

Audit Highlights



Highlights of Legislative Auditor report on the Division of Water Resources issued on March 4, 2013. Report # LA14-03.

Background

The office of the State Engineer was created in 1903. The State Engineer is the executive head of the Division of Water Resources, which became a division of the Department of Conservation and Natural Resources in 1957. Its mission is to conserve, protect, manage, and enhance the state's water resources for Nevada's citizens through the appropriation and reallocation of public waters.

The Division's six main program areas include water rights, well drilling, dam safety, flood program, water planning, and adjudications.

As of July 2012, the Division had 81 employees located in its Carson City, Elko, Las Vegas, and Winnemucca offices. The Division has 61 budget accounts: 12 operating and 49 water system accounts. The Division's fiscal year 2012 revenues amounted to over \$11 million, including \$5 million in state appropriations. Fee collections amounted to \$3.5 million.

Purpose of Audit

The purpose of this audit was to: (1) determine whether dam safety inspections were performed timely and emergency action plans were submitted, (2) evaluate the reliability of performance measures used in the state's budget process, and (3) determine whether fees were collected and deposited in accordance with laws and regulations. Our audit focused on the Division's activities for fiscal year 2012, and included some inspections up to November 2012.

Audit Recommendations

This audit report contains eight recommendations to improve upon the inspection of dams, strengthen the reliability of performance measures, and enhance controls over the safeguarding of receipts.

The Division accepted the eight recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on May 28, 2013. In addition, the six-month report on the status of audit recommendations is due on December 2, 2013.

DIVISION OF WATER RESOURCES

Department of Conservation and Natural Resources

Summary

The Division can improve upon the inspection of dams throughout the State. Dam safety inspections were not always performed timely, and emergency action plans were not submitted to the State Engineer in accordance with state regulations. Stronger controls are also needed over the management of data used to track information about each dam. Since the failure of a dam could cause a loss of human life or extensive economic loss or disruption in a lifeline, inspecting dams is very important.

The Division can take steps to strengthen the reliability of its performance measures used in the state's budget process. Underlying records did not adequately support some of the reported measures. It is important for performance measures to be reliable because it can affect budget and policy decisions made by agency managers and oversight bodies, and judgments made by stakeholders and the public about the Division's operations.

The Division has an effective process for the collection and deposit of fees. We found the Division collected and deposited fees in accordance with state laws and regulations. Although the Division's controls over fee collections and deposits are effective, improvements can be made over the safeguarding of fee receipts.

Key Findings

As of June 30, 2012, the Division reported 655 dams: 148 high, 119 significant, and 388 low hazard dams. Of 75 dams tested, 31 dam safety inspections were not performed timely in accordance with state regulations. The inspections were untimely by an average of 5.9 years. State law requires the Division to perform dam inspections for the purpose of determining their safety. Additionally, no inspection was documented in 4 of the dam files reviewed. Of the 71 dam inspections reviewed, the Division's inspection checklist was only prepared for 39 (55%) of the dams inspected. Inspections should be performed timely and adequately documented. (page 5)

Emergency Action Plans (EAPs) were not always submitted by dam owners. Of 60 high and significant hazard dams tested, 55 dams were granted an approval to impound and 17 (31%) had not submitted an EAP. NAC 535.320 requires all high and significant hazard dams to have an EAP prior to obtaining an approval to impound. This approval allows an owner to detain water or other fluid substance using a dam. (page 7)

Dam database information used to monitor dam inspections is inaccurate. We tested 30 dams with timely inspections (per the database) and 212 dams with untimely inspections (per the database) and found 7 and at least 73, respectively, in which the inspection date did not agree to the last inspection date in the dam file. Further, we found 7 of 90 dams' hazard classifications to be incorrect. Dam data maintained in the Division's database should be accurate for the proper monitoring of the state's dams. (page 8)

The Division included 16 performance measures in its budget documents for fiscal years 2014 and 2015, specifically, the Executive Budget and the Priorities and Performance Based Budget. We selected five measures and found three were not adequately supported. These measures were the number of high, significant, and low hazard dams inspected in fiscal year 2012. Since adequate documentation was not retained, we were unable to determine the accuracy of each measure. In addition, the database queried had inaccurate information and therefore generated inaccurate results. Furthermore, the numbers the Division reported to us were the number of dams, not the number of inspections. (page 10)

The Division lacked sufficient controls to ensure performance measures were reliable. Control weaknesses included inadequate written procedures and insufficient review of the measurement computation for the five measures tested. It is important for performance measures to be reliable because it can affect budget and policy decisions made by agency managers and oversight bodies, and judgments made by stakeholders and the public about the Division's operations. (page 11)

During fiscal year 2012, the Division collected over \$3.5 million in fee revenue, of which \$1.6 million was made by check or cash and processed in its Carson City, Elko, or Las Vegas office. We tested 60 transactions totaling over \$390,000 and found fees were collected and deposited in accordance with state laws and regulations. Although controls are effective, safeguarding of receipts can be improved. Not securely storing fee receipts increases the risk that payments could become lost, stolen, or misappropriated. (page 13)