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Legislative Commission  
Legislative Building  
Carson City, Nevada

We have completed an audit of the Commission on Ethics. 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 the audit conclusion and the Commission's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Commission on Ethics 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

December 15, 2004  
Carson City, Nevada

STATE OF NEVADA  
COMMISSION ON ETHICS

AUDIT REPORT

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# **EXECUTIVE SUMMARY**

## **COMMISSION ON ETHICS**

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### **Background**

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The Legislature created the Commission on Ethics in 1975 to enhance the faith and confidence the people of Nevada have in the integrity and impartiality of public officers and employees. The Commission is composed of eight members and serves in a quasi-judicial capacity. Four members are appointed by the Legislative Commission and four are appointed by the Governor.

The Commission maintains an office in Carson City where it employs an executive director and two staff. Since July 1, 2003, operations have been supported by both General Fund appropriations and local government assessments. Prior to that time, funding was provided by the General Fund. This change resulted from an action taken by the 2003 Legislature that required cities and counties with a population of more than 10,000 to pay assessments for the costs incurred by the Commission in carrying out its purpose. In fiscal year 2004, these assessments provided 65% of the Commission's funding. Expenditures in fiscal year 2004 were \$346,919.

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### **Purpose**

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The purpose of this audit was to evaluate the Commission's financial and administrative practices, including whether activities were carried out in accordance with applicable laws, regulations, and policies. Our audit included a review of the Commission's financial and administrative activities for the fiscal year ended June 30, 2004.

## EXECUTIVE SUMMARY

### COMMISSION ON ETHICS

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#### **Results in Brief**

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The Commission on Ethics complied with laws, regulations, and policies significant to the financial administration of the Commission's activities. Consequently, this report contains no findings or recommendations.

#### **Agency Response**

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The Commission, in its response to our report, agreed with the results of the audit. (page 8)

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# Introduction

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## Background

The Legislature created the Commission on Ethics in 1975 to enhance the faith and confidence the people of Nevada have in the integrity and impartiality of public officers and employees. The Commission is composed of eight members and serves in a quasi-judicial capacity. Four members are appointed by the Legislative Commission and four are appointed by the Governor. To carry out its responsibilities, the Commission performs five main functions:

- Interpreting and providing guidance to public officers and employees on the provisions of NRS 281.411 to 281.581 (Ethics in Government Law). According to Commission records, 15 requests for advisory opinions were received in fiscal year 2004.
- Investigating and adjudicating third-party ethics complaints against public officers and employees for violating the provisions of NRS 281.411 to 281.581. Commission records indicate that 51 requests for third-party opinions were received in fiscal year 2004.
- Administering NRS 294A.345 and 294A.346, which prohibit impeding the success of a campaign. In fiscal year 2004, one request for a campaign practices opinion was reported by the Commission.
- Educating public officers and employees regarding ethical provisions and prohibitions under Nevada law. Twenty educational programs were conducted in fiscal year 2004 according to the Commission's records.
- Accepting financial disclosure statements of certain public officers. The Commission indicated that 452 financial disclosure statements were received in fiscal year 2004 from appointed officials.

The Commission maintains an office in Carson City where it employs an executive director and two staff. Since July 1, 2003, operations have been supported by both General Fund appropriations and local government assessments. Prior to that time, funding was provided by the General Fund. This change resulted from an action taken by the 2003 Legislature that required cities and counties with a population of more than 10,000 to pay assessments for the costs incurred by the Commission in carrying

out its purpose. In fiscal year 2004, these assessments provided 65% of the Commission's funding. Expenditures in fiscal year 2004 were \$346,919.

## **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 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 included a review of the Commission's financial and administrative activities for the fiscal year ended June 30, 2004. The objective of our audit was to evaluate the Commission's financial and administrative practices, including whether activities were carried out in accordance with applicable laws, regulations, and policies.

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## **Audit Conclusion**

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The Commission on Ethics complied with laws, regulations, and policies significant to the financial administration of the Commission's activities. Consequently, this report contains no findings or recommendations.

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# Appendices

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## Appendix A Audit Methodology

To gain an understanding of the Commission on Ethics, we interviewed agency staff and reviewed statutes, regulations, policies, and procedures significant to the Commission's financial and administrative practices. We also reviewed financial reports and minutes of legislative committee meetings. Furthermore, we documented and assessed the Commission's internal controls.

To accomplish our audit objective, we verified that county reimbursement fees for fiscal year 2004 were billed and collected properly. We also selected seven receipts to determine whether funds were deposited in accordance with statutory requirements.

For expenditures, we reconciled staff salaries to the unclassified pay bill and judgmentally selected five commissioner payments to verify they were made in accordance with applicable law. Also, we judgmentally selected four travel and five operating transactions, testing each for compliance with regulations and policies. We then verified the physical existence of selected items on the Commission's fixed asset inventory list. Next, we judgmentally selected four court reporting expenditures and three investigation/paralegal expenditures to ensure the transactions were recorded accurately; contained required approvals; and complied with laws, regulations, and contract terms. In addition, we judgmentally selected six transactions from fiscal years 2003 and 2005 to verify they were recorded in the proper fiscal year. We also reviewed three journal vouchers for propriety and examined credit entries made to the expenditure accounts.

Our audit work was conducted from August to October 2004 in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Executive Director of the Commission on Ethics. On December 13, 2004, we met with the Executive Director to discuss the results of the audit and requested a written



response to the preliminary report. That response is contained in Appendix B, which begins on page 8.

Contributors to this report include:

Tammy A. Goetze, CPA  
Deputy Legislative Auditor

George R. Allbritten, CPA  
Audit Supervisor

Stephen M. Wood, CPA  
Chief Deputy Legislative Auditor

**Appendix B**  
**Commission on Ethics' Response**



Stacy M. Jennings, MPA  
*Executive Director*

Nancy Lee Varnum, Esq.  
*Commission Counsel*

State of Nevada  
**COMMISSION ON ETHICS**

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December 13, 2004

Rick R. Hsu, Esq.  
*Chairman*  
Caren Jenkins, Esq.  
*Vice Chairman*

*Members:*  
Merle Berman  
Timothy Cashman  
William Flangas, P.E.  
Mark A. Hutchison, Esq.  
George Keele, Esq.  
James Kosinski, Esq.

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

Dear Mr. Townsend:

Pursuant to the provisions of NRS 218.821(1), this letter constitutes the official response of the Nevada Commission on Ethics to the LCB audit report.

We are pleased that audit staff found no findings or deficiencies with regard to the Commission's financial and administrative practices during Fiscal Year 2004. As you are aware, the Commission has few staff and many responsibilities. Since I joined the Commission in 2002, we have worked diligently to develop a system of internal controls which – despite these obstacles – ensures the accurate and timely collection and expenditure of funds and safeguards the public assets within control of the agency.

The legislative audit process provides an unique opportunity to have independent and impartial professionals examine the fruits of our efforts and provide valuable feedback. Though the report contains no official recommendations, the conversations and interaction with Deputy Legislative Auditor Tammy Goetze were both informative and insightful, and stimulated ideas for process improvements within the agency.

I appreciate the professionalism of your staff and the opportunity to participate in the audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Stacy M. Jennings".

Stacy M. Jennings, MPA  
Executive Director