

# STATE OF NEVADA

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## Audit Report

Department of Conservation  
and Natural Resources  
Division of Forestry

2013



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of Legislative Auditor report on the Division of Forestry issued on February 11, 2013. Report # LA14-01.

## Background

The Division of Forestry provides professional natural resource and wildland fire management services to Nevada citizens and visitors to enhance, conserve and protect forest, rangeland and watershed values, endangered plants, and other native flora. NDF's core mission is to protect natural resources and property from wildfire.

Support for NDF's activities are recorded in five budget accounts. Total revenues for fiscal year 2012, including general fund appropriations amounted to over \$31 million. Expenditures for the same time period exceeded \$28 million. NDF operates from three offices with its headquarters located in Carson City and two regional offices in Elko and Las Vegas. NDF operates with approximately 180 employees, not counting seasonal hires.

NDF, in conjunction with the Nevada Department of Corrections, operates nine conservation camps throughout the state. The objectives of the program are to provide manpower for conservation, labor-intensive projects, community assistance, fuels and resource management, wildland fire suppression activities, and other emergency responses. NDF conservation camps received over \$3 million in project revenue and responded to 288 emergency incidents during fiscal year 2012.

## Purpose of Audit

The purpose of our audit was to determine if adequate controls and processes were in place to ensure the efficient, effective and proper administration of conservation camp projects and billings.

This audit included a review of NDF's conservation camp project activities for the 18-month period ending June 30, 2012.

## Audit Recommendations

This audit report contains six recommendations to improve oversight and control activities regarding conservation camp project work.

NDF accepted the six recommendations.

## Recommendation Status

NDF's 60-day plan for corrective action is due on May 7, 2013. In addition, the six-month report on the status of audit recommendations is due in November 7, 2013.

# Division of Forestry

## Department of Conservation and Natural Resources

### Summary

Overall, the Nevada Division of Forestry (NDF) billed and received funds from conservation camp projects timely and accurately; however, NDF can improve certain oversight and control activities regarding conservation camp project work. Specifically, project agreements should be executed for all projects and forwarded to the central office to ensure NDF management are knowledgeable about project work and the State is adequately protected from unforeseen liabilities. Additionally, NDF can better document and review circumstances related to free, reduced rate, and non-conservation related project work. Better controls and oversight will ensure project revenue is maximized and camp operations are consistent throughout the State.

### Key Findings

NDF did not ensure project agreements were executed for all work projects. In several instances project agreements did not exist, work was performed outside the effective dates of the agreement, or agreements were written that did not contain effective dates. In all, our testing found 15 of 45 (33%) projects did not have executed agreements and 10 (22%) agreements were not current or complete. As a result, NDF did not collect over \$13,000 in project revenue. For the 18-month period ended June 30, 2012, NDF performed approximately 500 reimbursable and 90 non-reimbursable projects. Without properly executed agreements, the State may not be adequately protected from liability and all project revenue may not be recovered. (page 6)

NDF policies require reduced rate projects to be approved by central office personnel; however, documentation regarding such approval was not maintained. Reduced rate projects are negotiated and billed at less than standard rates determined by NDF and based on operating costs. Furthermore, free and reduced rate work can be better controlled with more documentation regarding rate reductions, prioritization of projects, and cost-benefit analyses. NDF conservation camp crews provide valuable services to communities throughout the State, but better control and review over projects will assist in ensuring work performed is the most beneficial for the State and the program is performing as anticipated by management. (page 7)

Work projects did not always comply with work objectives as stated in NDF camp policies. Our testing identified some (11 of 45) reimbursable and non-reimbursable projects where the work type did not meet stated camp objectives. Policies allow work to be performed outside of the stated objectives if objective related work is unavailable; however, we found no documentation regarding the necessity to perform such services. Work performed outside of stated objectives included reimbursable and non-reimbursable projects. (page 10)

Management reports were not always accurate or complete due to project cost calculation and compilation errors. Of the 45 projects tested, cost calculation errors were noted for 14 of the projects. Some projects resulted in project costs being overstated on monthly reports, but most errors resulted in costs being understated. Accurate monthly reports are important because NDF does not capture this information elsewhere and it is used to calculate certain performance measures and monitor camp project activity. (page 11)

Projects were not always billed in accordance with the terms specified in project agreements. Of 27 reimbursable projects tested, 2 were not billed according to the terms of the agreement and we could not determine the accuracy of 6 because project agreements were not executed. For example, one project invoice was billed as a flat rate of approximately \$6,000. Upon review of the agreement, a rate per acre was noted as the billing rate. Available documentation did not reflect the number of acres completed during the project month so we could not determine the accuracy of the invoiced amount. Differences went undetected because the central office does not review agreement terms when approving billing invoices. (page 12)

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This report contains the findings, conclusions, and recommendations from our completed audit of the Division of Forestry. 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 six recommendations to improve oversight of conservation camp project work. 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

February 1, 2013  
Carson City, Nevada

# Division of Forestry

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# Introduction

## Background

The Nevada Division of Forestry (NDF) provides professional natural resource and wildland fire management services to Nevada citizens and visitors to enhance, conserve and protect forest, rangeland and watershed values, endangered plants, and other native flora. NDF's core mission is to protect natural resources and property from wildfire. In support of its mission, NDF manages and coordinates all forestry, nursery, endangered plant species, and watershed resource activities on qualified public, state, and private lands. In conjunction with other state agencies, NDF also takes action and coordinates responses to natural disasters, including floods and earthquakes as requested by the Division of Emergency Management. NDF provides assistance to county and local fire districts, and cooperatively adopts and enforces fire prevention regulations, including fire retardant roofing and defensible space requirements.

Support for NDF's activities are recorded in five budget accounts. Total revenues for fiscal year 2012, including general fund appropriations amounted to over \$31 million, excluding beginning cash and associated reversions. Expenditures for the same time period exceeded \$28 million. Exhibits 1 and 2 detail revenues and expenditures by area and budget account for fiscal year 2012.

**Revenues by Budget Account  
Fiscal Year 2012**

**Exhibit 1**

	4195 Forestry Administration	4196 Emergency Response	4198 Conservation Camps	4227 Inter- governmental	4235 Nurseries	Totals	Percent of Total
Appropriations	\$ 3,749,108	\$2,500,000	\$5,004,755	\$ -	\$ -	\$11,253,863	35.58%
Federal Grants	5,561,903	-	-	-	47,589	5,609,492	17.74%
Project & Nursery Receipts	-	-	3,170,136	-	593,436	3,763,572	11.90%
Reimbursements	510,050	3,464,171	-	-	-	3,974,221	12.56%
Intergovernmental	-	-	-	3,627,181	-	3,627,181	11.47%
Other Revenue	13,448	-	-	-	215	13,663	0.04%
Transfers	1,180,052	2,199,387	-	-	9,643	3,389,082	10.71%
<b>Totals</b>	<b>\$11,014,561</b>	<b>\$8,163,558</b>	<b>\$8,174,891</b>	<b>\$3,627,181</b>	<b>\$650,883</b>	<b>\$31,631,074</b>	<b>100.00%</b>

Source: State accounting system.

**Expenditures by Budget Account  
Fiscal Year 2012**

**Exhibit 2**

	4195 Forestry Administration	4196 Emergency Response	4198 Conservation Camps	4227 Inter- governmental	4235 Nurseries	Totals	Percent of Total
Personnel	\$ 4,757,226	\$1,891,333	\$6,378,312	\$2,227,976	\$169,229	\$15,424,076	54.44%
Operating, Equipment, & Maintenance	922,181	-	335,651	8,191	116,283	1,382,306	4.88%
Camp, Intergovernmental, & Nursery	-	-	1,254,329	1,291,800	370,674	2,916,803	10.29%
Fire Suppression or Related	135,379	2,961,665	75,454	20,693	595	3,193,786	11.27%
Federal Grants	4,874,577	-	-	-	35,970	4,910,547	17.33%
Assessments & Cost Allocations	98,638	3,696	32,995	146,680	6,701	288,710	1.02%
Other	62,577	478	46,425	-	-	109,480	0.39%
Transfers	-	108,242	-	-	-	108,242	0.38%
<b>Totals</b>	<b>\$10,850,578</b>	<b>\$4,965,414</b>	<b>\$8,123,166</b>	<b>\$3,695,340</b>	<b>\$699,452</b>	<b>\$28,333,950</b>	<b>100.00%</b>

Source: State accounting system.

NDF operates from three offices with its headquarters located in Carson City and two regional offices in Elko and Las Vegas. In addition, NDF oversees emergency response activities through the operation of two, one full time and one seasonal, interagency dispatch centers, three all-risk fire stations, and 34 volunteer fire stations. Nine conservation camps located throughout the state provide emergency and conservation related work and two

nurseries supply conservation plant materials to Nevada's private landowners and public land management agencies. NDF operates with approximately 180 employees, not counting seasonal hires.

### Conservation Camp Operations

NDF, in conjunction with the Nevada Department of Corrections, operates nine conservation camps throughout the state. The program was established in 1959 and has evolved since that time. Exhibit 3 details the locations of each camp and the potential number of inmates and crews.

### Conservation Camp Locations Exhibit 3

Conservation Camp	Year Opened	Inmates Housed	Inmate Employability	Crew Supervisor Positions <sup>(1)</sup>
Carlin	1988	150	84	7
Eastern Sierra <sup>(4)</sup>	1978	350	168	18 <sup>(3)</sup>
Ely	1985	150	84	7 <sup>(3)</sup>
Humboldt	1988	152	96	8
Jean <sup>(2)</sup>	1988	288	84	7
Pioche	1985	238	96	8
Three Lakes Valley	1985	210	96	8 <sup>(3)</sup>
Tonopah	1990	152	84	7
Wells	1985	152	72	6

Source: NDF website and staff.

<sup>(1)</sup> Crew supervisor positions authorized as of January 2013.

<sup>(2)</sup> The Jean Conservation Camp is the only female facility in the State of Nevada.

<sup>(3)</sup> These camps also employ one mechanic in addition to the noted crew supervisor positions.

<sup>(4)</sup> Previously referred to as Stewart Conservation Camp.

NDF conservation camp programs coordinate and supervise forestry, conservation, and other work projects performed by inmates from the Department of Corrections, who reside in Forestry Conservation Camps (Minimum Security Prisons). The program provides a cost-effective workforce to assist NDF in fulfilling its natural resource protection and enhancement missions and is also available to other state agencies, local governments, federal agencies, and private entities which provide service to visitors and residents of Nevada. The conservation camp

program plays a critical role in fuels reduction and fire prevention work throughout Nevada.

Specifically, the objectives of the program are to provide manpower for conservation, labor-intensive projects, community assistance, fuels and resource management, wildland fire suppression activities, and other emergency responses. Inmates are paid at a rate of \$2.10 per work day when engaged on project work and \$1 per hour, from the time of dispatch until returned to the home institution, for emergency incident response assignments. NDF conservation camps received over \$3 million in project revenue and responded to 288 emergency incidents during fiscal year 2012. Exhibit 4 details conservation camp emergency and project activity for fiscal year 2012.

### Conservation Camp Activities Fiscal Year 2012

### Exhibit 4

Conservation Camp	Average Camp Inmates	Average Inmates Assigned to NDF	Average Crew Size	Number of Emergency Responses	Number of Emergency Response Days <sup>(1)</sup>	Number of Project Days <sup>(1)</sup>	Value of Reimbursable Projects	Value of Non-reimbursable Projects
Carlin	113.90	75.09	12.38	65	3,865	8,375	\$ 202,306	\$ 203,547
Eastern Sierra	338.96	139.15	10.40	70	10,745	24,814	619,831	328,202
Ely	113.65	68.46	11.82	14	9,768	7,847	359,386	180,560
Humboldt	114.90	76.97	10.80	27	3,579	8,679	393,874	130,434
Jean	167.32	115.62	12.98	13	1,509	14,590	458,186	143,619
Pioche	147.64	102.44	11.38	15	2,562	12,730	202,393	200,645
Three Lakes Valley	180.74	75.11	11.93	18	945	9,889	446,534	146,725
Tonopah	133.03	84.09	11.68	29	5,064	7,966	350,389	59,935
Wells	114.80	68.60	10.89	37	2,787	6,151	201,242	208,067
<b>Totals</b>				288	40,824	101,041	\$3,234,141	\$1,601,734

Source: NDF monthly camp report summary.

<sup>(1)</sup> Days represent the number of inmate days worked. For instance, a 12 man crew may respond to 1 emergency incident for 5 days. Sixty days would be recorded in the Number of Emergency Response Days as a result.

According to NDF, the conservation camp program faces many unique challenges. Some challenges noted by the agency include:

- Camp revenue requirements that are difficult to meet during moderate to heavy fire seasons.



- Employee turnover.
- Competition with other Department of Corrections programs that pay inmates a higher wage than paid by NDF.
- Constituent expectations of non-billable services which conflict with revenue generating requirements.

## **Scope and Objective**

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 of Forestry's conservation camp project activities for the eighteen months ended June 30, 2012. The objective of our audit was to determine if adequate controls and processes were in place to ensure the efficient, effective and proper administration of conservation camp projects and billings.

# Conservation Camp Project Oversight Can Be Improved

Overall, the Nevada Division of Forestry (NDF) billed and received funds from conservation camp projects timely and accurately; however, NDF can improve certain oversight and control activities regarding conservation camp project work. Specifically, project agreements should be executed for all projects and forwarded to the central office to ensure NDF management are knowledgeable about project work and the State is adequately protected from unforeseen liabilities. Additionally, NDF can better document and review circumstances related to free, reduced rate, and non-conservation related project work. Better controls and oversight will ensure project revenue is maximized and camp operations are consistent throughout the State.

## **Project Agreements Not Always Executed or Adequate**

NDF did not ensure project agreements were executed for all work projects. In several instances project agreements did not exist, work was performed outside the effective dates of the agreement, or agreements were written that did not contain effective dates. In all, our testing found 15 of 45 (33%) projects did not have executed agreements and 10 (22%) agreements were not current or complete. For the 18-month period ended June 30, 2012, NDF performed approximately 590 projects, of which 500 were for reimbursement and 90 were non-reimbursed. Without properly executed agreements, the State may not be adequately protected from liability and all project revenue may not be recovered.

Project agreements state the terms, conditions, and billing rates of work to be performed and protects the State from potential legal liability. Even though NDF policies and procedures require an agreement to be in place prior to project commencement, NDF camp personnel did not secure all necessary agreements. Furthermore, project agreements were not routinely sent to the central office for review even though policies require agreements

be forwarded, resulting in weak oversight by camp program management.

Our review of 18 non-reimbursable and 27 reimbursable projects found projects were completed without agreements for 10 of the non-reimbursable and 5 of the reimbursable projects. Additionally, work was performed outside the project effective dates for two non-reimbursable and eight reimbursable projects. Two non-reimbursable project agreements did not specify commencement and termination dates.

Inadequate execution of project agreements resulted in missed revenue to NDF. Two projects from our sample were not billed to the cooperator because work was performed after the agreement effective work dates had expired. Missed revenue for these two projects totaled \$13,300. Based on a review of both projects, work performed in previous months was billed at standard NDF rates. Conservation camps should remain cognizant of agreement termination dates to ensure all work is performed within the agreement scope or agreements are amended or re-executed as necessary to ensure all available funding is recovered.

NDF policies require the execution of an agreement prior to beginning any project; yet, NDF management did not ensure agreements were executed by camp personnel because they do not review or approve agreements. Although the Legislature has mandated the camp system to generate revenue, the program risks generating insufficient revenue when proper agreements are not executed and available revenue is not billed.

### **Better Review and Approval of Reduced Rate Project Work Needed**

NDF policies require reduced rate projects to be approved by central office personnel; however, documentation regarding such approval was not maintained. Reduced rate projects are negotiated and billed at less than standard rates determined by NDF and based on operating costs. Furthermore, free and reduced rate work can be better controlled with more documentation regarding rate reductions, prioritization of projects, and cost-benefit analyses. NDF conservation camp crews provide valuable services to communities throughout the State, but better

control and review over projects will assist in ensuring work performed is the most beneficial for the State and the program is performing as anticipated by management.

Camp supervisors solicit and determine projects to be performed by available inmate crews. Additionally, camp supervisors determine and negotiate rates with cooperators including whether projects will be performed at full rate, some other rate, or free of charge. NDF policies state full rate projects will be given highest priority secondary only to emergency response incidents. Reduced rate or non-reimbursable projects may be undertaken when standard rate projects are not available. Policies also require all reduced rate or non-reimbursable projects to be approved by personnel at NDF's central office. Furthermore, camp policies also provide that crews shall not be used to perform work projects that could be performed by private industry unless specific criteria are met.

Billing rates are detailed in project agreements. Full published rates are stated as a daily rate for crew and equipment. Reduced rate projects we reviewed were stated as a flat daily rate, a per acre rate, or a total project fee. Exhibit 5 shows NDF's full daily project rates in effect during our audit.

<b>Project Rates</b>	<b>Exhibit 5</b>	
	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2012</b>
<b>Standard Labor Rates</b>		
Inmate Workday	\$ 10.27	\$ 10.27
Conservation Crew Supervisor Day	\$344.09	\$329.45
Conservation Crew Supervisor Overtime Pay	\$389.09	\$347.62
<b>Standard Equipment Rates</b>		
Crew Carrier Daily Rates	\$100.70	\$109.26
Crew Carrier Miles	\$ 2.85	\$ 2.94
Chipper	\$ 40.28	\$ 43.70
Chainsaw	\$ 41.95	\$ 45.52

Source: NDF published rate schedule.

Our review of reduced and no-cost projects found work was performed frequently for less than full-rate. Fourteen of the 27 reimbursable projects tested charged rates lower than published NDF standard rates without documented justification or evidence of central office management approval. Similarly, there was no documented justification or any indication the central office reviewed or approved any of the non-reimbursable projects even when agreements were found. In certain instances, rate reductions or no-cost services were provided where it appeared more revenue could have been recovered. For instance:

- Garden maintenance services worth over \$2,000 at NDF standard rates were provided at no charge to a church.
- Weed treatment services worth approximately \$27,000 at NDF standard rates were provided to the BLM at a reduced cost of \$12,000. According to camp records, two crews were dispatched for 12 days and accrued in excess of 4,500 miles. The billing rate of \$500 per day did not cover the mileage costs for the crews for 7 of the 12 project days.
- General cleanup services worth over \$1,200 at NDF standard rates were provided to a storage facility business for a reduced rate of \$700.
- Fuel reduction services worth about \$15,000 at NDF standard rates were provided to a private property owner at a reduced rate of \$10,320.

While providing these services for the negotiated or no-cost rate may be appropriate, we could not find documentation detailing the circumstances necessitating the rate reduction or determine if these services were undertaken only when full rate work was unavailable. In addition, even though some projects were performed at flat rates covering a small portion of the total project cost, a cost benefit analysis supporting the negotiated rate was not performed or documented. An analysis will assist camp personnel and management in determining the appropriateness of rate reductions and anticipated project costs to ensure revenue from project work is maximized.

Written policies and procedures although fairly comprehensive, do not provide guidance to camp personnel regarding project pricing, documenting the reasons for a rate reduction, analyzing the cost-benefit received on no-cost and rate reduction projects, and project prioritization. Furthermore, central office oversight, review, and approval of reduced rate and no-cost project work will provide additional accountability to ensure project work is proper and meets NDF goals and objectives.

### **Some Projects Not Conservation Related**

Work projects did not always comply with work objectives as stated in NDF camp policies. Our testing identified some (11 of 45) reimbursable and non-reimbursable projects where the work type did not meet stated camp objectives. Policies allow work to be performed outside of the stated objectives if objective related work is unavailable; however, we found no documentation regarding the necessity to perform such services. Work performed outside of stated objectives included reimbursable and non-reimbursable projects. Projects performed included:

- Landscaping services at an RV park for \$900, a rate that was less than one half of the standard NDF billing rate of \$1,935.
- Painting colored survey stakes for a mining company for \$1,500, also less than the standard billing rate of \$1,807.

NDF camp policies and procedures outline camp projects should encompass forestry conservation programs, public safety, highway beautification, and projects that promote conservation of natural and human resources. Policies also state projects should not be undertaken when, in the normal course of events, local businesses could perform the work.

NDF staff indicated it is a priority to ensure crews remain active and down time is minimized regardless of work project type. Furthermore, camp personnel indicated it is common to provide services to local governments in rural areas at reduced rates or free of charge. While we do not disagree with NDF, documentation and central office approval regarding the necessity of such activities is appropriate to ensure program and revenue goals are met.

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## **Management Reports Can Be More Accurate and Consistent**

Management reports were not always accurate or complete due to project cost calculation and compilation errors. Of the 45 projects tested, cost calculation errors were noted for 14 of the projects. Some projects resulted in project costs being overstated on monthly reports, but most errors resulted in costs being understated. Accurate monthly reports are important because NDF does not capture this information elsewhere and it is used to calculate certain performance measures and monitor camp project activity.

Errors noted on monthly reports included incorrect crew supervisor and equipment rates, excluding the costs for crew carriers, mileage, and inappropriately prorating crew supervisor costs when less than a full crew was dispatched. Furthermore, monthly, non-reimbursable camp activities were not reported consistently by each camp. For instance, in-camp operations include activities such as laundry and food service provided by inmates supervised by the Department of Corrections. For the 18 months ended June 30, 2012, two of the nine camps reported no inmate days related to in-camp operations, while two camps reported over 10,000 days. When such discrepancies exist, management information is not accurate for program monitoring and decision making.

We also noted monthly reports included only the billable rate for reimbursable project work. Because NDF often bills at rates other than standard rates, showing the reduced billable amount does not account for the entire project. Of the 27 reimbursable projects tested, 14 were billed at less than full rate. These 14 projects were discounted over \$38,000; however, this was not reflected on monthly reports and not included in camp statistics.

While reimbursable project invoices are reviewed by the central office, non-reimbursable project costs are not routinely reviewed for consistency or accuracy by central office personnel resulting in calculation and other errors. Furthermore, discounts on billable project work were not accounted for and reported by camp personnel. Errors and inconsistencies occurred because management review and written policies and procedures are inadequate to ensure that all project costs are calculated

## **A Few Billings Not Consistent With Project Agreements**

consistently, accurately, and reported results are reliable and adequately documented.

Projects were not always billed in accordance with the terms specified in project agreements. Of 27 reimbursable projects tested, 2 were not billed according to the terms of the agreement and we could not determine the accuracy of 6 because project agreements were not executed. For example, one project invoice was billed as a flat rate of approximately \$6,000. Upon review of the agreement, a rate per acre was noted as the billing rate. Available documentation did not reflect the number of acres completed during the project month so we could not determine the accuracy of the invoiced amount. Differences in billings went undetected because the central office does not review agreement terms when approving billing invoices.

NDF policies and procedures require all project agreements to be sent to the central office as soon as the agreement is signed. However, project agreements are maintained at the camps and not routinely sent to the central office for review resulting in invoices that do not always agree to the terms of the agreement.

### **Recommendations**

1. Ensure existing policies and procedures are adhered to that require a project agreement be executed prior to project commencement and submit agreements to the central office.
2. Develop procedures to ensure the central office reviews and approves all nonstandard rate projects.
3. Develop written policies, procedures, and controls over nonstandard rate projects to include guidance for pricing a project, circumstances under which a rate reduction is appropriate, documenting reasoning for rate reductions, and analyzing the cost-benefit to the State.
4. Enhance existing controls over nonconforming work projects including documenting circumstances under which such work projects are to be undertaken and the necessity to perform the work at less than full billing rates.



5. Develop procedures to ensure monthly reports are accurate and complete, including the analysis and review by the central office of project cost calculations for less than full rate projects.
6. Enhance existing controls to ensure that projects are billed in accordance with agreement terms.

# Appendix A

## Projects Tested

Camp	Cooperator	Month Work Performed	Project Location	Project Description	Project Days in Month	Inmate Days	Full Rate of Project	Amount Billed
Carlin	NDF/ Private Landowner	Feb '11	Smith Creek	Fuels reduction	3	55	\$ 5,285.59	\$ -
	City of Carlin <sup>(2)</sup>	Mar '11	Carlin	General maintenance	20	229	11,911.68	-
	NDF/ Private Landowner <sup>(4)</sup>	Mar '11	Eureka	Fuels reduction	8	211	22,303.71	24,000.00
	Newmont Gold	Jun '11	Carlin	Spreading fertilizer	2	22	1,403.37	1,403.37
	NDF/ Private Landowner <sup>(1)</sup>	Mar '12	Smith Creek	Fuels reduction	13	444	36,954.52	8,400.00
Eastern Sierra	Private Landowner <sup>(1)</sup>	Jun '11	West Washoe Valley	Fuels reduction & deforestation of diseased timber	7	80	\$ 4,714.01	\$ -
	Nevada State Parks <sup>(1)</sup>	May '11	Davis Creek Park	Log deck construction	7	28	6,931.63	-
	Private Landowner	Jan '12	Wiley Ranch	Timber stand improvement via thinning & infested tree removal	4	75	7,530.09	7,439.05
	NDF/ Private Landowner <sup>(4)</sup>	Jul '11	Franktown Road	Fuels reduction	17	488	29,902.04	29,919.67
	Private Landowner	Sep '11	Glenbrook	Firewood yarding	2	34	2,335.00	1,500.00
Ely	Methodist Church	May '11	Ely	Garden maintenance	2	30	\$ 2,055.72	\$ -
	City of Ely	Apr '12	Ely	Loading of tires from city dump	2	25	1,428.17	-
	Private Landowner	Aug '11	Lowery Springs Road	Construct fence	4	43	2,578.65	1,500.00
	Robinson Nevada Mining Company	Nov/ Dec '11	Ruth	Removal of debris from main dewatering ditch	6	65	4,240.61	5,000.00
	Wesco Operations	Mar '12	Rail Road Valley	General maintenance & oil spill clean up	4	48	3,776.60	4,800.00
Humboldt	Unknown	Jan '12	Winnemucca	Snow removal for senior citizens	1	28	\$ 1,868.29	\$ -
	City of Winnemucca	Jun '11	Winnemucca	Weed removal, facility maintenance, & general cleanup	4	43	2,514.32	-
	Newmont Mining Corp.	Feb '12	Winnemucca	Removal of weeds & debris	1	12	638.39	500.00
	Stor-All	Apr '11	Winnemucca	Fire hazard reduction & general cleanup	1	24	1,250.06	700.00
	Bureau of Land Management	Jul '11	9 Mile, Buck, Alta Canyons; Virgin Creek; Chimney Reservoir	Thistle & nap weed treatment	12	288	26,928.48	12,000.00
Jean	NDF	Jan '12	NDF Nursery – Las Vegas	Christmas tree chipping	2	24	\$ 1,764.82	\$ -
	Clark County	May '12	Moapa	Monitor, maintain, install & repair wildlife fencing	1	12	1,044.11	-
	NDF/ Private Landowner <sup>(4)</sup>	Apr '12	Warm Springs	Tamarisk removal & fuels reduction	9	145	13,486.30	10,000.00
	Clark County	Feb '12	Warm Springs	Monitor, maintain, install & repair wildlife fencing	4	48	4,317.56	4,317.56
	Fire Safe Council	Jan '11	Trout Canyon	Fuels reduction	9	129	11,913.15	11,913.15

# Appendix A

## Projects Tested (continued)

Camp	Cooperator	Month Work Performed	Project Location	Project Description	Project Days in Month	Inmate Days	Full Rate of Project	Amount Billed
Pioche	Town of Panaca	Aug '11	Panaca	Laid pavers on Main Street	9	108	\$ 5,821.95	\$ -
	Unknown	Oct '11	Pioche	Wood hauling for senior citizens	2	23	1,033.77	-
	Private Landowner	Jan '12	Winz Creek	Removal of timber & brush	15	192	13,502.18	6,059.15
	Private Landowner <sup>(3)</sup>	Sep '11	Hulse Canyon	Removal of timber & brush	9	107	6,630.12	-
	Youngs RV	Apr '12	Caliente	Pruning of trees & trash cleanup	3	23	1,934.54	900.00
Three Lakes Valley	NDF	Jun '11	Mt. Charleston	Fire station repair & maintenance	7	59	\$ 4,477.56	\$ -
	Nevada State Parks	May '12	Spring Mountain State Park	Tree trimming & wildlife project	9	99	7,796.20	-
	NDF <sup>(4)</sup>	Oct '11	Cold Creek	Tree & brush removal	2	19	1,308.77	1,500.00
	NDF/ Private Landowner <sup>(4)</sup>	Jan '12	Moapa	Fuels reduction	11	130	14,956.32	10,320.00
	Muddy River Regional Environmental Impact Alleviation Committee	May '12	Muddy River	Removal of tamarisk & pesticide application	7	126	11,986.55	11,000.00
Tonopah	Unknown	Apr '11	Belmont Creek	Debris & weed removal	2	24	\$ 1,592.06	\$ -
	NDOT	Jul '11	US 95 Tonopah Junction	Fence replacement	13	156	12,273.95	-
	Cal Nevada Towing	May '12	Silver Peak Road	Offloading truck due to accident	1	12	770.69	788.86
	NDF/ Private Landowner <sup>(1)</sup>	Dec '11	Craig Ranch	Fuels reduction	17	264	31,766.90	15,000.00
	Round Mountain Gold	Jan '11	Round Mountain	Make survey stakes	3	36	1,806.69	1,500.00
Wells	Unknown	Mar '12	Wells	Snow removal & firewood for senior citizens	9	131	\$ 6,021.36	\$ -
	Elko Snow Bowl	Jul '11	Elko	Mountain bike trail building & rehabilitation	2	25	2,251.37	-
	Private Landowner	May '12	Hoots Ranch	Weed removal & rebuilding of range fence	4	48	3,012.20	1,800.00
	Lostra Brothers Towing <sup>(5)</sup>	Aug '11	Unknown	Cleanup of truck accident	1	12	1,808.14	1,808.14
	Private Landowner	Nov '11	Thorpe Creek Ranch	Rebuild fence	4	48	4,305.80	1,800.00

Source: NDF files.

<sup>(1)</sup> Although the project was not reimbursed or partially reimbursed, non-reimbursed amounts were used to attain matching requirements on federal grants.

<sup>(2)</sup> Work is performed for the City of Carlin in accordance with a Lease Agreement dated July 1987. The agreement stipulates NDF will provide one crew per day as requested by the City of Carlin to perform public works projects as consideration for the use of the land on which the camp is situated. The total value of the crews provided during fiscal year 2012 was \$114,189.

<sup>(3)</sup> Billing to be made upon completion of the project. As of August 2012, no billing had been made.

<sup>(4)</sup> Payments, either full or partial were made from grant funds.

<sup>(5)</sup> Emergency rates billed as crew performed work during a regularly scheduled day off.

# Appendix B

## Audit Methodology

To gain an understanding of the NDF Conservation Camp Program, we interviewed agency staff, reviewed statutes, regulations, and policies and procedures significant to the program's operations. We also reviewed financial reports, prior audit reports, budgets, minutes of various legislative committees, and other information describing the activities of the agency. Furthermore, we documented and assessed certain NDF internal controls over the conservation camp work program.

We verified the completeness of the monthly camp activity reports for the 18-month period ended June 30, 2012. This included determining the largest project month for the three camps with the highest project activity and verifying the projects listed on the selected monthly reports were listed accurately.

To verify if camp projects were properly executed, billed, and recorded, we judgmentally selected 45 projects for review. From the list, we selected 27 (3 from each camp) full rate and reduced rate work projects and 18 (2 from each camp) non-reimbursable projects. We determined our selection based on the project amount and cooperator.

We obtained the project agreements and other supporting documentation for each project. We tested each project for proper recording, approval, and compliance with laws, regulations, policies, and procedures. We verified project costs were calculated using the appropriate rates and totals were mathematically accurate. Finally, we determined if payments had been received and properly recorded on billable projects.

Next, we analyzed the non-reimbursable projects as stated on monthly reports to identify potential trends among cooperators, camps, and type of project. We compared information among each camp and determined inconsistencies in reported information.

Our audit work was conducted from February 2012 to September 2012. We conducted the 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the State Forester of the Division of Forestry. On January 22, 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 C, which begins on page 18.

Contributors to this report included:

Jill Silva, CPA, CIA  
Deputy Legislative Auditor

Shannon Ryan, CPA  
Audit Supervisor

Eugene Allara, CPA  
Deputy Legislative Auditor

# Appendix C

## Response From the Division of Forestry

LEO M. DROZDOFF, P.E., *Director*  
Department of Conservation  
And Natural Resources

BRIAN SANDOVAL  
*Governor*

PETE ANDERSON  
*State Forester Firewarden*



STATE OF NEVADA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
**NEVADA DIVISION OF FORESTRY**  
2478 Fairview Drive  
Carson City, Nevada 89701  
Phone (775) 684-2500 Fax (775) 684-2570

January 28, 2013

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

RE: Response to Audit Report – NDF - Conservation Camp Program-January 22, 2013

Dear Mr. Townsend:

The Division of Forestry (Division) is in receipt of the recently completed Audit Report prepared by Legislative Counsel Bureau (LCB) audit staff. I would like to extend compliments to your auditors Jill Silva, Shannon Ryan and Eugene Allara for their professional and courteous approach to the project. The positive and cooperative atmosphere provided by your staff allowed for constructive discussion, issue identification and laid the foundation for the recommendations.

The Division accepts the six recommendations presented in the Audit Report and will fully implement the recommendations within available resources to the best of our ability. I anticipate that as we build the Audit Correction Plan we will rely on new technologies to improve monitoring and oversight of Conservation Camp Program operations statewide. As we have discussed, the Division's Conservation Camp Program has a long and successful history that provides critical emergency response services, support to Nevada communities and state agencies, and scientifically based management of our state's natural resources.

Attached, please find responses to each of the recommendations. Specific actions have already been initiated for several of the recommendations. Development of an Audit Correction Plan

and associated schedule will be completed within identified time frames. We look forward to continuing our cooperative relationship as we address the identified issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Anderson", with a long horizontal flourish extending to the right.

Pete Anderson,  
State Forester - Firewarden

cc: Leo Drozdoff  
Kay Scherer  
Dave Prather  
Jody Weintz  
Melissa Friend  
file

**NEVADA DIVISION OF FORESTRY  
RESPONSE TO  
LEGISLATIVE COUNCIL BUREAU  
AUDIT RECOMMENDATIONS**

1. **Ensure existing policies and procedures are adhered to that require a project agreement be executed prior to project commencement and submit agreements to the Central Office. - Agree**  
Existing policies and procedures for developing and finalizing project agreements will be reviewed and updated as necessary to ensure agreements are in place prior to project commencement and all notifications are made. Conservation Camp Program staff *Work Performance Standards* will be revised as necessary.
2. **Develop procedures to ensure the Central Office reviews and approves all nonstandard rate projects. – Agree**  
Specific procedures for proposed nonstandard projects will be developed to ensure they are reviewed and approved by Conservation Camp Program management utilizing the Chain-of-Command.
3. **Develop written policies, procedures, and controls over nonstandard rate projects to include guidance for pricing a project, circumstances under which a rate reduction is appropriate, documenting the reasoning for rate reductions and analyzing the cost-benefit to the State. - Agree**  
The Division will develop specific policies and procedures to address nonstandard rate projects and include specificity for project pricing and an associated justification, consistent with the mission of the Conservation Camp Program. The Division proposes developing a cost-benefit analysis for project types and classifications that can be updated annually.
4. **Enhance existing controls over nonconforming work projects including documenting circumstances under which such work projects are to be undertaken and the necessity to perform the work at less than full billing rates. – Agree**  
The Division will review current policies and procedures for nonconforming work projects and further update as necessary to provide clarity and guidance consistent with the mission of the Conservation Camp Program. Identified control enhancements will be incorporated and *Work Performance Standards* will be modified as necessary.



5. **Develop procedures to ensure monthly reports are accurate and complete including the analysis and review by the Central Office of project cost calculations for less than full rate projects. - Agree**

The Division will review and update existing policies and procedures for the compilation of monthly reports and revise as necessary consistent with Recommendation 3. All Division Conservation Camp personnel will be held accountable for compliance with applicable policies and procedures, including the updating of *Work Performance Standards*.

6. **Enhance existing controls to ensure that projects are billed in accordance with agreement terms. - Agree**

The Division will review current agreement procedures and update as necessary. Identified control enhancements will be incorporated and *Work Performance Standards* will be modified as necessary.

## Division of Forestry's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Ensure existing policies and procedures are adhered to that require a project agreement be executed prior to project commencement and submit agreements to the central office. ....	<u>    X    </u>	<u>          </u>
2. Develop procedures to ensure the central office reviews and approves all nonstandard rate projects.....	<u>    X    </u>	<u>          </u>
3. Develop written policies, procedures, and controls over nonstandard rate projects to include guidance for pricing a project, circumstances under which a rate reduction is appropriate, documenting reasoning for rate reductions, and analyzing the cost-benefit to the State.....	<u>    X    </u>	<u>          </u>
4. Enhance existing controls over nonconforming work projects including documenting circumstances under which such work projects are to be undertaken and the necessity to perform the work at less than full billing rates.....	<u>    X    </u>	<u>          </u>
5. Develop procedures to ensure monthly reports are accurate and complete including the analysis and review by the central office of project cost calculations for less than full rate projects. ....	<u>    X    </u>	<u>          </u>
6. Enhance existing controls to ensure that projects are billed in accordance with agreement terms.....	<u>    X    </u>	<u>          </u>
<b>TOTALS</b>	<u>    6    </u>	<u>    0    </u>