including reliability of reported results. Our audit focused on management controls during fiscal years 2010 – 2014, and included a review of money received from promoters for licenses issued or renewed since calendar year 2003. The audit also focused on performance measures and reported results for fiscal year 2012.

## Audit Recommendations

This audit report contains 11 recommendations to improve: (1) financial and administrative practices and to ensure money received from promoters is deposited in accordance with statutes, (2) the protection of sensitive information, and (3) oversight for the reliability of performance measures used in the state's budget process.

The Commission accepted the 11 recommendations.

## Recommendation Status

The Commission's 60-day plan for corrective action is due on July 23, 2014. In addition, the six-month report on the status of audit recommendations is due on January 23, 2015.

# Nevada State Athletic Commission

## Department of Business and Industry

### Summary

The Nevada State Athletic Commission can make improvements to its financial and administrative practices regarding license fees and deposits of money. The Commission did not always calculate license fees correctly and did not incorporate all complimentary tickets issued when preparing its calculation. Also, the Commission did not deposit money received from promoters with the State Treasurer as required by statute. Instead, the money was deposited in an outside bank account. Furthermore, there is no record the Commission received approval from the State Board of Finance to open an outside bank account to deposit money received from promoters.

The Commission needs to better protect sensitive information. We found the server used for file storage was not physically secured, as required by state security standards. In addition, we found unencrypted personal identifying information (PII) was accessible through the server.

The Commission can take steps to strengthen its oversight for the reliability of performance measures used in the state's budget process. Some measures used in the budget process for fiscal year 2012 were not adequately supported by underlying records and the reported result for one measure was inaccurate.

### Key Findings

The Commission did not calculate license fees for closed-circuit telecast events in accordance with statute. For 7 of 12 closed-circuit telecast events reviewed, we found the Commission calculated fees at a rate of 6 cents for each \$1 received for admission instead of 4 cents. The Commission's incorrect calculation of license fees resulted in the collection of overpayments totaling over \$55,000. In addition, the Commission has not documented procedures to ensure fees are collected accurately and timely. (page 3)

The Commission did not deposit money received with the State Treasurer, as required by statute. The Commission received this money from applicants prior to issuing a promoter license to hold an unarmed combat event. Money the Commission receives from applicants may be used to satisfy any obligation incurred by the promoter during a contest or exhibition. All money the Commission receives from applicants, to satisfy any obligation incurred by the promoter, must be deposited in the Athletic Commission's Agency Account. However, the Commission deposited money received with an outside bank account. In addition, there is no record of approval from the State Board of Finance allowing the Commission to deposit money in an outside bank. (page 6)

The Commission's file server was not adequately secured. Specifically, the server was stored on a desk in an open area of the Commission's office. During our audit we observed individuals from the public enter and pass the open area in the Commission's office where the server is located. In addition, files containing unencrypted personal identifying information (PII) were accessible through the Commission's file server. We identified several files containing approximately 1,000 social security numbers and names of state employees, including personnel reports. (page 9)

Reported results for five performance measures were not adequately supported by underlying records. The Commission's records to support results were either not available to verify calculation of a performance measure or data was not tracked. In addition, the reported result for the measurement of fees collected timely was not accurate. (page 11)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Nevada State Athletic Commission. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes 11 recommendations to enhance controls over financial and administrative practices for money received from promoters, improve protection of sensitive information, and strengthen oversight for the reliability of performance measures. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA  
Legislative Auditor

April 8, 2014  
Carson City, Nevada

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# Introduction

## Background

The Nevada State Athletic Commission administers and enforces state laws and regulations governing unarmed combat for the protection of the public and to ensure the health and safety of contestants. The Commission's mission is to regulate all unarmed combat contests or exhibitions, including the licensure and supervision of promoters, seconds<sup>1</sup>, ring officials, managers, ring announcers, matchmakers, and unarmed combatants. Generally, unarmed combat includes boxing, kickboxing and mixed martial arts (MMA). The Commission was established in 1941 and became part of the Department of Business and Industry in 1993.

The Commission's primary means of regulation is the issuance of:

- Licenses to all contestants, promoters, managers, seconds, and ring officials who participate in any professional contest or exhibition.
- Permits for promoters to present a program of unarmed combat contests or exhibitions.

Along with the issuance of licenses and permits, the Commission:

- Collects fees from the sale of tickets or complimentary tickets issued to view live events or closed-circuit telecasts of boxing, kickboxing, and MMA, and from the sale or lease of broadcasting, television and motion picture rights.
- Works with venues that host events throughout the state.

The responsibilities of the Commission also include ruling in disciplinary cases, and arbitrating disputes between boxers and managers. In addition, the Commission is responsible for promulgating regulations to implement and enforce the state laws governing unarmed combat. Inspectors serve as independent contractors at weigh-ins and events to ensure rules and

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<sup>1</sup> A second is also referred to as a corner man that aids and assists a boxer between rounds.

## Scope and Objectives

regulations of the Commission and State are being followed. The Commission also hires a part-time physician as an independent contractor to verify the authenticity of medical records, order additional medical tests as appropriate, conduct research into issues such as weight loss and hydration, and offer advice to the Commission on medical issues.

The Commission consists of five members appointed by the Governor, an executive director, and four staff. The Commission maintains one office in Las Vegas. In fiscal year 2013, the Commission regulated 110 events, issued 1,957 licenses, and collected \$4,083,797 in permit and license fees which were deposited directly into the General Fund. During the same time, the Commission expended approximately \$595,000.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

Our audit of the Commission focused on management controls during fiscal years 2010 – 2014, and included a review of money received from promoters for licenses issued or renewed since calendar year 2003. In addition, we reviewed performance measures and reported results for fiscal year 2012. Our audit objectives were to evaluate:

- Financial and administrative practices in place to carry out applicable laws and regulations.
- Information security controls to protect the confidentiality, integrity, and availability of sensitive information and information systems.
- Performance measures, including the reliability of reported results.

# Process to Collect Fees Can Be Better Administered

The Nevada State Athletic Commission can make improvements to its financial and administrative practices. Specifically, the Commission needs to ensure license fees for closed-circuit telecast events are calculated correctly. In addition, the Commission did not always incorporate all complimentary tickets issued when preparing its calculation of license fees due for closed-circuit telecast events. As a result, the Commission needs to revise procedures to provide greater assurance license fees are accurate and collected timely.

## **Fees Not Always Calculated Correctly**

The Commission did not calculate license fees for closed-circuit telecast events in accordance with statute. Pursuant to NRS 467.104 any person who charges and receives an admission fee for exhibiting any live contest or exhibition of unarmed combat on a closed-circuit telecast shall pay the Commission a license fee. The license fee is 4 cents for each \$1 received for admission. For 7 of 15 closed-circuit events reviewed, we found the Commission calculated fees at a rate of 6 cents for each \$1 received for admission instead of 4 cents.

The Commission's incorrect calculation of license fees resulted in the collection of overpayments totaling \$55,394. These fees were deposited with the State Treasurer for closed-circuit telecast events that occurred between February 2011 and June 2012. The Commission's incorrect calculation occurred due to a misapplication of a provision in Assembly Bill 6 that passed in the 2010 Legislative Special Session. Passage of this bill amended NRS 467.107, changing fees paid by a promoter from 4 cents to 6 cents for each \$1 received for admission. However, passage of the bill did not change fees for closed-circuit telecast events which remained at 4 cents. As a result, the Commission over calculated fees for the telecast events and collected the overpayments. The

Commission became aware of its incorrect calculation during July 2012. The Commission should contact the Board of Examiners for approval to refund the overpayments of license fees identified, pursuant to the provisions of NRS 353.110.

In addition, the Commission did not always include all complimentary tickets issued when preparing its summary of fees due for each closed-circuit telecast event. NRS 467.104 requires license fees be based on the face value of all tickets sold and complimentary tickets issued. Of the 15 closed-circuit telecast events reviewed, we found the Commission prepared a summary of fees due for 4 events without including all complimentary tickets issued. This resulted in approximately \$1,300 going uncollected.

## **Procedures to Collect License Fees Need Revision**

The Commission has not documented procedures to ensure fees are collected accurately and timely. The Commission's internal control procedures address financial and administrative practices. The purpose of these procedures includes the regulation of all contests and exhibitions of unarmed combat and to collect revenue from the live gate sale of tickets and closed-circuit sales. However, we found the procedures do not address the Commission's current practices to determine the fees due for such events. For example, procedures do not address the processes to ensure:

- Tickets sold and issued for events are reported.
- Reports used to summarize fees are accurate.
- Fees are calculated correctly and collected timely.

NRS 353A.020(3) requires agencies to develop and maintain written procedures for internal accounting and administrative control. The absence of complete procedures increases the risk administrative and financial practices will not be performed consistently or correctly by current or new employees. Developing procedures will provide the Commission greater assurance staff responsibilities and functions are carried out properly and timely.



## **Recommendations**

1. Contact the State Board of Examiners for approval to refund the overpayment of license fees collected for closed-circuit telecast events.
2. Develop procedures to ensure license fees for closed-circuit telecast events are calculated correctly.
3. Develop procedures to address current practices for preparing reports used for license fees and to ensure fees are collected timely.

## Money Received From Promoters Not Deposited Properly

The Nevada State Athletic Commission did not deposit money received with the State Treasurer as required by statute. The Commission received this money from applicants prior to issuing a promoter license to hold an unarmed combat event. Money the Commission receives from applicants may be used to satisfy any obligation incurred by the promoter during a contest or exhibition. Before any license is granted, applicants must file a bond in an amount fixed by the Commission, but not less than \$10,000. In lieu of a bond, the applicant may provide any form of security authorized by statute, such as a certificate of deposit or the applicant can provide cash. All cash received must be deposited in the Athletic Commission's Agency Account. However, the Commission deposited money received with an outside bank. In addition, there is no record the Commission received approval from the State Board of Finance to open an outside bank account for the deposit of money received from promoters. If money is not deposited with the State Treasurer, the Commission is at risk for fraud or abuse.

### **Money Was Not Deposited With the State Treasurer**

The Commission did not always deposit money received from applicants, in lieu of a promoter bond, with the State Treasurer. Instead, we found the Commission deposited money with an outside bank. NRS 467.080 requires the Commission to deposit all money received with the State Treasurer for credit to the Athletic Commission's Agency Account, which was created in the State Agency Fund for Bonds.

The Athletic Commission's Agency Account became inactive and closed during 2007. Although this account closed, we found the Commission established its practice to deposit money received

from applicants with an outside bank prior to its closure. Specifically, based on our review of files, we found the Commission established two general practices and either received:

1. A bond, in the amount of \$10,000, executed by the applicant as principal, and by a corporation qualified under the laws of this state, in accordance with NRS 467.080.
2. Money (check in the amount of \$10,000) from the applicant and requested an outside bank to open a certificate of deposit with the money, not in accordance with NRS 467.080.

We found the Commission opened at least 21 certificates of deposit with the use of an outside bank for applicants who applied for a new license or renewal since 2003. In accordance with the provisions of NRS 100.065 and 467.080, a certificate of deposit filed by a promoter is an authorized form of security. However, NRS 467.080 does not authorize the Commission to purchase this form of security or allow the deposit of money received in an outside bank account. Instead, NRS 467.080 authorizes an applicant to file a certificate of deposit in lieu of a bond.

As of September 2013, the status of the 21 certificates of deposit identified was:

- 16 closed.
- 5 open.

### **No Record of Approval to Deposit Money in Outside Bank Account**

There is no record of approval from the State Board of Finance allowing the Commission to deposit money in an outside bank account. NRS 356.011 requires a state agency that opens an account with a bank to first obtain the approval of the State Board of Finance, except in cases where the account is specifically authorized by statute. In addition, NRS 467.080 does not specifically authorize the Commission to open certificates of deposit with an outside account.

Our review also found there is no record to indicate the Commission received approval from the State Board of Finance to open the 21 certificates of deposit with an outside bank. According to staff and supporting documentation from the Nevada Office of the State Treasurer, there is no record to support the Commission received approval to open certificates of deposit with an outside bank account. In addition, the record of all state accounts in banks from the Nevada Office of the State Treasurer does not include the outside bank accounts for the five certificates of deposit currently open and on file with the Commission.

The Commission needs to develop procedures to assist staff and provide guidelines for assurance that money received from promoters is deposited in accordance with NRS 467.080. Procedures are important to ensure duties and functions are carried out properly. Procedures also provide a resource for staff and a training tool to ensure staff deposit money properly.

### **Recommendations**

4. Develop procedures to ensure money received from promoters is deposited in the Athletic Commission's Agency Account, in accordance with NRS 467.080.
5. Close the certificates of deposit opened in an outside bank account and either deposit the money with the State Treasurer, or require promoters to file a bond or other form of security authorized by statute.

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# Sensitive Information Needs Better Protection

The Nevada State Athletic Commission needs to take steps to better protect sensitive information. We found the server used for file storage was not physically secured, as required by state security standards and statute. In addition, we found unencrypted personal identifying information (PII) accessible through the Commission's server. If steps are not taken to better protect the server and PII, identity theft could occur.

## **Server Not Physically Secured**

The Commission's file server was not adequately secured. Specifically, the server was stored on a desk in an open area of the Commission's office. During our audit we observed individuals from the public enter and pass the open area where the server was located. During our 2010 audit for the Department of Business and Industry, we observed the Commission's server was not physically secured. We issued a recommendation for the Department to develop a plan to properly secure all servers in accordance with state security standards.

State security standards require network servers be installed in physically secure areas. In addition, NRS 603A.210 requires any governmental agency that maintains records which contain personal information of a Nevada resident to implement and maintain reasonable security measures to protect those records from unauthorized access, acquisition, destruction, use, modification or disclosure. Unrestricted physical access to the file server increases the risk of accidental damage, theft, or vandalism and could result in the release of confidential information.

## **Unencrypted Personal Information Accessed Through Server**

Files containing unencrypted personal identifying information (PII) were found through accessing the Commission's file server. We identified several files containing approximately 1,000 social security numbers and names, including personnel reports. More

specifically, the social security numbers and names belong to approximately:

- 600 employees of either the Commission or the Department.
- 400 employees of a state agency not associated with the Department.

NRS 239B.030 requires agencies to be specifically authorized to collect personal information from the public. According to the Director's Office in the Department of Business and Industry, files containing PII were collected by an individual who handled personnel matters. Subsequently, the PII was archived on a Department server in a different location, but was still accessible through the Commission's server. Although the Commission did not collect this information, having access to PII, such as unencrypted social security numbers, puts the Commission at risk of losing sensitive data. In addition, this could result in time consuming and expensive notifications of affected persons.

### **Recommendations**

6. Obtain guidance from the Department for assistance in physically securing the server in accordance with state security standards and NRS 603A.210.
7. Contact the Department to identify and remove all files containing unencrypted personal identifying information from the Department's server that are accessible through the Commission's file server.

# Performance Measure Oversight Needs Improvement

The Nevada State Athletic Commission can take steps to strengthen its oversight for the reliability of performance measures used in the state's budget process. Some measures used in the budget process for fiscal year 2012 were not adequately supported by underlying records and the reported result for one measure was inaccurate. Performance measures must be reliable because they can affect budget and policy decisions made by oversight bodies, including judgments made by stakeholders and the public about the Commission's operations. Reliable performance measures are also important to the Commission's overall self-assessment of activities. Oversight for the reliability of performance measures can be improved by enhancing written procedures on how to collect and calculate data.

The Commission included eight performance measures for fiscal year 2012. Exhibit 1 shows the eight performance measures and results reported during fiscal year 2012 listed in the Executive Budget and Priorities and Performance Based Budget.

**Performance Measures and Results  
Fiscal Year 2012**

**Exhibit 1**

No.	Performance Measures	Results
1.	Number of events.	106
2.	Revenue from events.	\$5,346,982
3.	Percent of results sent to National Registry within 48 hours.	100%
4.	Percent of licenses completed within five days.	100%
5.	Percent of national identification cards issued accurately.	100%
6.	Percent of fees accurately and timely collected.	100%
7.	Percent of compliance with medical suspension database.	100%
8.	Percent of contestants drug tested.	78.58%

Source: Fiscal year 2012, Executive Budget and Priorities and Performance Based Budget.

**Results Were  
Not Supported  
by Underlying  
Records**

We found results reported for five performance measures were not adequately supported by underlying records. Performance measures cannot be considered reliable unless sufficient underlying records support them. The Commission’s records to support results were either not available to verify calculation of a performance measure or data was not tracked. The following are examples to illustrate how underlying records did not support performance measure results.

- Performance measure 3 tracks results from professional events sent to a National Registry. However, the Commission does not track this data.
- Performance measure 5 tracks national identification cards issued accurately. However, the Commission does not maintain a copy of each card that staff issued. Therefore, records to support results were not available to verify calculation of this measure. In addition, the Commission does not track data to support this measure.
- Performance measure 8 tracks contestants drug tested under the jurisdiction of the Commission. Records to support the contestants drug tested are maintained in individual event files instead of one location or electronic spreadsheet. Although records are available, the Commission does not track this data. Therefore, it would take time to review each hardcopy file to determine the percentage of contestants drug tested.

We also found the Commission’s procedures governing performance measures do not address records retention.



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**Measurement of  
Fees Collected  
Timely Not  
Accurate**

However, the State Administrative Manual requires records used in computing performance measures be retained for 3 fiscal years. The lack of underlying records prevents measurement results from being verified, and therefore the reported results are unreliable.

The reported result for the Commission's measurement of fees collected timely was not accurate. Specifically, this measurement tracks the timeliness of license fees received after an event.

The Commission reported for fiscal year 2012, all license fees were collected timely. The Commission's procedures governing performance measures require staff to monitor and ensure fees are remitted within 20 days after an event. In addition, statutes provide the same timeframe requirements. In general, we found, based on our review of live gate and closed-circuit events, fees were collected within 20 days. However, we found 4 of 17 events where fees were collected between 25 and 31 days. Therefore, results as reported were not accurate.

**Recommendations**

8. Update procedures to ensure records are available to support results reported for each performance measure.
9. Track data to support each performance measure for increased efficiency when reporting results.
10. Revise procedures to ensure supporting documentation for performance measures is retained for at least 3 fiscal years.
11. Develop controls to ensure reported results are accurate.

# Appendix A

## Audit Methodology

To gain an understanding of the Nevada State Athletic Commission, we interviewed staff and reviewed statutes, regulations, state administrative procedures, and policies and procedures significant to the Commission's operations. We reviewed financial information, budgets, legislative committee minutes, and other information describing activities of the Commission. In addition, we documented and assessed internal controls over financial and administrative practices, information systems and sensitive information, and performance measures.

To evaluate the Commission's financial and administrative practices, we first reviewed statutes and regulations. We obtained a listing of all live gate events of unarmed combat and amount of license fees collected during fiscal years 2012 and 2013. We judgmentally selected a total of 24 live gate events based on high dollar revenue and type of unarmed combat. We reviewed supporting documentation for each event to verify revenue collected and number of tickets for each event. We also reviewed deposit records to verify when license fees were collected. We verified license fee reports were accurate and complete by comparing information from spreadsheets to actual license fees and deposit records.

To further evaluate the Commission's financial and administrative practices, we obtained a listing of closed-circuit telecast events that occurred between calendar year 2010 and September 2013. There were 15 closed-circuit telecast events that were held since calendar year 2010. We selected all 15 files for review to determine accurate calculation of license fees, including the timeliness of collection. In addition, we reviewed the Office of the State Controller's Data Warehouse of Nevada (DAWN) online system to verify if a payment voucher(s) was issued for overpayment of closed-circuit license fees the Commission

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collected. Finally, we reviewed policies and procedures to identify staff responsibilities governing fees received from licensees.

We also determined the Commission's compliance with statutes for the deposit of money received from licensees, to further evaluate financial and administrative practices. First, we obtained lists of professional promoters that applied for an initial license or renewal since 2003. From the 100 professional promoters identified, we judgmentally selected 61 based on the date when the license expired and the Commission's record of certificates of deposit currently on file. In addition, we selected 4 additional promoters listed on the Commission's current record whose license expired prior to 2003, for a total of 65 files for review to determine if money was deposited with the State Treasurer, pursuant to NRS 467.080, or returned to the promoter. Also, we obtained a list of approved outside bank accounts from the Office of the State Treasurer. We also reviewed DAWN to verify the status of the Commission's Agency Account, which was created in the State Agency Fund for Bonds.

To evaluate information systems and availability of sensitive information, we observed the physical security of the Commission's file server. We also completed multiple searches on the server and two staff computers to verify the type of sensitive information accessible. For each file found containing social security numbers we determined if the personal information belonged to individuals associated with the Commission. For the files where sensitive information did not belong to Commission employees, we determined the agency they worked for. We notified these agencies and discussed the acquisition of the files. We also discussed the availability of sensitive information with the Department of Business and Industry staff, and another state agency where the personal information belonged.

To evaluate performance measures, we identified the Commission's performance data stated in the Executive Budget and the Priorities and Performance Based Budget. For the Commission's eight measures, we discussed the methodology used to record, track, and calculate results reported for fiscal year 2012. We obtained a copy of procedures governing performance

measures. We compared each measure as written with procedures, methodology, information reported, and supporting documentation. Then we determined the Commission's compliance with the State Administrative Manual requiring written procedures, review, and retention of calculation documentation for agency performance measures.

Our audit work was conducted from July 2013 to January 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Director of the Department of Business and Industry. On March 24, 2014, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B which begins on page 17.

Contributors to this report included:

Michael G. Herenick, MPA  
Deputy Legislative Auditor

S. Douglas Peterson, CISA  
IS Audit Supervisor

# Appendix B

## Response From the Nevada State Athletic Commission

BRIAN SANDOVAL  
*Governor*

STATE OF NEVADA

BRUCE BRESLOW  
*Director*



DEPARTMENT OF BUSINESS AND INDUSTRY  
OFFICE OF THE DIRECTOR

April 1, 2014

Paul V. Townsend, CPA  
Legislative Auditor  
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401 S. Carson Street  
Carson City, Nevada 89701-4747

The following responses and attachment represent the response of the Department of Business and Industry, Nevada State Athletic Commission (Athletic Commission), to the performance audit conducted by the Legislative Auditor of the Athletic Commission. The Athletic Commission accepts all 11 audit recommendations. The Athletic Commission is currently in the process of recruiting a new Executive Director, and this performance audit provides a fresh opportunity to review the policies and procedures of the Athletic Commission.

In accordance with the due date outlined in your letter, the Athletic Commission provides the following responses to your audit recommendations.

**Recommendation 1: Contact the State Board of Examiners for approval to refund the overpayment of license fees collected for closed-circuit telecast events.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission and the Director's Office fiscal staff will contact the Board of Examiners to determine the procedure for approval and processing of overpayments of license fees identified by the audit pursuant to the provisions of Nevada Revised Statute (NRS) 353.110.

**Recommendation 2: Develop procedures to ensure license fees for closed-circuit telecast events are calculated correctly:**

- **Tickets sold and issued for events reported (inclusive of complimentary tickets)**
- **Reports used to summarize fees are accurate**
- **Fees are calculated correctly**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission will develop procedures to ensure license fee for closed circuit telecast events are calculated correctly. After the procedures are developed, Athletic Commission staff and Director's Office fiscal staff will be trained on the new procedures as necessary to implement this recommendation.

**Recommendation 3: Develop procedures to address current practices for preparing reports for license fees and to ensure fees are collected timely.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission will develop procedures to ensure license fees are collected timely and reports are prepared that track and document the collection of fees in a timely manner. After the procedures are developed, Athletic Commission staff and Director's Office fiscal staff will be trained on the new procedures as necessary to implement this recommendation.

**Recommendation 4: Develop procedures to ensure money received from promoters is deposited in the Athletic Commission's Agency Account, in accordance with NRS 467.080.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission will no longer accept money from a promoter in lieu of a bond.

**Recommendation 5: Close the certificates of deposit opened in an outside bank account and either deposit the money with the State Treasurer, or require promoters to file a bond or other form of security authorized by statute.**

**Response:** The Athletic Commission agrees with this response. Budget Account 6240 established for Athletic Commission Bonds was closed in 2007. Prior to this audit, the rules of the Athletic Commission stated that a promoter could post a bond or a certificate of deposit in as part of the list of requirements for a promoter's license. The Athletic Commission had approval from their previous Budget Analyst and the State Treasurer's Office to purchase a certificate of deposit in lieu of a bond if requested by the promoter. The certificate of deposit number would be given to the Budget Analyst for their files, and the Athletic Commission would provide a yearly report to their Budget Analyst identifying what they had on file for the amount of interest that was earned for that year, and which certificates of deposit had been replaced with bonds. The Athletic Commission would retain the certificate until such time as the promoter no longer wanted to be a licensee or if they replaced it with a bond.

The Athletic Commission will close the certificates of deposit opened in the outside bank account and require promoters to file a bond.

**Recommendation 6: Obtain guidance from the Department for assistance in physically securing the server in accordance with state security standards and NRS 603A210.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission will be procuring a new server this biennium. The new server will be "rack mountable" and will be installed in the secure network closet located on the 1<sup>st</sup> floor of the Grant Sawyer Building. Once the new server is in place the old "tower" server will be "wiped" and removed. This will be done by September 1, 2014.

**Recommendation 7: Contact the Department to identify and remove all files containing unencrypted personal identifying information from the Department's server that are accessible through the Commission's file server.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission, working with Department Information Technology (IT) staff has deleted the files that contained personal identifying information from the Department's server. In addition, the Department has modified the mapping of the Athletic Commission server to the Department's backup server (which is located in the EITS hosting facility) so that a person with administrative access to the Athletic Commission server cannot access the backup server via the mapped drive.

**Recommendation 8: Update procedures to ensure records are available to support results reported for each performance measure.**

**Response:** The Athletic Commission agrees with this recommendation. The Athletic Commission is in the process of reviewing their performance measures as part of the upcoming budget process. The Athletic Commission will develop procedures to ensure records are available to support reported performance measure results. After the procedures are developed, Athletic Commission staff and Director's Office fiscal staff will be trained on the new procedures as necessary to implement this recommendation.

**Recommendation 9: Track data to support each performance measure for increased efficiency when reporting results.**

**Response:** The Athletic Commission is in the process of reviewing their performance measures as part of the upcoming budget process. The Athletic Commission will develop procedures to track data that supports the reported performance measure results. After the procedures are developed, Athletic Commission staff and Director's Office fiscal staff will be trained on the new procedures as necessary to implement this recommendation.

**Recommendation 10: Revise procedures to ensure supporting documentation for performance measures is retained for at least 3 fiscal years.**

**Response:** The Athletic Commission is in the process of reviewing their performance measures as part of the upcoming budget process. The Athletic Commission will develop records retention procedures for performance measures supporting to documentation to ensure the records are retained for at least 3 fiscal years. After the procedures are developed, Athletic Commission staff and Director's Office fiscal staff will be trained on the new procedures as necessary to implement this recommendation.

**Recommendation 11: Develop controls to ensure reported results are accurate.**

**Response:** The Athletic Commission is in the process of reviewing their performance measures as part of the upcoming budget process. The Athletic Commission will develop controls to ensure that reported performance measures are accurate based on supporting documentation and records.

We thank you for meeting with us on March 24, 2014, and for providing us with an opportunity to respond to the recommendations contained in your performance audit report. If you have any additional questions or need additional information, please do not hesitate to contact our office.

Sincerely,



Shannon M. Chambers  
Administrative Services Officer  
Department of Business & Industry



## Nevada State Athletic Commission's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Contact the State Board of Examiners for approval to refund the overpayment of license fees collected for closed-circuit telecast events .....	<u>  X  </u>	<u>      </u>
2. Develop procedures to ensure license fees for closed-circuit telecast events are calculated correctly .....	<u>  X  </u>	<u>      </u>
3. Develop procedures to address current practices for preparing reports used for license fees and to ensure fees are collected timely.....	<u>  X  </u>	<u>      </u>
4. Develop procedures to ensure money received from promoters is deposited in the Athletic Commission's Agency Account, in accordance with NRS 467.080.....	<u>  X  </u>	<u>      </u>
5. Close the certificates of deposit opened in an outside bank account and either deposit the money with the State Treasurer, or require promoters to file a bond or other form of security authorized by statute .....	<u>  X  </u>	<u>      </u>
6. Obtain guidance from the Department for assistance in physically securing the server in accordance with state security standards and NRS 603A.210.....	<u>  X  </u>	<u>      </u>
7. Contact the Department to identify and remove all files containing unencrypted personal identifying information from the Department's server that are accessible through the Commission's file server.....	<u>  X  </u>	<u>      </u>
8. Update procedures to ensure records are available to support results reported for each performance measure .....	<u>  X  </u>	<u>      </u>
9. Track data to support each performance measure for increased efficiency when reporting results .....	<u>  X  </u>	<u>      </u>
10. Revise procedures to ensure supporting documentation for performance measures is retained for at least 3 fiscal years .....	<u>  X  </u>	<u>      </u>
11. Develop controls to ensure reported results are accurate.....	<u>  X  </u>	<u>      </u>
TOTALS	<u>  11  </u>	<u>    0    </u>