

# Audit Highlights



Highlights of performance audit report on the Public Utilities Commission of Nevada, Performance Measures issued on September 10, 2024.

Legislative Auditor report # LA24-09.

## Background

The Public Utilities Commission of Nevada (PUCN) was established in 1911. It regulates approximately 400 investor-owned utilities engaged in electric, natural gas, telecommunications, water and wastewater services, gas and electric “master meter” service at mobile home parks, and some propane systems. In addition, it monitors gas pipeline, rail safety, and underground excavation near subsurface installations.

The PUCN’s mission is to protect the public interest by ensuring fair and reasonable utility rates, and regulating the delivery of utility services to benefit the economy, the environment, and all Nevadans. This mission is accomplished through eight program activity areas.

The PUCN maintains offices in Carson City and Las Vegas. As of June 30, 2022, there were 103 authorized positions. The PUCN is self-funded with two budget accounts. During fiscal year 2022, over \$12.2 million was collected in regulatory assessments. Additionally, nearly \$84,500 in administrative fines was collected and transferred to the General Fund in accordance with Nevada Revised Statutes 703.380.

## Purpose of Audit

The purpose of the audit was to evaluate the PUCN’s internal controls over the reliability and relevance of its performance measures.

The audit focused on a review of performance measures for fiscal year 2022, and prior years for certain external reporting.

## Audit Recommendations

This audit report contains three recommendations to strengthen controls over the usefulness and reliability of performance measures.

The PUCN accepted the three recommendations.

## Recommendation Status

The PUCN’s 60-day plan for corrective action is due on December 9, 2024. In addition, the 6-month report on the status of audit recommendations is due on June 9, 2025.

# Performance Measures

## Public Utilities Commission of Nevada

### Summary

Stronger controls are needed over the administration of performance measures to improve usefulness and reliability. We analyzed the PUCN’s performance measures and found only 27% of its 33 measures were outcome based. Increasing the number of outcome measures would provide useful information to management and oversight bodies such as the Governor and Legislature in making budget and policy decisions. We also found reported results for measures were not always accurate. Additional guidance and oversight can improve the reliability of the agency’s measures. Useful and reliable performance measures are important to facilitate accountability and evaluate success in achieving goals.

### Key Findings

The PUCN reported a total of 33 performance measures in the 2023 – 2025 Nevada Executive Budget System. We analyzed these measures and found only 9 (27%) were outcome based. The Budget Building Manual of the Governor’s Finance Office recommends outcome measures that demonstrate the impact the agency is having on Nevada. Additionally, the Budget Division and the Legislature encourage outcome based measures to get a sense of how an agency is operating. (page 4)

Steps can be taken to improve the reliability of the PUCN’s performance measures used in the state’s budget process. We found mathematical errors led to inaccurate data. Our review found three 2021 and five 2022 measures to be inaccurate. These measures existed within the program activity areas of the Safety Programs, Constituent Services, and Agency Human Resource Services. Accuracy and reliability are critical for assessing performance and determining whether agency objectives are being achieved. (page 7)

The PUCN policies and procedures do not provide adequate guidance to assist staff with measuring performance. During our testing, we found that the agency documents the methodology used for calculating each performance measure in a spreadsheet used by fiscal staff for inputting performance data into the state budget system. Additionally, some staff maintain informal procedures and handwritten notes for preparing their performance measures. Formal written policies and procedures demonstrate a commitment to reliable performance measures by providing agency staff clear instructions for collecting applicable information. (page 8)

Performance data is collected and compiled by individuals within each program activity area with little or no supervisory or management review. We found all fiscal year 2022 measures lacked an adequate review of measurement calculations and detailed support. For 24 of the 33 measures, staff indicated the measure was reviewed by program staff. However, no documentation existed to support this review. (page 9)

The PUCN’s current process for developing, maintaining, and monitoring performance data does not emphasize its use in managing operations. We found two of the agency’s eight program activity areas do not utilize performance data to manage their activity area: Fiscal and Financial Operations, Management, and Reporting; and Agency Human Resource Services. Staff indicated that their performance measures are only calculated as part of the state budget process; therefore, the measurement results are not used to monitor internal performance. (page 9)