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We have completed an audit of the Hearings Division and Victims of Crime Program of the Department of Administration. This audit is part of 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. The results of our audit, including findings, conclusions, recommendations, and the agencies' response, are presented in this report.

We wish to express our appreciation to the management and staff of the Hearings Division and Victims of Crime Program for their assistance during the audit.

Respectfully presented,

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

Paul V. Townsend, CPA
Legislative Auditor

October 18, 2007
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
HEARINGS DIVISION AND
VICTIMS OF CRIME PROGRAM

AUDIT REPORT

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EXECUTIVE SUMMARY

DEPARTMENT OF ADMINISTRATION HEARINGS DIVISION AND VICTIMS OF CRIME PROGRAM

Background

The Hearings Division (Division) was established in 1979. The Division's primary responsibility is to adjudicate contested workers' compensation claims. In addition, the Division conducts independent hearing services for other state agencies. The Division's mission is to provide fair and independent dispute resolution and adjudication in a timely and efficient manner while providing due process for all insurers, employers, injured workers, and others subject to its jurisdiction.

The Division has office locations in Las Vegas and Carson City. For fiscal year 2006, the Division had 45 full-time authorized positions. The Division is funded primarily through transfers from the Fund for Workers' Compensation and Safety administered by the Department of Business and Industry's Division of Industrial Relations.

The Victims of Crime Program (Program) was established in 1969. The Program is designed to improve services for victims of crime by providing quality support services and compensation, and strengthening victims' rights. This is accomplished by providing a variety of benefits to victims of crime including payment of medical bills, lost wages, and other related benefits.

The Program has office locations in Las Vegas and Reno. For fiscal year 2006, the Program had eight full-time authorized positions. The Program is funded primarily from a federal Victims of Crime Act victim compensation grant, court assessments, and assorted fines, forfeitures, and penalties. The Program uses the services of a contractor to perform bill review, claims management, and check processing services.

EXECUTIVE SUMMARY

DEPARTMENT OF ADMINISTRATION HEARINGS DIVISION AND VICTIMS OF CRIME PROGRAM

Purpose

The purpose of this audit was to determine if the Program's victims' claims management process ensured compliance with Program policies and procedures, and applicable state laws and regulations. We also evaluated whether the Division's and Program's financial and administrative activities were carried out in accordance with applicable state laws, regulations, policies, and procedures. The audit focused on the Division's and Program's activities during fiscal year 2006, and subsequent time periods when necessary to complete the audit's objectives.

Results in Brief

The Victims of Crime Program needs to improve its oversight and performance of financial and administrative processes. The Program has not established a process to ensure its ability to pay victims' claims is communicated to the State Board of Examiners. Victims' claims exceeded the Program's available funding during fiscal year 2006 and into fiscal year 2007. As a result, the balance of unpaid victims' claims increased significantly with some payments delayed more than a year. The Program is also subjectively selecting which claims to pay rather than requesting a reduction in payment percentage for all claims, as required by statute. Further, controls over certain administrative functions were not adequate.

The Hearings Division also needs to improve its oversight and performance of financial and administrative processes. We noted significant weaknesses in the Division's controls over contract and budget monitoring. Specifically, the Division did not adequately monitor contract expenditures, resulting in overspent contract maximums. In addition, services were received before proper contract approval was obtained. Furthermore, the Division did not

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effectively monitor its budget authority, causing a disruption in the performance of hearings services. One Division office postponed 2 weeks of scheduled appeal hearings because budget authority to pay for court reporting services was exhausted.

Principal Findings

- Victims' claims exceeded the Program's available funding during fiscal year 2006 and into fiscal year 2007. As a result, \$3.8 million in victims' claims were unpaid as of December 31, 2006. Payment of some of these claims has been delayed for more than a year. Additionally, the average number of days between claim approval and payment increased from 19 days for claims approved in fiscal year 2005 to 79 days for claims approved in fiscal year 2006. (page 10)
- Payments for victims have fluctuated as a percentage of total Program costs from 79% in fiscal year 2001 to 64% in fiscal year 2006. During this period, payments to the Program's contractor performing claims management services increased 173% from \$0.5 million in fiscal year 2001 to almost \$1.4 million in fiscal year 2006. (page 13)
- Claims are subjectively selected for payment when available funds are insufficient to pay all claims. Hospitals and select medical service providers have been given lowest payment priority. Consequently, \$2.4 million of the \$3.8 million in unpaid claims, as of December 31, 2006, pertain to three large medical service providers. (page 16)
- The Program does not have a process to ensure its financial status is communicated quarterly to the Board of Examiners. Therefore, despite insufficient revenues to cover victims' claims, some claims were paid at 100% while others were deferred due to lack of funds

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DEPARTMENT OF ADMINISTRATION HEARINGS DIVISION AND VICTIMS OF CRIME PROGRAM

during fiscal year 2006 and into 2007. NRS 217.260 requires the Board to estimate revenues and expenditures and reduce the percentage paid of victims' claims on a quarterly basis if projected Program expenses exceed revenues. However, we identified only one instance where the Board was provided with and reviewed the Program's financial status between January 2005 and December 2006. (page 17)

- The Division did not always adequately monitor contract costs and available contract authority and did not obtain proper and timely approval of contracts and amendments. Contract costs exceeded contract maximums by a total of more than \$118,000 in three of the five contracts we reviewed. Additionally, the Division did not obtain proper approval prior to receiving services in all five contracts. Finally, the Program and Division did not always properly review, track, and understand contractor invoices. (page 19)
- The Division did not effectively monitor its expenses compared to its available budget authority. The Division exceeded its operating expense budget authority until available authority could be reclassified from other budget categories. As a result, 60 appeals hearings were postponed because budget authority was not available to pay the court reporting service contractor. (page 20)
- Program and Division receipts were not forwarded timely to the Administrative Services Division for deposit. All six Program deposits tested contained funds which were not deposited in accordance with statutory requirements. Over \$90,000 was not deposited timely, including a check for \$40,187 which was received by the Administrative Services Division 19 days after the Program received it. In addition, one Division office did not maintain a check log or document the date checks were received. Failure to

EXECUTIVE SUMMARY

DEPARTMENT OF ADMINISTRATION HEARINGS DIVISION AND VICTIMS OF CRIME PROGRAM

log receipts and follow statutory deposit requirements increases the risk of loss or theft. (page 21)

- Management could improve its oversight and control over payroll and personnel. Twenty-three of the 26 Division employees had not received current evaluations. Evaluations were on average over 4 years past due for those with a previous evaluation on record. Some evaluations were more than 8 years past due. Five of seven Program employees had not received current evaluations. Finally, timesheets were not always completed properly by Division employees. Seven of 10 selected employees did not properly report their non-standard work schedules on their timesheets. (page 23)

Recommendations

This report contains 11 recommendations to improve the Division's and Program's control activities. Three recommendations address improving controls over the Program's claims management process. We also made eight recommendations to strengthen the Division's and Program's management of financial and administrative controls. (page 42)

Agency Response

The Division and Program, in response to our report, accepted the 11 recommendations. (page 29)

Introduction

Background

Hearings Division

The Hearings Division (Division) was established in 1979 as a Division of the Department of Administration. The Director of the Department of Administration is the Chief of the Division and designates one of the appeals officers as the Senior Appeals Officer to oversee the administrative, technical, and procedural activities of the Division. Hearing officers are appointed by the Director of the Department of Administration. Appeals officers are appointed for 2-year terms by the Governor.

The Division's primary responsibility is to adjudicate contested workers' compensation claims. In addition, the Division conducts independent hearing services for other state agencies including the Victims of Crime Program, State Purchasing Division, Nevada Medicaid, and others. The mission of the Division is to provide fair and independent dispute resolution and adjudication in a timely and efficient manner while providing due process for all insurers, employers, injured workers, and others subject to its jurisdiction.

The Division operates a two-tiered system of administrative hearings for contested claims. Hearing officers conduct initial, informal hearings and render decisions. Any party aggrieved by a hearing officer's decision may appeal by requesting a hearing before an appeals officer. Appeals officers conduct new, formal hearings and render decisions affirming, modifying, or reversing the hearing officer's decision. Further appeals are subject to judicial review in district court.

The Division has office locations in Las Vegas and Carson City. As of June 30, 2006, all 45 of the Division's authorized full-time equivalent positions were filled. The Las Vegas office consists of 5 hearing officers, 7 appeals officers, and 21 support staff. The Carson City office consists of two hearing officers, three appeals officers, and seven support staff.

The Division is funded primarily through transfers from the Fund for Workers' Compensation and Safety administered by the Department of Business and Industry's

Division of Industrial Relations. Funding sources and expenditures for fiscal year 2006 totaled almost \$4.3 million. Exhibit 1 details the funding and expenditures for fiscal years 2003 to 2006.

Exhibit 1

**Hearings Division
Funding Sources and Expenditures
Fiscal Years 2003 - 2006**

	2003	2004	2005	2006
Funding Sources				
Transfers From Industrial Relations ⁽¹⁾	\$3,548,874	\$4,001,138	\$4,082,097	\$4,272,326
Other ⁽²⁾	16,041	16,655	10,082	9,677
Total Funding	\$3,564,915	\$4,017,793	\$4,092,179	\$4,282,003
Expenditures				
Personnel Services	\$2,860,442	\$2,941,008	\$3,013,452	\$3,131,917
Operating	650,071	889,224	951,926	1,063,553
State Cost Recovery Plan	10,187	81,179	81,179	-
Information Services	31,688	37,208	31,491	65,583
Other ⁽³⁾	12,527	69,174	14,131	20,950
Total Expenditures	\$3,564,915	\$4,017,793	\$4,092,179	\$4,282,003

Source: State accounting system.

⁽¹⁾ Net of reversions.

⁽²⁾ Includes charges for services, reimbursements, and other miscellaneous revenues.

⁽³⁾ Includes equipment, training, purchasing assessments, travel, and Attorney General's Office cost allocations.

Victims of Crime Program

The Victims of Crime Program (Program) was established in 1969 by the Nevada Legislature. The Program is designed to improve services for victims of crime by providing quality support services and compensation, and strengthening victims' rights. The Program's compensation officers provide a variety of benefits to victims of crime including payment of medical bills, lost wages, and other related benefits. The State Board of Examiners oversees the Program and has selected the Hearings Division's Senior Appeals Officer to serve as the Program's Coordinator. Additionally, some Program administrative functions have been consolidated with and are performed by the Hearings Division's staff.

The Program maintains offices in Las Vegas and Reno. The Program had eight authorized and filled full-time equivalent positions as of June 30, 2006. The Reno office

consists of one compensation officer and two support staff, and the Las Vegas office consists of two compensation officers and three support staff.

The Victims of Crime Program is funded primarily from a federal Victims of Crime Act victim compensation grant, court assessments, and assorted fines, forfeitures, and penalties. Revenues and expenditures for fiscal year 2006 totaled \$5.9 million. Exhibit 2 details the revenues and expenditures for fiscal years 2003 to 2006.

Exhibit 2

**Victims of Crime Program
Revenues and Expenditures
Fiscal Years 2003 - 2006**

	2003	2004	2005	2006
Revenues				
Beginning Cash	\$ 81,707	\$ 213,238	\$ 271,584	\$ 419,572
Court Assessments	1,195,089	1,727,482	1,998,832	1,813,332
Fines/Forfeitures/Penalties	1,006,272	845,929	1,662,048	1,346,703
Federal Crime Victims Grant ⁽⁴⁾	150,100	1,995,000	2,896,171	989,872
Filing Fees	636,862	647,003	677,786	761,848
Wage Assessment	249,238	251,774	284,014	370,937
Civil Penalties	240,888	211,533	204,601	228,709
Restitution Collections	121,648	99,147	246,652	225,869
Reimbursement	23,587	80,133	139,012	108,182
Other ⁽¹⁾	5,668	6,138	12,047	42,573
Carry Forward	(213,238)	(271,584)	(419,572)	(369,999)
Total Revenues	\$3,497,821	\$5,805,793	\$7,973,175	\$5,937,598
Expenditures				
Victims of Crime ⁽²⁾	\$2,928,529	\$5,065,932	\$7,216,079	\$5,142,572
Personnel Services	365,597	404,807	386,075	417,208
Operating	139,241	246,107	252,098	282,798
Other ⁽³⁾	64,454	88,947	118,923	95,020
Total Expenditures	\$3,497,821	\$5,805,793	\$7,973,175	\$5,937,598

Source: State accounting system.

⁽¹⁾ Includes refunds, Treasurer's interest distribution, and miscellaneous revenues.

⁽²⁾ Includes payments to victims and to a contractor performing bill review, claims management, and check processing services.

⁽³⁾ Includes state and Attorney General's Office cost allocation, travel, refunds, information services, training, and purchasing assessment.

⁽⁴⁾ Actual grant award amounts were: federal fiscal year 2003 - \$1,999,000; federal fiscal year 2004 - \$1,561,000; federal fiscal year 2005 - \$1,685,000; and federal fiscal year 2006 - \$2,138,000. Grant funds may be split between state fiscal years.

In fiscal year 2006, the expenditures for victims of crime included \$1.35 million paid to the Program's contractor providing bill review, an online claims management database, and check processing services. The remaining \$3.79 million was paid for victims of crime.

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 218.737 to 218.893. 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 Division and Program financial and administrative activities during fiscal year 2006, and subsequent time periods when necessary to complete the audit's objectives. The objectives of the audit were to determine if:

- **The Program's victims' claims management process ensured compliance with Program policies and procedures, and applicable state laws and regulations.**
- **The Division's and Program's financial and administrative activities were carried out in accordance with applicable state laws, regulations, policies, and procedures.**

Findings and Recommendations

The Victims of Crime Program needs to improve its oversight and performance of financial and administrative processes. The Program has not established a process to ensure its ability to pay victims' claims is communicated to the State Board of Examiners. Victims' claims exceeded the Program's available funding during fiscal year 2006 and into fiscal year 2007. As a result, the balance of unpaid victims' claims increased significantly with some payments delayed more than a year. The Program is also subjectively selecting which claims to pay rather than requesting a reduction in payment percentage for all claims, as required by statute. Further, controls over certain administrative functions were not adequate.

The Hearings Division also needs to improve its oversight and performance of financial and administrative processes. We noted significant weaknesses in the Division's controls over contract and budget monitoring. Specifically, the Division did not adequately monitor contract expenditures, resulting in overspent contract maximums. In addition, services were received before proper contract approval was obtained. Furthermore, the Division did not effectively monitor its budget authority, causing a disruption in the performance of hearings services. One Division office postponed 2 weeks of scheduled appeal hearings because budget authority to pay for court reporting services was exhausted.

Victims' Claims Exceed Funding

Victims' claims exceeded the Program's available funding during fiscal year 2006 and into fiscal year 2007. As a result, \$3.8 million in victims' claims were unpaid as of December 31, 2006¹. Payment on some of these claims has been delayed for more than a year. State law requires the State Board of Examiners to reduce the amount paid on all victims' claims by the same percentage when Program expenses exceed revenues. However, there is no documented mechanism for the Program to ensure the

¹ After the end of fieldwork, Program officials indicated the obligations resulting from these victims' claims were satisfied by the end of fiscal year 2007.

Board receives the information needed to determine the Program's ability to pay victims' claims. As a result, some providers may cease providing services or may face financial difficulties.

The time between claim approval by the Program's compensation officers and payment has increased from an average of 19 days for claims approved in fiscal year 2005 to an average of 79 days in fiscal year 2006. Additionally, some claims have not been paid for more than a year. For example, 24 bills from the University Medical Center in Las Vegas totaling more than \$205,000 were approved by the Program prior to December 31, 2005, but had not been paid as of December 31, 2006. Exhibit 3 shows the aging of unpaid claims as of December 31, 2006.

Exhibit 3

Victims of Crime Program Aging of Victims' Claims As of December 31, 2006

Days Outstanding⁽¹⁾	Approved Amount	Number of Claims	Average Amount of Claims	Number of Providers	Average Days Outstanding
more than 400	\$ 255,711	32	\$7,991	11	430
between 300 and 400	214,700	100	2,147	35	338
between 200 and 300	765,282	578	1,324	173	231
between 100 and 200	953,913	1,117	854	279	151
between 30 and 100	1,141,061	1,037	1,100	275	67
less than 30	465,499	437	1,065	187	19
Total	\$3,796,166	3,301			

Source: Program's claims management system as of December 31, 2006.

⁽¹⁾ Days outstanding calculated as number of days between the claim being approved by the Program's compensation officers and December 31, 2006.

Of the \$3.8 million in unpaid victims' claims at December 31, 2006, \$2.4 million or 63.5% relates to three large medical services providers: University Medical Center, Washoe Medical Center (Renown Health), and Sunrise Hospital and Medical Center.

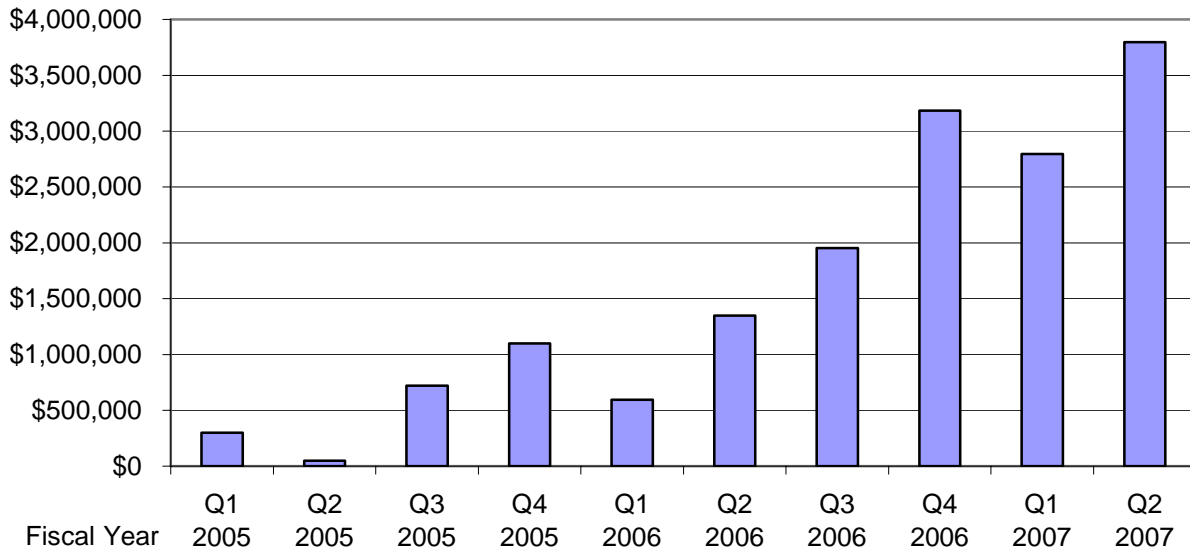
Balance of Unpaid Claims Has Increased Significantly

The balance of unpaid victims' claims increased significantly from September 30, 2004, to December 31, 2006. During that time, the quarter end balance of unpaid claims was as low as \$48,000 on December 31, 2004. Additionally, during the first quarter of fiscal year 2006, the unpaid balance was below \$72,000. However, the unpaid balance increased to \$3.8 million as of December 31, 2006, with \$57,000 in

funding available on that date. Exhibit 4 shows the increasing balance of unpaid victims' claims from September 30, 2004, through December 31, 2006.

Exhibit 4

**Victims of Crime Program
Unpaid Victims' Claims at Fiscal Year Quarter End
September 2004 - December 2006**



Source: Program's claims management system.

Note: Unpaid claims balances are as of each fiscal year quarter end.

In fiscal year 2005, the Division approved and paid about \$5.9 million in victims' claims. However, in fiscal year 2006, the Division approved almost \$6.6 million in victims' claims, but paid only \$3.8 million of those claims. During the first half of fiscal year 2007, the Division approved over \$4 million in claims, but paid just over \$3 million in claims.

Program Provides Valuable Assistance to Victims of Crime

The Program is designed to provide monetary support to victims of crime. Victims may apply with the Program for assistance with medical and counseling bills, lost wages, and other related expenses. The Program pays approved claims after other resources available to the victim have been applied to a claim. Those sources include, but are not limited to, health insurance, workers' compensation insurance, Medicaid and Medicare. To receive benefits, applicants must be approved by the Program through an application, interview, and determination process. If approved, each qualifying claim

must be reviewed and approved by a Program compensation officer and the Program's Coordinator. Claims are limited by the Board of Examiners to a total benefit per victim of \$35,000.

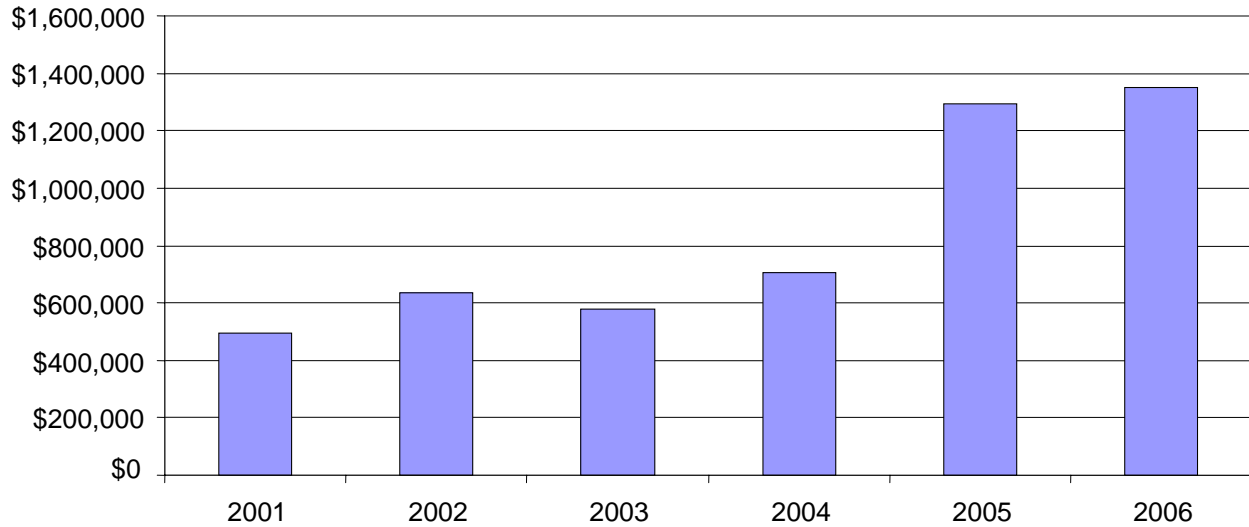
The Program contracted with Cost Containment Strategies, Inc., (contractor) to perform bill review, claims management, and check processing services. Through the bill review process, the contractor reduces victims' medical bills to the lowest rates accepted by the service provider. This results in significant reductions to the total charges on many bills. The reductions are based upon fee schedules medical service providers have accepted through health insurance contracts or according to the state's workers' compensation fee schedules. The contractor also provides document imaging services, operates an online claims management system, and processes checks for approved victims' claims.

Under contract, the contractor receives 17.5% of the savings generated from the bill review process. For example, if a victim's bill was \$10,000 and the bill review process reduced the total to \$4,000, the contractor would earn 17.5% or \$1,050 from the \$6,000 in bill savings. Once claims have been through the bill review and Program approval process, they can be paid when funding is available.

Administrative Costs Increasing

The Program's costs for contracted claims management and other services increased significantly from fiscal year 2001 to 2006. Payments to the Program's contractor increased by 173% during this period. The increase in payments to the contractor is partially attributable to increased contract rates for additional services provided by the contractor including check processing, document imaging, and claims file management. Increased medical costs also contributed to the increase in costs. Additionally, the contractor is paid monthly for bill review savings generated during the month regardless of when the Program pays the claims. Each additional dollar paid to the contractor reduces the amount available to pay victims' claims. Consequently, payments to the contractor as a percentage of payments for victims of crime have increased from 13% in fiscal year 2001 to 36% in fiscal year 2006. As shown in Exhibit 5, payments to the contractor have increased from \$0.5 million in fiscal year 2001 to almost \$1.4 million in fiscal year 2006.

**Victims of Crime Program
Payments to Contractor
Fiscal Years 2001 - 2006**

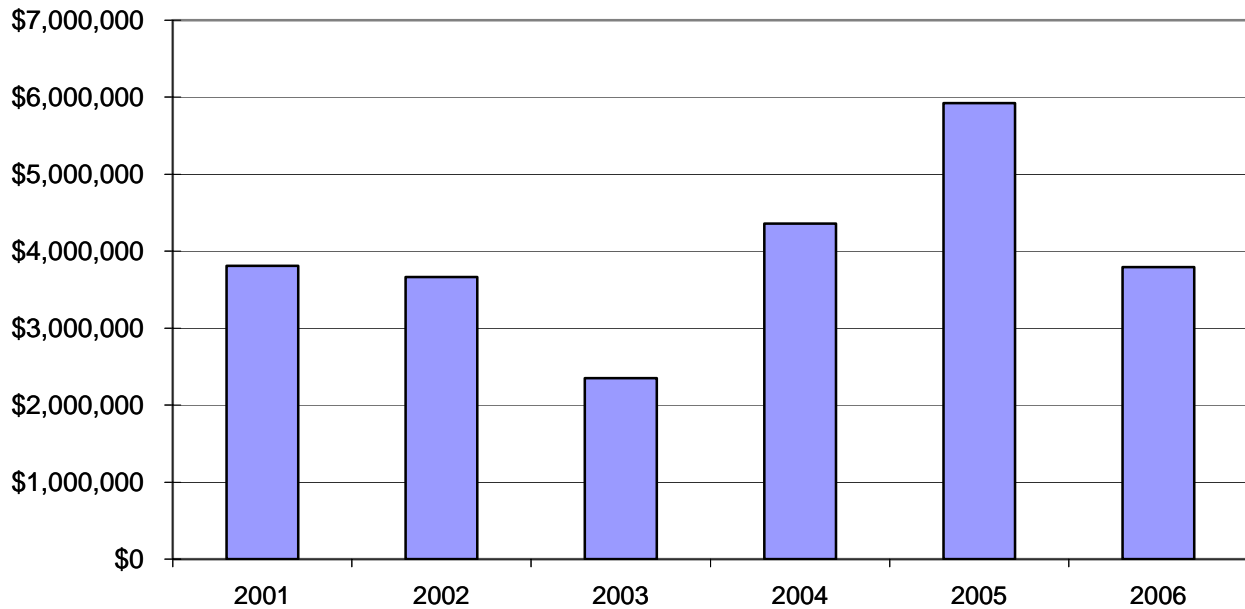


Source: State accounting system.

Note: Contractor's billing rate increased from 10% of bill review savings for non-PPO bills and 15% for PPO bills to 17.5% for both PPO and non-PPO bills beginning January 1, 2004.

Controlling the cost of processing claims would allow more Program funding to be used assisting victims. Therefore, Program management should use all available resources to ensure it obtains the best contract terms for claims processing. Exhibit 6 shows the payments for victims from fiscal years 2001 to 2006.

**Victims of Crime Program
Payments for Victims
Fiscal Years 2001 - 2006**

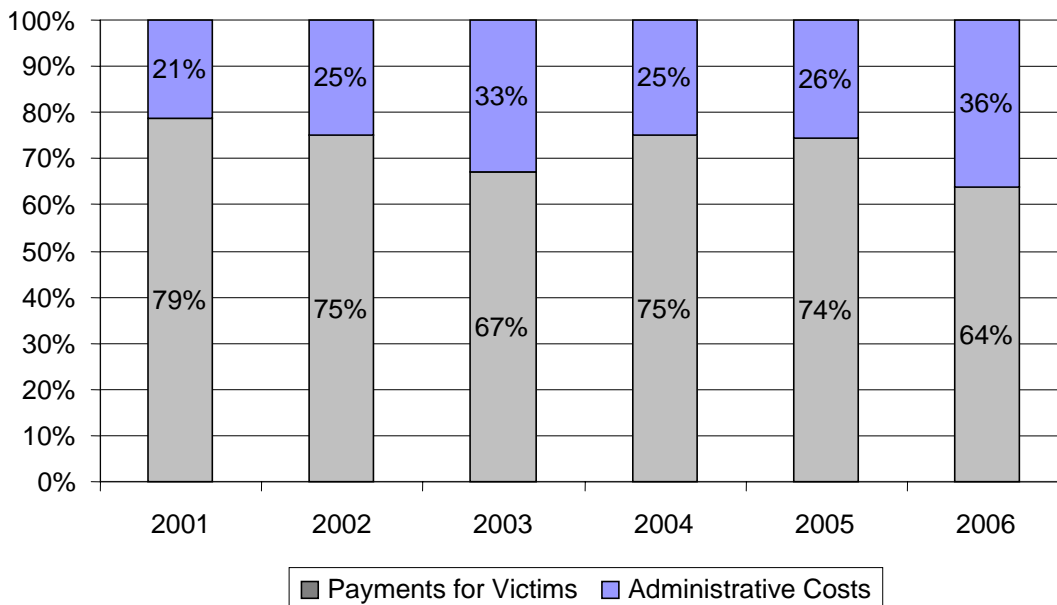


Source: State accounting system.

During fiscal year 2006, the contractor charged \$1.35 million to process about 9,950 victims' claims with a total value of \$6.6 million after bill review. This includes all types of benefits the Program pays and averages to a cost of about \$135 per claim.

Payments for victims as a percentage of total Program costs have fluctuated from a high of 79% in fiscal year 2001 to a low of 64% in fiscal year 2006. Exhibit 7 shows the payments for victims and administrative costs as a percentage of total Program costs for fiscal years 2001 to 2006.

**Victims of Crime Program
Payments for Victims and Administrative Costs
Fiscal Years 2001 - 2006**



Source: State accounting system.

Victims' Claims Are Subjectively Selected for Payment

When sufficient funding does not exist to pay all victims' claims, claims are subjectively selected for payment. The Program's management has established an unwritten policy of first paying wages, other direct reimbursements to victims, counseling, therapy, and pharmacy bills. Hospitals and other select medical service providers are paid last. Because revenues have not been sufficient to pay all claims, payment of many hospital and other medical bills has been delayed during fiscal years 2006 and 2007. Program management explained the rationale behind this methodology was to provide the greatest benefit to victims. Although this methodology appears to maximize the immediate benefit to victims, some service providers have not been receiving payment. This may contribute to financial difficulties of those providers.

Program management indicated they intend to document the payment methodology currently being utilized and present it for approval to the Board of Examiners to be included in the policies and procedures manual.

Claims Payment Rate Not Reduced Despite Insufficient Revenues

The Program does not have a process to ensure its financial status is communicated quarterly to the Board of Examiners. Therefore, despite insufficient funding to cover victims' claims, some claims were paid at 100% while others were deferred due to lack of funding during fiscal year 2006 and into fiscal year 2007. NRS 217.260 requires the Board of Examiners to estimate quarterly the funding available for payment of victims' compensation and the anticipated expenses for the quarter. In addition, the statute states, "If the estimated expenses for the quarter exceed the available revenue, all claims paid in that quarter must be reduced in the same proportion as the expenses exceeded the revenue."²

Between January 2005 and December 2006, information on the financial status of the Program has only been presented once to the Board of Examiners according to Board meeting agendas. As a result, the Board of Examiners has not reviewed the Program's financial condition quarterly, as required by statute. Program management stated they have not been involved in providing financial information to the Board. They also indicated reliance upon the Administrative Services Division for this service. Administrative Services represented it has not provided financial information to the Board every quarter during fiscal year 2006 due to staffing turnover.

Program management opted to delay some payments rather than request the Board reduce the percentage paid. Program management commented a reduction in the payment percentage below 100% would be a detriment to victims. This is because all payments, including wage benefits, direct reimbursements to victims, and payments to service providers, such as therapists and counselors, would be equally reduced. As a result, they contend some medical providers would cease to provide services at a further reduced payment rate.

Management also said NRS 217.260 was no longer relevant as the savings generated by the bill review process superseded the need for reducing payment percentages. However, the bill review process has been utilized for about 10 years, during which time the Board of Examiners has reduced the payment percentage for all

² Full text of NRS 217.260 located at Appendix B.

bill types. The Board of Examiners reduced the payment percentage from 100% to 80% from April 2002 to April 2004 because revenues were not sufficient to pay all claims. If the Board had been properly informed of the Program's financial position, changes to the payment percentage could have been made to allow the timely payment of all victims' claims.

Program management stated the process of analyzing and reducing payment percentages has been completed by the Board of Examiners without direct Program staff involvement. Although the Program is not explicitly identified as being responsible for ensuring that its financial information is presented to the Board, Program management has the responsibility for the Program's financial condition.

Program Data Backup Was Inadequate

During fiscal year 2006, the Program did not have a process for backing up the data contained in the contractor maintained claims management system. Information including approvals and payment status of claimants' bills is maintained solely in the claims management system. In the event the Program could not obtain access to the claims management system or its data contents, it would be unable to process claims. Pursuant to our inquiry, the Program established a process to obtain backup of its critical claims data from the contractor. The Program should document the backup process in its policies and procedures manual. This will help ensure critical claims data is properly safeguarded.

Recommendations

1. Work with the Administrative Services Division to develop policies and procedures to ensure the Program's financial data is presented to the State Board of Examiners on a quarterly basis for evaluation. Ensure projections include the outstanding victims' claims.
2. Pay victims' claims in accordance with NRS 217.260 and Board of Examiners' policy.
3. Document procedures for backup of claims management data to ensure critical claims data is properly safeguarded.

Financial Controls and Processes Need Improvement

The Division and Program need to strengthen their financial controls over contracts, budgets, and revenues. The Division did not always obtain proper approval of contracts and allowed contract maximums to be exceeded. In addition, the Division did not monitor its expenses compared to its budget authority. Finally, the Division and Program did not have adequate controls over receipts to ensure timely deposit.

Monitoring of Contracts Not Adequate

The Division did not adequately monitor contract costs and available contract authority, and did not obtain proper and timely approval of contracts and amendments. In addition, the Division's and Program's review of contractor invoices for payment could be improved.

The Division allowed contract costs to exceed maximums by a total of more than \$118,000 in three of the five contracts reviewed. In one of the contracts, for court reporting services, the Division exceeded the contract maximum on the original contract and all three amendments by more than \$110,000.

The Division also allowed services to be received from contractors before contracts and amendments were properly approved in all five of the contracts we reviewed. For example,

- **One of the five contracts included an amendment increasing the contract's value by \$9,999 to \$19,998. The State Administrative Manual requires all amendments to contracts be reviewed by the Board of Examiners if the total amount of the contract and amendments exceeds \$10,000. However, Board of Examiners' approval for this contract amendment was not obtained. As a result, services were received and paid totaling \$15,525, \$5,526 more than the original contract allowed.**
- **In another example, services valued at \$865 were received before the contract was properly approved. In addition, an amendment to the contract was retroactively approved by the Clerk of the Board of Examiners to pay services totaling \$1,120 received beyond the original contract maximum.**

State policies require agencies to obtain approval from the Board of Examiners for contracts and contract amendments prior to the work being performed and the obligation of state funds. In addition, NRS 284.173(6) states that contracts are not effective until Board of Examiners' approval is obtained. Untimely approval increases the risk of disagreement and confusion between the agency and the contractor.

The Division did not always properly review and track contract invoices. We identified three contractor invoices the Division approved for payment more than once. Although the Administrative Services Division's review identified two of the duplications, one duplicate invoice was paid. In addition, the Program's payments to its contractor providing claims administration services were not adequately reviewed. Invoices are approved for payment by a Division staff member and reviewed by the Program's Coordinator. Although we found no errors in our review of three monthly contractor invoices, the Division staff and Program Coordinator were unfamiliar with the bills' contents and how charges were calculated.

These breakdowns in controls over contracts occurred because the Division did not follow its policies and procedures over contract monitoring and did not have a certified contract monitor. Two Division staff members attended the contract monitor training provided by the Purchasing Division in early fiscal year 2007 and have initiated some contract monitoring activities.

Revenue and Expenditure Processes Could Be Improved

The Division did not effectively monitor its expenses compared to its available budget authority. As a result, the Division exceeded its operating expense budget authority and some appeal hearings were postponed. In addition, the Program and Division did not always properly process cash receipts, resulting in untimely deposits.

Budget Category Authority Exceeded

The Division exceeded its operating expense budget authority until authority from another category could be transferred. We identified various instances where invoices were approved for payment by the Division when budget authority was insufficient. These invoices were eventually paid after work programs were approved and completed to move available funding from other budget categories. As a result, the Division's ability to perform its appeals functions was restricted.

Division management explained the Administrative Services Division informed them that, because the Division exceeded its budget authority, the court reporting services contractor could not be used for the last 2 weeks of fiscal year 2006. The court reporting services contractor provides statutorily mandated recordings of appeal hearings. As a result, the Carson City office postponed 60 appeal hearings scheduled

during the last 2 weeks of fiscal year 2006. Our review of selected postponed appeals showed appeals were rescheduled an average of 55 days after postponement. As a result, workers' compensation claimants may have been inconvenienced. If the Division had properly monitored costs in the operating expense category, it could have foreseen the budgetary limitations and avoided the postponements by timely requesting a transfer of budget authority between budget categories.

Cash Receipts Not Deposited Timely

The Division and Program do not deposit their own receipts. Rather, they forward receipts to the Administrative Services Division in Carson City which completes the deposit of funds.

The Program did not forward receipts timely to the Administrative Services Division to allow deposits to be made within statutory requirements. Six of the six deposits reviewed totaling \$90,299 were not forwarded timely to Administrative Services. This included one check for \$40,187 received by Administrative Services 19 days after it was processed by the Program. Additionally, a total of \$33,140 in checks were processed by the Program and received by Administrative Services 7 days later. In both instances, these checks should have been deposited the next business day after receipt.

The Division also did not always properly log receipts or forward them timely for deposit. Specifically, the Carson City office did not maintain a check log or document the date checks were received. Additionally, two of the eight receipts tested were not forwarded timely to the Administrative Services Division to allow deposits to be made according to the requirements of NRS 353.250.

The untimely deposits occurred, in part, because the Division's policies and procedures do not require a check log to be maintained at the Carson City office and do not adequately address the check receipt process. Additionally, Division and Program procedures require deposits to be sent to Administrative Services. This process prevents checks over \$10,000 from being deposited the following business day, as required by NRS 353.250. Failure to log receipts and follow statutory deposit requirements increases the risk of loss or theft. In addition, untimely deposits reduce interest the Treasurer could earn investing funds.

Recommendations

4. Follow existing Division policies and procedures to ensure contract maximums are not exceeded and proper approval of contracts is obtained before services are provided.
5. Amend Division and Program policies and procedures over contract monitoring to include management review of controls and review of vendor invoices.
6. Enhance and follow Division budget monitoring policies and procedures to ensure encumbrances and expenses do not exceed budget authority and include routine management review of budget authority status.
7. Revise Division and Program policies and procedures to ensure cash receipts are properly logged and deposited timely.

Administrative Controls and Processes Need Improvement

Controls over certain administrative functions also need to be strengthened. Management could improve its oversight and performance of document destruction practices, payroll and personnel functions, and control of fixed assets. Controls in these areas are important to help ensure protection of victims' privacy, compliance with state laws, and adequate safeguarding of state assets.

Inadequate Safeguarding of Sensitive Documents

Procedures for disposal of the Victims of Crime Program's sensitive documents are not adequate to protect those documents from unauthorized or inappropriate access. The Program's victim files contain information such as police reports and medical records, which often include social security numbers, addresses, and phone numbers. If unwarranted access to these files was obtained, the State could be put at risk for failure to maintain the confidentiality of the victims' records. In addition, the federal Health Insurance Portability and Accountability Act requires protection of individuals' medical information from unwarranted access.

The Program's procedures do not detail appropriate document disposal practices. Program staff in the Reno office reported disposing of victims' case files in trash receptacles accessible by the general public. Due to the sensitivity of the information contained in the files, we immediately notified the Program Coordinator. According to the Program Coordinator, disposition of records in the public trash receptacles ceased immediately.

Payroll and Personnel Requirements Were Not Always Met

Management could improve its oversight and control over payroll and personnel. We found performance evaluations were not completed timely for 23 of the 26 Division classified employees as of June 2006. Six of the 23 employees had no evaluation on file. On average, evaluations were over 4 years past due with some evaluations having not been completed for up to 8 years. Similarly, performance evaluations were not performed timely for five of seven Program employees. Timely evaluations were not completed because policies and procedures did not include management tools to monitor compliance with evaluations required by statute. Additionally, procedures did not assign alternate staff to complete tasks when an employee is absent or unable to perform his or her assigned duties.

We also found that many Division employees work variable work schedules but do not always report their variable work schedules on their timesheets. In one selected pay period, 7 of 10 selected employees' work schedules did not agree with the work schedules reported on their timesheets. Inaccurate timesheets increase the risk of payment errors, which may go undetected.

Fixed Assets Not Always Properly Tracked

Of the 13 Division assets we selected to trace to the inventory list, one was not included on the list. The asset, a computer server valued at \$2,500 in the Division's Carson City office, was built by Division staff in fiscal year 2003 but was not included on the asset listing. The Division could not provide documentation to support that the purchase was reviewed and approved by the Department of Information Technology or State Purchasing. Pursuant to our inquiry, the Division initiated a request to add the asset to the asset listing.

We also could not locate two of the nine assets selected from the Program's Reno office inventory list. The assets, computer routers, were valued on the asset list at \$1,001 and \$670. Although assets valued less than \$1,000 are not required to be included on the asset listing, no record of either assets' removal or disposal was maintained. The Program's Reno office staff identified the assets were missing during the June 2006 inventory count and notified the Division's Las Vegas office. However, timely action was not taken to remedy the missing assets and correct the asset listing. Inaccurate fixed asset records increase the risk that theft, loss, or abuse could go undetected.

Recommendations

8. Develop and distribute written Program policies and procedures detailing appropriate document disposal practices for crime victims' records.
9. Improve Division controls over payroll to ensure employees properly report their variable work schedules on timesheets.
10. Ensure Division and Program procedures include management tools to monitor compliance with performance evaluations required by NRS 284.340.
11. Enhance Division and Program policies and procedures over fixed assets to ensure information technology equipment purchases are reviewed and approved by the Department of Information Technology and State Purchasing and necessary changes to asset listings are completed timely.

Appendices

Appendix A Audit Methodology

To gain an understanding of the Hearings Division and Victims of Crime Program, we interviewed agency staff and reviewed statutes, regulations, and policies and procedures significant to the Division's and Program's operations. In addition, we reviewed financial information, prior audit reports, legislative and executive budgets, minutes of legislative committees, and other information describing the activities of the Division and Program. Furthermore, we assessed the internal controls over property and equipment, revenues and expenditures, receivables, contracts, personnel, and management of victims' claims.

To determine the effectiveness of the Program's claims management process, we evaluated the roles of the Program, Administrative Services Division, and Board of Examiners in determining the percentage of victims' claims paid. We tested the reliability of the data in the claims management system (VOC-NET) by judgmentally selecting 10 bill claims from the system and tracing them to the physical documentation. We also assessed the database's completeness by tracing five hard copy bill claims to the VOC-NET system. Next, we analyzed the amount paid to the contractor for claim review, document imaging, payment processing, and other services for fiscal years 2001 to 2006. We then analyzed the average number of days between approval and payment for victims' claims in fiscal years 2005 and 2006 and created an aging of the unpaid claims. We also analyzed the amount of unpaid claims using data from the VOC-NET system containing all claims approved from July 1, 2004, through December 31, 2006. Finally, we analyzed the Program's ability to pay claims through the end of fiscal year 2007.

To test the existence of property and equipment on the inventory listings, we judgmentally selected 25 assets and verified their physical existence. Similarly, we selected 19 additional assets and determined whether these items were properly

included on the inventory lists. Finally, we determined whether annual inventories of property and equipment were performed.

To assess the appropriateness of Division and Program expenditure transactions, we randomly selected 25 non-payroll expenditure transactions and tested each for proper recording, approval, and compliance with laws, regulations, policies, and procedures. We also judgmentally selected a sample of 20 expenditure transactions recorded in fiscal years 2006 and 2007 to determine if they were recorded in the proper fiscal year. Finally, we reviewed a judgmentally selected sample of 10 credit and journal entries and evaluated their appropriateness.

In addition, we evaluated whether Division and Program revenues were properly processed by randomly selecting a sample of 25 revenue transactions. We reviewed supporting documentation to determine whether the selected revenues were forwarded timely to the Administrative Services Division to allow for deposit within statutory requirements.

We reviewed all five of the Division's professional services contracts and determined whether contract maximums were exceeded and services were rendered before contracts and amendments were properly authorized. We also reviewed whether contracts were documented for all independent contractors who provided services for the Division. Next, we evaluated the Division's and Program's process of reviewing contract expenditures. Finally, we reviewed the Program's claims management contract by testing a randomly selected sample of 30 invoice components from three monthly contractor invoices for accuracy.

We evaluated whether performance evaluations were completed within statutory guidelines for 26 Division and all active Program classified employees. To test whether their work schedules were properly recorded on timesheets we randomly selected 10 employees, obtained their work hours, and compared them to the hours reported on their timesheets. Finally, we reviewed whether the Division maintained documentation evidencing compliance with NRS 616C.295 requiring hearing officers to receive training in mediation techniques.

To determine the adequacy of the Division's and Program's policies and procedures manuals, we reviewed them for deficiencies and weaknesses. Additionally,

we compared procedures to the actual control activities being performed in testing areas.

Our audit work was conducted from May 2006 to January 2007, in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Administration and the Hearings Division Senior Appeals Officer and Victims of Crime Program Coordinator. On September 25, 2007, 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 29.

Contributors to this report included:

Daniel L. Crossman, CPA
Deputy Legislative Auditor

Jane Bailey
Audit Supervisor

Stephen M. Wood, CPA
Chief Deputy Legislative Auditor

Appendix B

Nevada Revised Statute 217.260

NRS 217.260 Fund for Compensation of Victims of Crime.

1. Money for payment of compensation as ordered by the Board and for payment of salaries and other expenses incurred by the Department of Administration pursuant to NRS 217.010 to 217.270, inclusive, must be paid from the Fund for the Compensation of Victims of Crime, which is hereby created. Money in the Fund must be disbursed on the order of the Board in the same manner as other claims against the State are paid. The Board shall estimate quarterly:

(a) The revenue in the Fund which is available for the payment of compensation; and

(b) The anticipated expenses for the next quarter.

↳ If the estimated expenses for the quarter exceed the available revenue, all claims paid in that quarter must be reduced in the same proportion as the expenses exceeded the revenue.

2. Money deposited in the Fund which is recovered from a forfeiture of assets pursuant to NRS 200.760 and the interest and income earned on that money must be used for the counseling and medical treatment of victims of crimes committed in violation of NRS 200.366, 200.710, 200.720, 200.725, 200.730 or 201.230.

3. The interest and income earned on the money in the Fund for the Compensation of Victims of Crime, after deducting any applicable charges, must be credited to the Fund.

(Added to NRS by 1969, 1154; A 1977, 328; 1981, 1341, 1672; 1983, 819, 1136, 1959; 1985, 639, 2104, 2106; 1987, 2271; 1989, 246; 1991, 771; 1995, 954)

Appendix C
Response From the Hearings Division and
Victims of Crime Program



Jim Gibbons
Governor

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
HEARINGS DIVISION
VICTIM OF CRIME PROGRAM
Bryan Nix, Esq.

Andrew Clinger
Director

October 15, 2007

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

Dear Mr. Townsend:

I have completed my review of the findings, conclusions and recommendations from the audit of the Hearings Division and of the Victim of Crime Program that you conducted last year. I appreciate the professionalism with which you and your staff conducted the combined audits. The Hearings Division and the Victim of Crime Program accepts *and have fully implemented* all of your recommendations.

Although the Hearings Division and the Victim of Crime Program are separate state agencies with unrelated missions, your report combines your findings, conclusions and recommendations for both state agencies since both are under my direction. The audit reflects a period where both

agencies were in transition and your findings and conclusions highlight of some of the challenges experienced by changes “in progress” during the audit period.

Implementation of your recommendations has already helped the “Division” and the “Program” to improve, as I will touch on in this response. I will comment on the issues related to the Hearings Division first, and then on issues concerning the Victim of Crime Program.

Hearings Division

As you correctly point out the Hearings Division is responsible for conducting hearings and appeals in contested workers compensation cases and a variety of other state agency matters. The Division receives and processes approximately 16,000 hearing requests and appeals annually. The Workers Compensation Research Institute recently studied the Nevada Workers Compensation system and concluded that the Hearings Division is among, if not the most efficient of all the systems they have studied.

When you last audited the Division most of your findings and recommendations were focused on issues related to the Division’s performance of its statutory duties in a timely manner and its lack of an adequate computerized case management system. I can’t help but point out the complete lack of reference to such issues in this audit is revealing.

Today the Division exceeds virtually all performance measures in meeting the Division's statutory obligations, with a 100% timely performance rating in virtually all categories. Auditors from the executive branch Internal Audit Division recently audited the Division and found that our Case Management and Reporting System was 100% accurate after their independent random testing. Your previous audit recommendations assisted the Division in reaching these outstanding performance levels.

This years audit findings: that the Division did not always adequately monitor contract costs and authority, largely relate to the difficulties experienced in the transition from utilizing our long time contractor, *Paulson Court Recording Services*, to record and transcribe proceedings before the Appeals Officers. As you are aware the audit by the Internal Audit Division recommended the Division explore the use of Digital Recording Systems to replace the services historically provided by *Paulson*. We were experiencing significant cost increases in vendor appearance fees to appear and record the ever-increasing volume of hearings. Over the last three FYs our contract with *Paulson* has averaged \$170,000 per year.

We complied with that recommendation and took the necessary steps to study the technology and to go to bid, then purchase and install a Digital Recording System that allows the Appeals Officer to record the proceedings digitally without using *Paulson* court room clerks.

We tried to coordinate the implementation of the new technology with the termination of the long time contract with our vendor. Unfortunately delays in the implementation of the new system required us to extend our contract with our vendor and to re-allocate funding to continue the services until the new system was on line. This all occurred prior to and during the period of your audit.

The Board of Examiners approved the contract for the new Digital Recording System on April 10th and the system was installed and operating by April 30, 2007.

In the first 6 months since going on line we have spent only \$10,500 for transcript preparation services. We project we will spend just over \$24,000 for the entire FY. If this pattern holds true we will experience an average annual savings of over \$150,000.

Victim of Crime Program

As your report notes the Victim of Crime Program assists innocent victims of crime by paying a variety of benefits including lost wages, medical bills, counseling, burial expenses, relocation costs, prescription drugs, etc. The program is perpetually under funded and strives to maximize assistance with available resources.

Like the Hearings Division, the Victim of Crime Program has also been in transition. This transition has involved changes in law, policy and technology and, as luck would have it, culminated during the period under

review by your audit. The first major change has been from a practice of paying all claims until the money ran out to our current policy of paying claims in a manner that maximizes the benefit to the individual victim, “selectively” as you state in your report.

Historically the Program paid claims as presented until the claim limit was met, then the claim was closed. When anticipated claim costs exceeded anticipated revenue all claims were paid at a reduced rate as required by NRS 217.260. This process created a variety of hardships for the victims as wage reimbursement, prescription medication, and other critical payments were cut, to accommodate huge hospital emergency room bills. It was not uncommon for an entire claim limit to be exhausted by one hospital bill leaving nothing left for lost wages, counseling, medication or other critical needs.

Over the last several years we have implemented several changes to improve our ability to assist the victim’s recovery from the adverse impacts of the crime rather than simply pay hospital and other bills as presented.

We were the first Victim of Crime Program in the nation to adopt aggressive cost containment measures including medical bill review and the application of insurance industry medical fee schedules to hospital and other medical bills.

We successfully pursued legislation, NRS 217.245, which protects the victim from creditor harassment when

the Program has paid claims at the reduced fee schedule rates. To my knowledge this unique legislation is the first of its kind and has freed thousands of victims from the yoke of debilitating medical debt on top of their injuries and other humiliations.

We have contracted with a service provider, *CCSI*, who has developed a customized claims management system that has allowed us to dramatically increase productivity while providing us with the ability to analyze and pay claims “selectively”. With our contractor we have implemented the first and only Internet based, paperless file and claims management system for Victim of Crime Programs in the country.

We have developed, and the Board of Examiners has adopted, policies pursuant to NRS 217.150 that provide for payment of claims that assure the victims’ most pressing needs are met as well as assisting the victim with sometimes staggering hospital bills. These policies address and resolve your concerns with the application of NRS 217.260.

These changes have allowed us to satisfy over \$47 million dollars in medical bills for less than \$17 million, a savings of over \$30 million dollars since FY 2005 alone.

Your report correctly notes that several hospital bills had remained unpaid as of December 31, 2006 when your auditors were last in our offices. These claims and all claims submitted since were paid by July 6, 2007. Because

these claims were paid under the new policies adopted by the Board of Examiners we were able to satisfy \$17,775,000 in medical bills for \$2,350,000. Had we paid these bills under the old policies we would have to have paid \$5,800,000. This represents a direct savings to the Program of \$3,450,000.

The other major transition for the Program has been in transferring virtually all claims paying functions from the Budget Office to the Program and its contractor *CCSI*. In 2005, after competitive bid, *CCSI* was awarded the contract to provide a variety of services to the Victim of Crime Program including: An Online Claims Management System, Imaging Services, Check Printing, Mailing, Bill Review, Statistical Reporting, Tax Reporting, Phone Support for Provider Inquiries, Financial Reporting, File Storage, and related services.

Your report compares the contract costs with *CCSI* in 2001 to contract costs in 2008 noting a 173% increase. You fail to note however that the contract in 2001 was for Bill Review services only. Comparing the two is like comparing apples to zebras.

Payments under both contracts were based on a percentage of savings however, and neither *CCSI* nor the Program anticipated the dramatic rise in both the volume of medical bills and the increase in the medical costs per bill over the past few years. For instance from 2001 to 2008 the cost of the medical bills we received from victims has increased by 182% and the volume of medical bills has

increased over 150% in the same time period. The most significant rise in costs has been over the last three years. *CCSI's* fees are based on a percentage of what they save the program through their bill review services. Their fees climbed with the increase in volume and value. To accommodate for this unexpected increase *CCSI* voluntarily capped their fees in March of this year. This fee reduction has resulted in a direct savings of over \$427,000 to date.

Since *CCSI* performs many of the functions previously performed by Admin Services the program has also saved over \$100,000 annually in administrative services fees. The contract with *CCSI* has allowed us to process an ever-growing caseload without the addition of state employees. Our estimates indicate that we have saved in excess of \$150,000 to \$200,000 annually by not adding staff we would have needed to process the same workload. Specifically we downgraded a compensation officer position to a clerical position and cancelled plans to add 3 positions in 2005 and an additional position in 2007. As a result the Program staff has grown by only two clerical positions in 18 years.

Recommendations

You have made 11 recommendations, some for the Hearings Division, some for the Victim of Crime Program and some for both. We accept these recommendations and we have adopted these recommendations *in their entirety* as follows:

Recommendation 1. Work with the Administrative Services Division to develop policies and procedures to ensure the Program's financial data is presented to the State Board of Examiners on a quarterly basis for evaluation. Ensure projections include the outstanding qualified victims' claims:

Response: Policies adopted by the Board of Examiners in April provide for the quarterly report and pay down of approved and unpaid claims accruing during the quarter.

Recommendation 2. Pay victims' claims in accordance with NRS 217.260 and Board of Examiners' policy:

Response: See response to Recommendation 1.

Recommendation 3. Document procedures for backup of claims management data to ensure critical claims data is properly safeguarded:

Response: Procedures contained in Policies adopted by the Board of Examiners in April establish such safeguards.

Recommendation 4. Follow existing policies and procedures to ensure contract maximums are not exceeded and proper approval of contracts is obtained before services are provided:

Response: **We have two Division employees who are now Certified Contract Managers. They now monitor all contracts and report directly to me.**

Recommendation 5. Amend policies and procedures over contract monitoring to include management review of controls and review of vendor invoices:

Response: **This is now standard procedure and staff Certified Contract Managers who report directly to me monitor all vendor invoices.**

Recommendation 6. Enhance and follow budget monitoring policies and procedures to ensure encumbrances and expenses do not exceed budget authority and include routine management review of budget authority status:

Response: **We instituted enhanced policies in January 2007 that better help us monitor our budget and the status of all vendor contracts and services. Personnel responsible are Certified Contract Managers who report directly to me.**

Recommendation 7. Revise policies and procedures to ensure cash receipts are properly logged at all offices:

Response: **In February 2006 we instituted a policy stating we do not accept any cash whatsoever in any Division or Program office. In January 2007 we instituted new policies for the acceptance, recording,**

and timely mailing to Admin Services of checks and money orders from all Program and Division offices.

Recommendation 8. Develop and distribute written policies and procedures detailing appropriate document disposal practices for crime victims' records:

Response: Program policies and procedures concerning document disposal were updated and adopted by the Board of Examiners in April. All employees have been indoctrinated in these policies.

Recommendation 9. Improve Division controls over payroll to ensure employees properly report their variable work schedules on timesheets:

Response: This was accomplished in November 2006 by requiring all employees to properly note their schedule on their timesheet. Management also keeps a log of employees' variable schedules.

Recommendation 10. Ensure Division and Program procedures include management tools to monitor compliance with performance evaluations required by NRS 284.340:

Response: Division and Program policies were updated in January 2007 and included this requirement. Management tracks due dates to ensure timely completion of all employee performance

evaluations. All Division and Program employee performance evaluations are current.

Recommendation 11. Enhance policies and procedures over fixed assets to ensure information technology equipment purchases are reviewed and approved by the Department of Information Technology and State Purchasing and necessary changes to asset listings are completed timely:

Response: Policies and procedures were updated in January 2007 and included revisions to the fixed asset procedures. Changes have been recorded timely since June 2006. As of April 2007 management can now input inventory changes directly into Advantage, rather than wait for Admin Services to do it; thereby reflecting inventory changes more quickly.

Conclusion

As I mentioned above I believe the Division has benefited from past audit recommendations and I believe the Hearings Division and the Victim of Crime Program have already benefited from these recommendations.

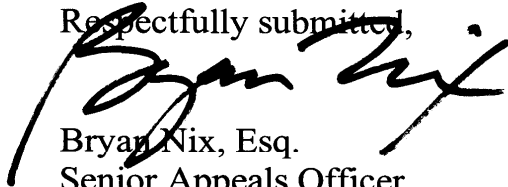
Working with your auditors helped to highlight concerns that allowed us to recognize and begin addressing issues even before their fieldwork was completed. We have fortunately had some time to implement changes recommended as well as others early in the process.

Dan Crossman, Jane Bailey and Steve Woods from your office demonstrated the highest levels of professionalism and competency and were a pleasure to work with.

Mary Keating from Budget, Barbara Boos from *CCSI*, Rebecca Salazar, Patti Fox and Paul Trepanier from my office all provided valuable support during the audit and in preparation of this response.

I hope my response brings some additional perspective to the issues and challenges facing both agencies.

Respectfully submitted,



Bryan Nix, Esq.
Senior Appeals Officer,
Hearings Division/
Coordinator,
Victim of Crime Program

**Hearings Division and
Victims of Crime Program
Response to Audit Recommendations**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Work with the Administrative Services Division to develop policies and procedures to ensure the Program's financial data is presented to the State Board of Examiners on a quarterly basis for evaluation. Ensure projections include the outstanding victims' claims.....	<u> X </u>	<u> </u>
2	Pay victims' claims in accordance with NRS 217.260 and Board of Examiners' policy.....	<u> X </u>	<u> </u>
3	Document procedures for backup of claims management data to ensure critical claims data is properly safeguarded	<u> X </u>	<u> </u>
4	Follow existing Division policies and procedures to ensure contract maximums are not exceeded and proper approval of contracts is obtained before services are provided	<u> X </u>	<u> </u>
5	Amend Division and Program policies and procedures over contract monitoring to include management review of controls and review of vendor invoices.....	<u> X </u>	<u> </u>
6	Enhance and follow Division budget monitoring policies and procedures to ensure encumbrances and expenses do not exceed budget authority and include routine management review of budget authority status	<u> X </u>	<u> </u>
7	Revise Division and Program policies and procedures to ensure cash receipts are properly logged and deposited timely	<u> X </u>	<u> </u>
8	Develop and distribute written Program policies and procedures detailing appropriate document disposal practices for crime victims' records	<u> X </u>	<u> </u>
9	Improve Division controls over payroll to ensure employees properly report their variable work schedules on timesheets.....	<u> X </u>	<u> </u>
10	Ensure Division and Program procedures include management tools to monitor compliance with performance evaluations required by NRS 284.340....	<u> X </u>	<u> </u>

**Hearings Division and
Victims of Crime Program
Response to Audit Recommendations
(continued)**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
11	Enhance Division and Program policies and procedures over fixed assets to ensure information technology equipment purchases are reviewed and approved by the Department of Information Technology and State Purchasing and necessary changes to asset listings are completed timely	<u> X </u>	<u> </u>
	TOTALS	<u> 11 </u>	<u> 0 </u>