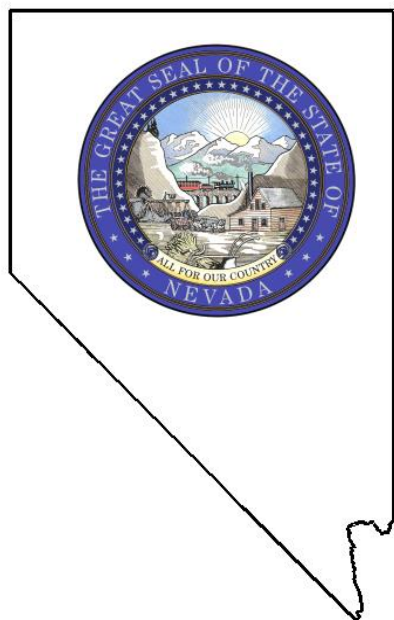


STATE OF NEVADA

Performance Audit

Department of Public Safety
Division of Emergency Management

2013



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of performance audit report on the Division of Emergency Management issued on January 7, 2014. Legislative Auditor Report # LA14-11.

Background

The mission of the Division of Emergency Management is to coordinate the efforts of the State and its political subdivisions in reducing the impact of disasters. The Division's primary responsibility is the administration of the emergency management program for the State. The Division works with federal, state, local, and tribal agencies, private entities, and the general public. It administers and issues federal homeland security and other grant funding for equipping, planning, training, and exercises for first responders such as law enforcement, fire, and emergency medical services. The Division monitors grant recipients to ensure compliance with federal requirements.

In fiscal year 2013, the Division had total funding of about \$23.7 million. The Division is funded primarily by federal grants. The funding consists of about \$23.2 million in federal grants and the remainder in general fund appropriations. The federal grants are received primarily from the U.S. Department of Homeland Security. For fiscal year 2013, the Division had 33 legislatively approved positions.

Purpose of Audit

The purpose of this audit was to determine if the Division: (1) properly tracks, safeguards, and disposes of its equipment, and (2) provides sufficient oversight of equipment purchased by its subgrantees with federal funds. Our audit focused on the Division's equipment activities from July 2011 through June 2013.

Audit Recommendations

This audit report contains three recommendations to enhance controls over the Division's equipment. In addition, there are five recommendations to improve oversight of equipment in the custody of subgrantees.

The Division accepted the eight recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on April 3, 2014. In addition, the six-month report on the status of audit recommendations is due on October 3, 2014.

Division of Emergency Management

Department of Public Safety

Summary

The Division of Emergency Management needs to strengthen controls over equipment in its custody. We found the Division did not perform an annual inventory or properly track its equipment. As a result, items could not be located and property records were not accurate. Controls in these areas are important to help ensure safeguarding of equipment, including many items with a high susceptibility to theft or loss, such as laptop computers. State property records indicate the total acquisition cost of items currently held by the Division is \$1.5 million.

The Division could improve its oversight of equipment purchased by subgrantees with federal funds. We found the Division did not implement a sound methodology for scheduling onsite visits, or perform sufficient testing of equipment while onsite. Although our testing of equipment in the possession of subgrantees found no major problems, certain controls could be implemented to help ensure equipment is properly safeguarded and readily available when needed.

Key Findings

The Division did not perform an annual inventory of equipment in its custody as required by state law. NRS 333.220 requires agencies to perform an annual physical inventory of their equipment and reconcile the results with the state's property records. According to the Division, its most recent inventory was performed in July 2011, which was over 2 years ago. The lack of an annual physical inventory of its equipment contributed to the Division not being able to locate 7 of 50 (14%) items we tested. The total cost of these seven items was about \$15,000. (page 5)

The Division did not always attach state identification (ID) tags to its equipment. For 9 of 42 (21%) items we tested, there was no state ID tag attached to the equipment. Attaching a state ID tag is important because it helps facilitate proper tracking of equipment. In addition, the Division's property records did not include all items in its custody. For example, audio-video equipment acquired in June 2012 for about \$257,000 for the Emergency Operations Center was not included in state property records. The newly-acquired equipment was purchased to replace components of an existing video wall. To facilitate proper tracking of the equipment acquired in 2012, it needs to be recorded in state property records. (page 6)

The Division's methodology for scheduling onsite visits of subgrantees has weaknesses. Specifically, the Division's risk assessment for scheduling onsite visits did not include all active subgrantees for the grant program under review. Also, staff did not document how it determined whether the subgrantee was high or low risk. Additionally, the Division did not always perform onsite visits of high-risk subgrantees, and the number of onsite visits was limited. Without a sound methodology for scheduling onsite visits, there is less assurance that high-risk subgrantees are adequately monitored. (page 9)

The Division's procedures for testing equipment during onsite visits of subgrantees can be enhanced. We found the Division did not always evaluate internal controls over equipment, perform physical observations of equipment, or verify the subgrantee conducted a physical inventory. Without an assessment of internal controls and adequate testing of equipment, there is an increased risk that an internal control weakness, missing equipment, or noncompliance with federal laws will not be detected. (page 11)

Overall, our testing did not find any major problems with subgrantees' accountability over equipment purchased with federal funds received from the Division. However, stronger controls could reduce the risk of theft or loss. For example, subgrantees are only required to track equipment that costs \$5,000 or more. Thus, commonly purchased equipment such as laptop computers, high-definition cameras, and night vision goggles costing less than \$5,000 are not required to have an asset tag or be listed in the property records. According to Division records, the combined total spent on equipment by subgrantees was about \$24 million for grants awarded in federal fiscal years 2008 to 2010. (page 12)

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Carson City, Nevada

This report contains the findings, conclusions, and recommendations from our performance audit of the Division of Emergency Management. 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 eight recommendations to enhance controls over the Division's equipment and improve oversight of equipment in the custody of subgrantees. 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", written over a white background.

Paul V. Townsend, CPA
Legislative Auditor

November 18, 2013
Carson City, Nevada

Division of Emergency Management Table of Contents

Introduction	1
Background.....	1
Scope and Objectives	3
Controls Over Equipment Need To Be Strengthened.....	5
Annual Inventory Was Not Performed	5
Tracking of Equipment Was Not Adequate.....	6
Oversight of Equipment Purchased by Subgrantees Could Be Improved.....	9
Process for Scheduling Onsite Visits of Subgrantees Has Weaknesses ..	9
Testing of Equipment During Onsite Visits Can Be Enhanced.....	11
Stronger Controls Could Help Reduce Risk of Theft or Loss	12
Appendices	
A. Schedule of Federal Grant Expenditures by Grant and Recipient – Fiscal Year 2013.....	16
B. Schedule of Equipment Expenditures by Subgrantee	19
C. Audit Methodology.....	20
D. Response From the Division of Emergency Management	23

Introduction

Background

The mission of the Division of Emergency Management is to coordinate the efforts of the State and its political subdivisions in reducing the impact of disasters. This includes developing, planning, implementing, and maintaining programs for prevention, detection, mitigation, preparedness, response, and recovery from disasters.

The Division's primary responsibility is the administration of the emergency management program for the State. In fiscal year 2012, the Office of Homeland Security was integrated into the Division. Through its combined efforts, the Division focuses on strategic information sharing and intelligence, critical infrastructure protections, citizen preparedness, and strengthening interoperable communications.

The Division works with federal, state, local, and tribal agencies, private entities, and the general public. It administers and issues federal homeland security and other grant funding for equipping, planning, training, and exercises for first responders such as law enforcement, fire, and emergency medical services. The Division monitors grant recipients to ensure compliance with federal requirements. It is also responsible for operating and maintaining the State's Emergency Operations Center and planning for the interoperability/operability of all statewide communications. The Emergency Operations Center serves as the single point of coordination for all response and recovery resources for the State, political subdivisions, and tribal agencies.

The Division's responsibilities are performed by the following sections:

- Administrative and Fiscal Section – Provides administration and management oversight.
- Exercise Section – Provides the emergency management community, emergency response professionals,

volunteers, and the private sector with a means to produce exercises that improve emergency preparedness.

- Grants Management Section – Manages and subgrants federal funds to state, local, and tribal agencies. The section manages approximately 450 subgrants.
- Operations Section – Coordinates the State’s emergency response functions through the State Emergency Operations Center.
- Planning Section – Responsible for statewide emergency preparedness planning in coordination with local governments.
- Recovery and Mitigation Section – Assists local governments in short and long-term planning for an efficient and coordinated recovery from a disaster.
- Training Section – Facilitates training for local emergency managers and their community partners.

Budget & Staffing

In fiscal year 2013, the Division had three budget accounts and total funding of about \$23.7 million. The Division is funded primarily by federal grants. The \$23.7 million in funding consists of about \$23.2 million in federal grants and the remainder in general fund appropriations. The federal grants are received primarily from the U.S. Department of Homeland Security.

The Division receives its operating revenues¹ mostly from federal grants and from a general fund appropriation. In fiscal year 2013, the Division received total operating revenues of approximately \$4.9 million. This included about \$4.4 million from federal sources and \$0.5 million from the State General Fund. Exhibit 1 shows the Division’s operating revenues for fiscal years 2009 through 2013.

¹ The term “operating revenues” excludes funds received from federal grants that are passed through the Division to subgrantees.

**Schedule of Operating Revenues
Fiscal Years 2009 - 2013**

Exhibit 1

Fiscal Year	Federal Revenues	General Fund Revenues	Other Sources	Total
2009 ⁽¹⁾	\$5,321,829	\$719,096	\$14,147	\$6,055,071
2010 ⁽¹⁾	\$3,677,325	\$553,619	\$ 5,155	\$4,236,099
2011 ⁽¹⁾	\$3,726,456	\$549,366	\$ 1,456	\$4,277,278
2012	\$4,235,467	\$498,697	\$ 1,914	\$4,736,078
2013	\$4,414,459	\$497,654	\$ 1,644	\$4,913,757

Source: State accounting system.

⁽¹⁾ Fiscal Years 2009 – 2011 do not include revenues for the Office of Homeland Security, as it was not a part of the Division at that time.

The Division is responsible for applying for federal funding through the U.S. Department of Homeland Security and for the pass-through of these funds to subgrantees. The Nevada Homeland Security Commission² makes recommendations on the use of money received by the State from homeland security grants. Once funds are awarded, subgrantees are reimbursed for eligible expenses. Subgrantees consist of various state, local, and tribal agencies, and non-profit organizations. Appendix A provides detailed information on 2013 federal grant expenditures.

The Division has offices in Carson City and Las Vegas, with the main office in Carson City. For fiscal year 2013, the Division had 33 legislatively approved positions.

Scope and Objectives

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.

This audit focused on the Division's equipment activities from July 2011 through June 2013. The objectives of our audit were to determine whether the Division:

² The Nevada Homeland Security Commission consists of 21 members. This includes 16 voting members and 3 non-voting members appointed by the Governor, 1 non-voting member appointed by the Senate Majority Leader, and 1 non-voting member appointed by the Speaker of the Assembly.

- Properly tracks, safeguards, and disposes of its equipment, and
- Provides sufficient oversight of equipment purchased by its subgrantees with federal funds.

Controls Over Equipment Need To Be Strengthened

The Division of Emergency Management needs to strengthen controls over equipment in its custody. We found the Division did not perform an annual inventory or properly track its equipment. As a result, items could not be located and property records were not accurate. Controls in these areas are important to help ensure safeguarding of equipment, including many items with a high susceptibility to theft or loss, such as laptop computers. State property records indicate the total acquisition cost of items currently held by the Division is \$1.5 million.

Annual Inventory Was Not Performed

The Division did not perform an annual inventory of equipment in its custody as required by state law. NRS 333.220 requires agencies to perform an annual physical inventory of their equipment and reconcile the results with the state's property records. Further, Division procedures require the inventory results to be dated, initialed, printed, and provided to a supervisor for final review. The printout is then dated and signed by the supervisor to confirm the annual inventory was completed. Hard copies of the inventory are to be maintained. According to the Division, its most recent inventory was performed in July 2011, which was over 2 years ago. Furthermore, the Division did not follow its procedure to retain a signed and dated report.

Division Equipment Could Not Be Located

The lack of an annual physical inventory of its equipment contributed to the Division not being able to locate several of the items we selected. Specifically, the Division was unable to locate 7 of 50 (14%) items. The total cost of these seven items was about \$15,000. Exhibit 2 lists the items that could not be located.

Missing Items		Exhibit 2
Description	Acquisition Date	Cost
Transceiver (communication equipment)	08/01/08	\$5,512
Laptop Computer	07/31/02	\$2,131
Advanced Survey Meter (radiation detector)	07/17/07	\$1,680
Advanced Survey Meter	07/17/07	\$1,680
Response Kit	11/24/08	\$1,570
Response Kit	11/24/08	\$1,570
Laptop Computer	06/04/08	\$1,184

Source: Audit test results.

Strong controls over equipment, including performing an annual physical inventory, are important because the Division is responsible for monitoring a significant number of items, many of which are highly susceptible to theft or loss. For example, the Division's property records maintained in the state accounting system include a total of 290 laptop, tablet, and desktop computers. In addition to equipment for its staff, the Division is responsible for equipment in the Emergency Operations Center and equipment used for training. The total acquisition cost of items currently held by the Division totaled about \$1.5 million.

Tracking of Equipment Was Not Adequate

The Division did not always attach state identification (ID) tags to its equipment. For 9 of 42 (21%) items we tested, there was no state ID tag attached to the equipment. Section 1544 of the State Administrative Manual (SAM) requires state ID tags to be attached to the asset when received. Attaching a state ID tag is important because it helps facilitate proper tracking of equipment.

In addition, the Division's property records did not include all items in its custody. As part of our testing, we observed 30 items and documented the attached state ID tag number. For 4 of the 30 (13%) items, there was no matching tag number in the Division's property records maintained in the state accounting system.

All four items were computers. Section 1544 of SAM requires all computers to be included in the property records due to the increased risk of theft or loss. We also noted audio-video equipment acquired in June 2012 for about \$257,000 for the Emergency Operations Center was not included in state property

records. The newly-acquired equipment was purchased to replace components of an existing video wall. To facilitate proper tracking of the equipment acquired in 2012, it needs to be recorded in state property records.

Because the Division has equipment in multiple locations, there is an increased need for proper tracking. The Division has equipment located in various rooms throughout its office building, in a warehouse, in a Department of Public Safety computer facility, and in Las Vegas. Rooms in the Division's office building with equipment include staff offices, the Emergency Operations Center, and the Executive Conference Room.

Documenting the location of all equipment would help ensure equipment is properly tracked and decrease the time needed to perform a physical inventory. During our testing to observe 50 items selected from property records, some items took multiple attempts to locate because records did not indicate their current location.

Some Equipment Was Not Properly Disposed

The Division did not timely submit disposition reports to the State Purchasing Division when it transferred equipment to other state agencies. For example, the Division was initially unable to locate a television and two video monitors selected for our testing. Subsequently, the Division realized that it had transferred the television to a state agency and the two video monitors to another agency. It then prepared disposition reports, but only after our inquiries. NRS 333.220 requires agencies to submit to the Purchasing Division a list on or before the last day of each month of all equipment for which it is responsible which was lost, stolen, exchanged, or deemed excess.

Recommendations

1. Perform an annual physical count of equipment and reconcile the count with state property records.
2. Ensure all required equipment has a state ID tag attached and is recorded in state property records.

3. Timely dispose of excess equipment and notify State Purchasing when equipment is lost or disposed.

Oversight of Equipment Purchased by Subgrantees Could Be Improved

The Division could improve its oversight of equipment purchased by subgrantees with federal funds. We found the Division did not implement a sound methodology for scheduling onsite visits, or perform sufficient testing of equipment while onsite. Although our testing of equipment in the possession of subgrantees found no major problems, certain controls could be implemented to help ensure equipment is properly safeguarded and readily available when needed.

Process for Scheduling Onsite Visits of Subgrantees Has Weaknesses

The Division's methodology for scheduling onsite visits has weaknesses. Specifically, the Division's risk assessment for scheduling onsite visits did not include all active subgrantees for the grant program under review. Also, staff did not document how it determined whether the subgrantee was high or low risk. Additionally, the Division did not always perform onsite visits of high-risk subgrantees, and the number of onsite visits was limited. Without a sound methodology for scheduling onsite visits, there is less assurance that high-risk subgrantees are adequately monitored.

The Division is required to monitor subgrantees to ensure they comply with federal regulations and meet grant performance goals. Subgrantees are monitored to track federal funds passed through by the Division for the purposes of implementing U.S. Department of Homeland Security strategies. The monitoring requirement is accomplished through office-based desk audits and onsite visits to the subgrantee.

The purpose of onsite visits is to help ensure subgrantees are in compliance with all programmatic and financial grant requirements. Examples of some of the important items that are

verified during an onsite visit are: (1) expenditures are appropriate and allowable under the grant, (2) internal controls are in place and being followed, and (3) subgrantees are in compliance with state and federal regulations.

The Division's Risk Assessment Was Incomplete

The Division's risk assessment for scheduling onsite visits during fiscal years 2012 and 2013 visits was incomplete. The first phase of the scheduling process is to categorize each subgrantee as Type A, B, or C, based on the amount of funds awarded. The Division's risk assessment included 42 active grants from the Homeland Security Grant Program (HSGP) awarded in federal fiscal year 2009, totaling about \$17 million. However, the risk assessment did not include 92 other active grants from the HSGP, totaling almost \$33 million.

The second phase of the scheduling process is to conduct an evaluation of risk for all Type A and Type B subgrantees. Division procedures state a risk evaluation form will be used to assist in determining whether a subgrantee is high or low risk. None of the risk evaluation forms were completed for the 20 Type A and Type B subgrantees included in the risk assessment. This form contains 24 risk indicators which can be useful in determining the risk level of a subgrantee as high or low. The assessed risk level for a subgrantee is one of the key factors for scheduling onsite visits.

We also found the Division has not developed a formal process for reviewing and approving its site visit schedule or changes made to the schedule. The site visit schedule for fiscal years 2012 and 2013 had no evidence of management approval. Division personnel indicated it was approved verbally.

Finally, Division policies and procedures indicate the number of onsite visits performed will be based on the amount of resources available. Because the Division has only one staff person available for onsite visits, a more comprehensive risk-based approach would allow the Division to maximize its limited resources. This would allow the Division to better identify its high-risk subgrantees and schedule onsite visits accordingly.

Some Onsite Visits Were Not in Accordance With the Risk Assessment

Some of the onsite visits performed during fiscal years 2012 and 2013 were not in accordance with the Division's risk assessment. For example, four low-risk subgrantees had a site visit and five high-risk subgrantees did not have a site visit. Division policies and procedures state onsite visits will focus on subgrantees with larger grant awards and a high level of assessed risk.

Further, the Division performed a limited number of site visits. During the 2-year period, the Division performed a total of 19 site visits. This included 14 site visits in fiscal year 2012, and 5 in fiscal year 2013. In its request to the Interim Finance Committee in 2008 to support the need for a position to perform onsite visits, the Division estimated 39 onsite visits would be performed each year.

Testing of Equipment During Onsite Visits Can Be Enhanced

The Division's procedures for testing equipment during onsite visits of subgrantees can be enhanced. We found the Division did not always evaluate internal controls over equipment, perform physical observations of equipment, or verify the subgrantee conducted a physical inventory. Without an assessment of internal controls and adequate testing of equipment, there is an increased risk that an internal control weakness, missing equipment, or noncompliance with federal laws will not be detected.

We reviewed 15 onsite visits performed in fiscal years 2012 and 2013 when testing of equipment was applicable and found:

- For 6 of 15 (40%) onsite visits, the Division did not assess the subgrantee's internal controls over equipment. For three of the onsite visits, the form used by the Division to document internal controls was completely blank or missing. In the other three instances, the form was only partially filled out.
- For 3 of 15 (20%) onsite visits, the Division did not physically observe any of the subgrantee's equipment purchased with federal funds to verify it was still in use or properly disposed.

- For 3 of 15 (20%) onsite visits, the Division did not verify the subgrantee had performed a physical inventory of its equipment.

The problems noted above were caused, in part, by the Division's current methodology for equipment testing during an onsite visit. When the specific grant selected for review does not include any equipment purchases, the Division does not perform any testing of equipment. However, we found instances when the subgrantee had purchased equipment with other grant funds received from the Division. Thus, an assessment of internal controls over equipment, physical observation of equipment, and verification of a physical inventory would be appropriate. An onsite visit should include testing procedures for equipment that provide a higher level of assurance than a desk audit that subgrantees are complying with federal requirements. Further, problems found concerning onsite visits were also caused by the lack of a detailed supervisory review to ensure Division procedures were being followed. For example, as previously noted, forms used by staff to document subgrantees' controls were either missing or not filled out.

We noted one other problem concerning onsite visits. At the conclusion of the site visit, a summary report is to be completed. The report provides: (1) a description of the grant reviewed, dates, and personnel; (2) a discussion of the visit and performance progress; and (3) a summary of findings and recommendations. For 13 of the site visits reviewed, there was no date on the report. A report date is often necessary for the Division to determine if recommendations were implemented timely. We found instances when the subgrantee was supposed to implement recommendations within a certain number of days from the report date, but there was no report date. A report date can also help management determine if the report was prepared timely after the onsite visit was conducted.

**Stronger Controls
Could Help
Reduce Risk of
Theft or Loss**

Overall, our testing did not find any major problems with subgrantees' accountability over equipment purchased with federal funds received from the Division. However, stronger controls could reduce the risk of theft or loss. For example, subgrantees are only required to track equipment that costs

\$5,000 or more. Thus, commonly purchased equipment such as laptop computers, high-definition cameras, and night vision goggles costing less than \$5,000 are not required to have an asset tag or be listed in the property records. As a result, there is an increased risk theft or loss could occur and go undetected.

According to Division records, the combined total spent on equipment by subgrantees was about \$24 million for grants awarded in federal fiscal years 2008 to 2010³. We tested 142 items in the custody of 10 subgrantees. Our sample included items ranging in price from \$379 to \$352,516. Exhibit 3 shows the attributes tested and the results.

Test Results for Equipment in the Custody of Subgrantees

Exhibit 3

Attribute	Result
Did the subgrantee locate the item for observation?	We physically observed all 142 items selected. There were no exceptions.
Did the item have an attached ID tag?	For 19 of 116 (16%) items requiring an ID tag, there was no attached ID tag.
Was the item included in the subgrantee's property records?	For 13 of 125 (10%) items that were required to be tracked, the item was not included in the subgrantee's inventory report to enable tracking.
Did the subgrantee provide evidence of performing a timely physical inventory?	One of 10 subgrantees could not provide evidence it performed a physical inventory as required under the grant. Further, one subgrantee did not perform a timely inventory for 11 of 18 items.

Source: Audit test results.

Further, for 2 of 10 subgrantees, equipment we selected was in the custody of a sub-subgrantee. One of the sub-subgrantees did not have written policies and procedures for its equipment. There is an increased risk for theft or loss in these situations because subgrantees are not required to notify the Division when equipment has been transferred to a sub-subgrantee or monitor the equipment that has been transferred.

Federal regulations require subgrantees to: (a) perform a physical inventory at least once every 2 years and reconcile the results

³ Because these grants have a minimum 3-year performance period, it is common for equipment purchases to occur years after the grant was awarded. Our review of Division records found minimal equipment was purchased with grants awarded after 2010.

with the property records; (b) maintain property records that include a serial number or other identification number, and the location of the property; and (c) develop adequate safeguards to prevent loss, damage, or theft of the property. In addition, NRS 354.625 requires the governing body of every local government to establish and maintain adequate property and equipment records and, where appropriate, implement adequate inventory controls.

Equipment purchased with Homeland Security funds is often intended for various types of emergencies, such as hazmat incidents and bomb threats. Thus, there is an increased need for these items to be readily available. To properly track all critical equipment, there should be an attached ID tag, and the item should be included in the subgrantees' property records and observed during the physical inventory.

We found some subgrantees have implemented certain best practices. For 5 of 10 subgrantees, their procedures require or encourage tracking sensitive or high-risk items that cost less than \$5,000. In addition, three subgrantees provided an inventory certification document as evidence that a physical inventory was performed. These best practices should be required for all of the Division's subgrantees.

Recommendations

4. Revise the risk-based approach for scheduling onsite visits to include all active subgrantees for the grant program under review, provide adequate coverage, and ensure management's review and approval is documented.
5. Revise procedures for onsite visits of subgrantees to include performing a physical observation of equipment, documenting an evaluation of internal controls over equipment, obtaining evidence a physical inventory was performed, and documenting a report date.
6. Provide greater supervisory oversight of work performed during onsite visits of subgrantees to ensure Division policies and procedures are being followed.

7. Encourage subgrantees to develop procedures for tracking high-risk items costing less than \$5,000 that are purchased with federal funds.
8. Require subgrantees to: (a) maintain a document in which it attests to performing a physical inventory of all federally-funded equipment in the last 2 years; (b) notify the Division when equipment has been transferred to a sub-subgrantee; and (c) develop procedures for monitoring equipment in the custody of a sub-subgrantee.

Appendix A

Schedule of Federal Grant Expenditures by Grant and Recipient Fiscal Year 2013

Federal Grant/Recipient	Expenditures
US Department of Homeland Security - Homeland Security Grant Program	
Clark County	\$ 6,478,180
Washoe County	3,851,870
Division of Emergency Management	1,760,713
City of Las Vegas	1,178,475
City of Henderson	880,529
Douglas County	639,568
Division of Investigations	462,246
Various Nonprofit Organizations	432,133
Department of Administration	249,531
City of North Las Vegas	225,005
City of Reno	197,320
Various Local Fire Districts	194,910
Elko County	167,458
City of Mesquite	166,795
University of Nevada, Reno	165,366
Nevada Hospital Association	138,177
Office of the Governor	82,628
Office of the Military	41,310
Elko Band Council (tribal government)	38,030
Carson City County	35,308
Lyon County	12,656
Churchill County	5,915
Storey County	2,821
Grant Total	\$17,406,944
US Department of Homeland Security - Emergency Management Performance Grants Program	
Division of Emergency Management	\$ 1,593,972
Clark County	424,644
City of Las Vegas	391,886

Federal Grant/Recipient	Expenditures
US Department of Homeland Security	
- Emergency Management Performance Grants Program (continued)	
City of Henderson	154,657
Various Native American Nations	153,030
City of Reno	141,558
City of North Las Vegas	140,516
Office of the Governor	140,115
Washoe County	125,825
City of Sparks	80,271
Carson City County	72,274
University of Nevada, Reno	68,471
Douglas County	57,239
Elko County	55,511
Nye County	42,596
City of Fallon	27,372
City of Mesquite	25,571
City of West Wendover	24,417
Lincoln County	21,522
Mineral County	20,723
Storey County	20,679
White Pine County	18,647
Churchill County	15,039
Pershing County	12,500
Grant Total	\$ 3,829,035
US Department of Energy	
- Environmental Remediation, Waste Processing and Disposal, and WIPP Grants	
Division of Emergency Management	\$ 562,498
Nye County	193,306
Lincoln County	97,158
Esmeralda County	56,619
Office of the Governor	29,201
Grant Total	\$ 938,782
US Department of Homeland Security	
- Buffer Zone Protection Program	
City of Las Vegas	\$ 743,231
Division of Emergency Management	108,757
Washoe County	7,300
Grant Total	\$ 859,288

Federal Grant/Recipient	Expenditures
US Department of Homeland Security	
- Disaster Relief and Pre-Disaster Mitigation Grants	
Truckee River Flood Management Authority	\$ 302,495
University of Nevada, Reno	98,671
City of Reno	87,367
Division of Emergency Management	62,266
Pershing County	41,869
Clark County	40,837
Nye County	23,265
White Pine County	21,286
Division of Forestry	10,244
Douglas County	10,208
Carson City County	885
Lincoln County	375
Grant Total	\$ 699,768
US Department of Commerce	
- Public Safety Interoperable Communications Grant Program	
Washoe County	\$310,723
Clark County	240,028
North Lake Tahoe Fire District	22,822
Lincoln County	21,970
Division of Emergency Management	5,080
Grant Total	\$ 600,623
US Department of Homeland Security	
- Emergency Operations Center Grant Program	
City of Las Vegas	\$417,118
Division of Emergency Management	26,466
Grant Total	\$ 443,584
US Department of Homeland Security	
- Interoperable Emergency Communications Grant Program	
Washoe County	\$176,663
Clark County	100,001
Division of Emergency Management	42,762
Grant Total	\$ 319,426
Total Fiscal Year 2013 Federal Grant Expenditures	\$25,097,450

Source: State Accounting System

Appendix B

Schedule of Equipment Expenditures by Subgrantee

Subgrantee	Year Federal Fiscal Grant Was Awarded			
	2008	2009	2010	
Clark County	\$ 5,741,062	\$3,720,747	\$2,832,396	\$12,294,205
Washoe County Sheriff	1,007,150	1,700,092	1,011,278	3,718,520
Las Vegas Metro Police Department	433,951	–	1,376,365	1,810,316
Washoe County	632,693	561,341	78,367	1,272,401
Douglas County	438,458	229,796	438,413	1,106,667
Elko County	915,464	83,982	66,009	1,065,455
Department of Transportation	561,710	–	–	561,710
City of Las Vegas	240,258	55,376	234,609	530,243
City of Reno	–	–	257,551	257,551
Health Division	–	–	223,222	223,222
Division of Investigations	107,207	65,779	41,037	214,023
Nevada Hospital Association	7,605	169,422	–	177,027
Office of Homeland Security	156,979	–	–	156,979
Inter-Tribal Council of Nevada	54,580	89,745	346	144,671
Truckee Meadows Fire Protection District	94,895	–	–	94,895
Department of Administration	–	–	93,610	93,610
Nevada Highway Patrol	–	89,294	–	89,294
North Lake Tahoe Fire Protection District	81,210	–	–	81,210
Chabad of Southern Nevada	–	–	71,250	71,250
City of North Las Vegas	–	8,465	40,275	48,740
Carson City County	45,701	–	–	45,701
City of Henderson	18,821	–	–	18,821
Department of Agriculture	15,904	–	–	15,904
Indian Health Board of Nevada	–	3,858	1,160	5,018
Totals	\$10,553,648	\$6,777,897	\$6,765,888	\$24,097,433

Source: Division records.

Appendix C

Audit Methodology

To gain an understanding of the Division of Emergency Management, we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to the Division's operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing activities of the Division. Further, we documented and assessed internal controls over Division equipment and equipment purchased by subgrantees with federal funds.

To test and evaluate whether the Division properly tracks, safeguards, and disposes of its equipment, we judgmentally selected 50 pieces of equipment from the Division's Fixed Asset Inventory Report. Judgment was based on selecting items with a high risk for theft or loss. Since the test items were judgmentally selected, the test results cannot be projected to the total population of equipment items held by the Division. For each item selected, we physically verified existence of the item and confirmed it had a state asset tag attached. Additionally, we requested a signed copy of the Division's July 2011 inventory report.

To determine whether the Division's property records were complete, we selected 30 pieces of equipment observed during our walk-through of Division offices and verified each item was recorded on the Fixed Asset Inventory Report. We also discussed the purchasing and disposal process with Division staff and staff from the State Purchasing Division. We reviewed equipment purchases for fiscal years 2011, 2012, and 2013 and verified they were properly recorded in the State's property records. We judgmentally selected 11 expenditures from non-equipment general ledger accounts during fiscal years 2011, 2012, and 2013. Judgment was based on the dollar amount of the expenditure, the

expenditure description, and the vendor name. We reviewed the supporting documentation for the 11 expenditures to verify the purchase was properly excluded from the State's property records.

To determine if the Division provided sufficient oversight of equipment purchased by subgrantees with federal funds, we reviewed federal and state requirements for subgrantee monitoring. We discussed the Division's monitoring process with staff and management. We reviewed the Division's methodology for scheduling site visits to be performed in fiscal years 2012 and 2013. Additionally, we reviewed the Division's work papers for subgrantee site visits performed in fiscal years 2012 and 2013. This included determining whether the Division: (1) evaluated the subgrantee's internal controls over equipment, (2) performed sufficient observations of equipment, and (3) verified the subgrantee performed a physical inventory.

Next, we judgmentally selected 10 subgrantees. Judgment was based on the size of the grant award, cost of equipment purchased, and type of entity (e.g. state agency, local government, or non-government entity). For each of the 10 subgrantees selected, we requested an inventory report for their federally funded equipment, evidence of the date their most recent equipment inventory observation was performed, and copies of their policies and procedures for equipment. We then reviewed the subgrantees policies and procedures to determine if they contained provisions for tracking high-risk equipment costing less than the subgrantee's capitalization threshold and for federal equipment inventory observation requirements.

From the 10 subgrantees, we judgmentally selected a total of 142 pieces of equipment based on high risk or high dollar items. For each item selected, we physically observed existence of the asset and documented if there was an attached identification tag.

For each piece of equipment required to be tracked, we confirmed the item was included in the subgrantee's property records and in the most recent physical equipment inventory observation.

Our audit work was conducted from February to September 2013. 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 Chief of the Division of Emergency Management. On November 1, 2013, 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 D which begins on page 23.

Contributors to this report included:

Dennis Klenczar, CPA
Deputy Legislative Auditor

Richard A. Neil, CPA
Audit Supervisor

Eugene Allara, CPA
Deputy Legislative Auditor

Appendix D

Response From the Division of Emergency Management

Brian Sandoval
Governor



James M. Wright
Director

Christopher B. Smith
Chief

**Division of Emergency Management
Homeland Security**

2478 Fairview Drive
Carson City, Nevada 89701

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November 15, 2013

Mr. Paul V. Townsend, CPA
Legislative Auditor
Legislative Counsel Bureau
401 S. Carson Street
Carson City, NV 89701-4747

Dear Mr. Townsend:

This letter is in response to the Department of Public Safety, Nevada Division of Emergency Management (NDEM) 2013 Performance Audit, dated November 5, 2013. As indicated in the attached document entitled, "Response to Audit Recommendations", the Division accepts the eight recommendations included in the audit report. Please see our response to the recommendations in the attached document.

NDEM would like to express appreciation for the efforts of the audit staff to improve the Division's processes and procedures.

Best regards,

A handwritten signature in black ink, appearing to read "Chris Smith", is written over the typed name.

Christopher B. Smith

Encl.

cc: James M. Wright, Director, Department of Public Safety
Joyce Garrett, Administrative Services Officer, NDEM
Rick Martin, Program Manager, NDEM

Capitol Police • Criminal Justice Assistance • Division of Emergency Management • Emergency Response Commission
State Fire Marshal • Investigations Division • Highway Patrol Division • Office of Traffic Safety
Parole and Probation • Records & Technology Division • State Board of Parole Commissioners • Training Division

**Nevada Department of Public Safety
Division of Emergency Management
Response to November 5, 2013 Audit Recommendations**

Recommendation 1: Perform an annual physical count of equipment and reconcile the count with state property records.

Response: NDEM is finalizing the physical inventory for Fiscal Year 2014. The Division recognizes the importance of controls over equipment and will continue to conduct a physical inventory annually.

Recommendation 2: Ensure all required equipment has a state ID tag attached and is recorded in state property records.

Response: While conducting the Fiscal Year 2014 physical inventory, state identification tags have been verified, replaced, and equipment has been properly recorded in state property records.

Recommendation 3: Timely dispose of excess equipment and notify State Purchasing when equipment is lost or disposed.

Response: NDEM will strengthen controls over the disposition of excess equipment, and timely submit disposition reports to the State Purchasing Division.

Recommendation 4: Revise the risk-based approach for scheduling onsite visits to include all active subgrantees for the grant program under review, provide adequate coverage, and ensure management's review and approval is documented.

Response: Previously the risk-based approach for scheduling onsite visits evaluated specific grant programs in specific federal years of funding. NDEM will adjust the approach by including all open federal years of funding for each grant program. In addition to this, management review and approval will be documented by signature.

Recommendation 5: Revise procedures for onsite visits of subgrantees to include performing a physical observation of equipment, documenting an evaluation of internal controls over equipment, obtaining evidence a physical inventory was performed, and documenting a report date.

Response: Previously, physical observation of equipment, documenting and evaluation of internal controls over equipment and obtaining evidence of a physical inventory was completed for the federal awards being reviewed that had equipment purchases. NDEM will adjust our equipment inventory monitoring procedures to evaluate inventory and equipment upon each visit, regardless of whether the specific federal award being reviewed had equipment purchases.

The monitoring procedures have been updated to reflect this adjustment and are pending review. This adjustment will begin immediately.

Recommendation 6: Provide greater supervisory oversight of work performed during onsite visits of subgrantees to ensure Division policies and procedures are being followed.

Response: Supervisory oversight of work performed during an onsite visit consists of electronic and verbal communication regarding observations and recommendations made during a visit. The summary report is reviewed by both the supervisor and program manager before the report is forwarded. This supervisory oversight will be enhanced and documentation will be archived regarding verbal and electronic correspondence.

Recommendation 7: Encourage subgrantees to develop procedures for tracking high-risk items costing less than \$5,000 that are purchased with federal funds.

Response: NDEM will encourage all sub-grantees to implement a policy regarding “high risk” items costing less than \$5,000 that are purchased with federal funds. The Division will also reach out to the 5 out of 10 subgrantees that currently track equipment under \$5,000 which is considered a best practice. The subgrantees will need to elect to participate with this process as the code of federal regulation mandates only that the subgrantee track equipment \$5,000 and over, however we believe by working with each jurisdiction they will see value with safeguarding equipment under \$5,000.

Recommendation 8: Require subgrantees to: (a) maintain a document in which it attests to performing a physical inventory of all federally-funded equipment in the last 2 years; (b) notify the Division when equipment has been transferred to sub-grantee; and (c) develop procedures for monitoring equipment in the custody of a subgrantee.

Response: NDEM agrees that all subgrantees shall maintain documents in which it attests to performing a physical inventory of all federally-funded equipment every 2 years. This document will be requested when on-site monitoring occurs. NDEM will enhance the direction to the subgrantees regarding the notification of equipment transferred using federal funds. NDEM currently has a procedure for monitoring equipment in the custody of subgrantees; however we will work more closely with the Grants and Projects Analyst II who is tasked with on-site monitoring of all subgrantees.

Division of Emergency Management's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Perform an annual physical count of equipment and reconcile the count with state property records.....	<u> X </u>	<u> </u>
2. Ensure all required equipment has a state ID tag attached and is recorded in state property records	<u> X </u>	<u> </u>
3. Timely dispose of excess equipment and notify State Purchasing when equipment is lost or disposed	<u> X </u>	<u> </u>
4. Revise the risk-based approach for scheduling onsite visits to include all active subgrantees for the grant program under review, provide adequate coverage, and ensure management's review and approval is documented	<u> X </u>	<u> </u>
5. Revise procedures for onsite visits of subgrantees to include performing a physical observation of equipment, documenting an evaluation of internal controls over equipment, obtaining evidence a physical inventory was performed, and documenting a report date.....	<u> X </u>	<u> </u>
6. Provide greater supervisory oversight of work performed during onsite visits of subgrantees to ensure Division policies and procedures are being followed.....	<u> X </u>	<u> </u>
7. Encourage subgrantees to develop procedures for tracking high-risk items costing less than \$5,000 that are purchased with federal funds	<u> X </u>	<u> </u>
8. Require subgrantees to: (a) maintain a document in which it attests to performing a physical inventory of all federally-funded equipment in the last 2 years; (b) notify the Division when equipment has been transferred to a sub-subgrantee; and (c) develop procedures for monitoring equipment in the custody of a sub-subgrantee	<u> X </u>	<u> </u>
TOTALS	<u> 8 </u>	<u> 0 </u>