

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (775) 684-6600



LEGISLATIVE COMMISSION (775) 684-6800
RANDOLPH J. TOWNSEND, *Senator, Chairman*
Lorne J. Malkiewich, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
MORSE ARBERRY JR., *Assemblyman, Chairman*
Mark W. Stevens, *Fiscal Analyst*
Gary L. Ghiggeri, *Fiscal Analyst*

LORNE J. MALKIEWICH, *Director*
(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815
DONALD O. WILLIAMS, *Research Director* (775) 684-6825

**Legislative Commission
Legislative Building
Carson City, Nevada**

We have completed an audit of the Nevada Attorney for Injured Workers. 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 agency's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Nevada Attorney for Injured Workers 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

May 2, 2008
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
NEVADA ATTORNEY FOR INJURED WORKERS
AUDIT REPORT

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EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY NEVADA ATTORNEY FOR INJURED WORKERS

Background

The office of the Nevada Attorney for Injured Workers (NAIW), created in 1977, represents injured workers in litigation seeking workers' compensation benefits. The NAIW represents at no charge, claimants at the administrative appeals level, or before the District Court or the State Supreme Court. Once appointed, the NAIW represents the claimant at any level of proceedings and helps ensure benefits are provided when ordered. The agency also advises injured workers concerning their rights to appeal insurers' determinations, and consequences of accepting offers for lump sum buy-outs in lieu of further vocational rehabilitation benefits.

The NAIW, with offices in Las Vegas and Carson City, had 33 full-time equivalent positions, including 14 attorneys in fiscal year 2007. The agency is funded by the Workers' Compensation and Safety Fund, comprised of insurer-paid assessments and employer-paid premiums. The NAIW expended \$3 million in fiscal year 2007.

Purpose

The purpose of this audit was to evaluate the NAIW's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures. This audit focused on the NAIW's financial and administrative activities during fiscal year 2007.

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY NEVADA ATTORNEY FOR INJURED WORKERS

Results in Brief

The NAIW substantially complied with state laws, regulations, policies and procedures significant to its financial and administrative practices. However, we noted property and equipment records were not reliable, thus increasing the risk of theft or loss of state assets. In addition, personnel administration requirements were not always followed. For example, work performance standards were not developed for all positions and employee evaluations were not always conducted.

Principal Findings

- The NAIW did not maintain accurate property and equipment records. Our analysis of all 99 assets recorded on NAIW's property and equipment records noted 15 discrepancies. With the assistance of NAIW staff, we were able to rectify all but two of the discrepancies – one computer and one piece of computer equipment. Many of these discrepancies were the result of NAIW not conducting comprehensive annual inventories. In addition, many items did not have asset identification tags attached; therefore, it was difficult to verify these items to the inventory records. Accurate property records maintain accountability and enhance loss prevention. (page 6)
- Our review of the NAIW's classified employee files indicated work performance standards had not been developed or communicated for certain employees. Of the 14 classified employees examined, 5 did not have work performance standards and 3 were not provided a copy of their work performance standards. There is increased risk employees are unaware of

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY NEVADA ATTORNEY FOR INJURED WORKERS

their job elements and expected results for satisfactory performance when standards are not communicated. (page 7)

- The NAIW did not complete performance evaluations for all employees as required by law. Eight of 14 classified employees tested, including 5 in probationary status, did not receive all required performance reviews during fiscal year 2007. Our prior audit report, issued in 1998, noted similar problems with performance evaluations. Evaluations can identify factors which can improve job performance, and assist employees in developing additional knowledge, skills and abilities. In addition, the agency may not have recourse if an employee performs below standards and an evaluation has not been done. (page 8)

Recommendations

This audit report contains three recommendations to improve the NAIW's fiscal and administrative practices. First, the NAIW should implement control procedures to help safeguard its property and equipment. In addition, the agency should ensure work performance standards are developed and communicated to employees. Finally, the NAIW should ensure employees are evaluated as required by state law. (page 13)

Agency Response

The Department, in response to our audit report, accepted the three recommendations. (page 11)

Introduction

Background

The office of the Nevada Attorney for Injured Workers (NAIW), created in 1977, represents injured workers in litigation seeking workers' compensation benefits. The duties of the NAIW include representing at no charge, claimants at the administrative appeals level, or before the District Court or the State Supreme Court. Once appointed, the NAIW represents the claimant at any level of proceedings and helps ensure benefits are provided when ordered. Also, the NAIW advises injured workers concerning their rights to appeal insurers' determinations, and consequences of accepting offers for lump sum buy-outs in lieu of further vocational rehabilitation benefits.

The NAIW has offices in Las Vegas and Carson City. For fiscal year 2007, the agency was authorized 33 full-time equivalent positions including 14 attorneys. The total positions were split between the two offices with 17 positions assigned to Las Vegas and 16 assigned to Carson City.

The NAIW has one budget account and does not receive General Fund Appropriations. The sole source of funding is the Workers' Compensation and Safety Fund, comprised of insurer-paid assessments and employer-paid premiums. This fund is administered by the Division of Industrial Relations. Exhibit 1 summarizes the expenditures for the NAIW for fiscal year 2007.

Exhibit 1

Nevada Attorney for Injured Workers Expenditures Fiscal Year 2007

Category	
Personnel	\$ 2,398,278
Operating	413,163
Information Services	56,153
Case Management Project	21,095
Travel	13,475
Training	8,137
Inter-Agency Transfers	122,863
Total	\$ 3,033,164

Source: State Accounting System.

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 focused on the NAIW's financial and administrative activities during fiscal year 2007. The objective of our audit was to evaluate the NAIW's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures.

Findings and Recommendations

The Nevada Attorney for Injured Workers (NAIW) substantially complied with state laws, regulations, policies, and procedures significant to its financial and administrative practices. However, we noted property and equipment records were not reliable, thus increasing the risk of theft or loss of state assets. In addition, personnel administration requirements were not always followed. For example, work performance standards were not developed for all positions and employee evaluations were not always conducted.

Property and Equipment Records Not Accurate

The NAIW did not maintain accurate property and equipment records. For example, some equipment recorded on the agency's inventory report was not located, and some equipment had been disposed of but remained on the report. Specifically, our analysis of all 99 assets recorded on NAIW's property and equipment records noted 15 discrepancies.

- **One computer and one piece of computer equipment could not be located.**
- **One computer was incorrectly recorded on the property and equipment inventory as a transfer from another agency.**
- **Three computers and a printer were disposed of but not removed from the property and equipment reports.**
- **One computer that had been removed from the report was still on hand.**
- **Five computer equipment items not found during testing were subsequently located.**
- **Two items had asset identification tags that did not agree to the property and equipment report.**

With the assistance of NAIW staff, we were able to rectify all but two of the discrepancies – one computer and one piece of computer equipment.

Many of these discrepancies were the result of NAIW not conducting comprehensive annual inventories. Although Nevada law requires agencies to conduct annual physical inventories and reconcile the results to the state's inventory records, the

Las Vegas office had not conducted an inventory for several years and the Carson City office's inventory was incomplete. In addition, we contacted the Purchasing Division and determined some of the agency's equipment was listed on two reports that were not used by the agency to track equipment. Finally, many items did not have asset identification tags attached; therefore, it was difficult to verify these items to the inventory records.

Accurate property records maintain accountability and enhance loss prevention. Further, the risk of theft or loss is increased when asset identification tags are not placed on equipment. Although the computer and equipment that could not be located had little value due to technological obsolescence, our primary concern is the risk that confidential client data stored on the computer may have been compromised. Therefore, procedures should be developed to help ensure property and equipment is properly disposed of when obsolete.

Recommendation

1. Implement procedures over property and equipment to ensure:
(1) inventory is taken annually and the results are reconciled to the state's records, (2) asset identification tags are attached when property and equipment is received, and (3) property and equipment designated for disposal is properly disposed of.

Personnel Requirements Not Always Followed

The NAIW did not always comply with personnel administration requirements. Employee work performance standards had not been developed for all classified positions, and some employees had not been provided a copy of their standards. Furthermore, the agency did not conduct performance evaluations for many of its employees.

Work Performance Standards Were Not Always Developed or Communicated

Our review of the NAIW's classified employee files indicated work performance standards had not been developed or communicated for certain employees. Of the 14 classified employees examined, 5 did not have work performance standards and 3 were not provided a copy of their work performance standards.

Agencies are required to develop work performance standards for all classified positions and provide employees a copy of the standards for their position. Standards must be reviewed annually and amended when appropriate. There is increased risk employees are unaware of their job elements and expected results for satisfactory performance when standards are not communicated.

Performance Evaluations Were Often Not Completed

The NAIW did not complete performance evaluations for all employees as required by law. Eight of 14 classified employees tested, including 5 in probationary status, did not receive all required performance reviews during fiscal year 2007. Our prior audit report, issued in 1998, noted similar problems with performance evaluations.

NRS 284.340 requires annual evaluations for employees in the classified service who achieve permanent status. Evaluations are required more frequently during a classified employee's probationary period. NAIW employees' have a 12-month probationary period, with evaluations required at the end of the 3rd, 7th, and 11th month of employment.

Agency management indicated employee evaluations are completed unless the legal casework requirements prevent such, since the casework must take priority to avoid state liability. Evaluations serve several purposes including: (1) evaluating an employee's effectiveness in performing assigned duties and responsibilities; (2) identifying factors which can improve job performance; (3) clarifying performance standards as they relate to the current job duties; and (4) assisting employees to develop additional knowledge, skills, and abilities for advancement. In addition, the agency may not have recourse if an employee performs below standards and an evaluation has not been done.

Recommendations

2. Ensure work performance standards for classified employees are developed and all employees are provided a copy.
3. Implement controls over personnel administration to ensure employees are evaluated as required by state law.

Appendices

Appendix A Audit Methodology

To gain an understanding of the Nevada Attorney for Injured Workers, we interviewed agency staff and reviewed state laws, regulations, policies, and procedures significant to the agency's operations. We also reviewed financial information, prior audit reports, budgets, minutes of various legislative committees, and other information describing the activities of the agency. We documented and assessed the agency's internal controls over expenditures, personnel administration, and property and equipment.

To accomplish our audit objective, we randomly selected 34 non-payroll expenditures including 5 travel claims and 1 payment to each of the office's contractors. Each payment was tested for proper recording, approval, and compliance with laws, regulations, policies, and procedures. We also judgmentally selected five credit entries to expenditures to determine their propriety. Judgment was based on high dollar transactions and categories with little budgeted funds remaining. In addition, we selected a total of 12 expenditures from transition periods surrounding the beginning and end of fiscal year 2007. We reviewed documentation to verify that these transactions were recorded in the correct fiscal year. Finally, we reviewed all contracts applicable to fiscal year 2007 to verify they were properly authorized.

To determine if payroll expenditures were appropriate, we selected the two pay periods with the highest overtime cost. For these pay periods, we tested the timesheets for compliance with applicable laws, regulations, policies, and procedures. We also determined whether work performance standards were established for all classified employees, employees received performance evaluations, and that supervisory personnel received mandatory training.

To evaluate compliance with property and equipment requirements, we determined whether the NAIW performed annual physical inventories. We also verified all of the agency's property and equipment existed and was properly recorded.

Our audit work was conducted from October 2007 through February 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit 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 218.821, we furnished a copy of our preliminary report to the Director of the Department of Business and Industry and the Nevada Attorney for Injured Workers. On April 22, 2008, 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 B, which begins on page 11.

Contributors to this report included:

Diana Giovannoni, CPA
Deputy Legislative Auditor

Michael O. Spell, CPA
Audit Supervisor

Stephen M. Wood, CPA
Chief Deputy Legislative Auditor

Appendix B

Response From the Nevada Attorney for Injured Workers

JIM GIBBONS
Governor

STATE OF NEVADA

NANCYANN LEEDER
Nevada Attorney for
Injured Workers



NEVADA ATTORNEY FOR INJURED WORKERS

1000 E. William Street, Suite 208
Carson City, Nevada 89701
(775) 684-7555 • Fax (775) 684-7575

May 2, 2008

VIA HAND-DELIVERY

PAUL V. TOWNSEND, CPA
LEGISLATIVE AUDITOR
LEGISLATIVE COUNSEL BUREAU

Dear Mr. Townsend:

NAIW thanks the LCB fiscal staff for its courteous and professional assistance in evaluating its records and procedures. In the press of activity and work on its clients' cases, NAIW has paid more attention to getting done timely the tasks required by its mission to benefit its clients, than the procedural infrastructure for a state agency. We understand the importance of these matters, so because of this audit, NAIW has now corrected its course and focused its attention to accomplish these necessary tasks.

Recommendation

1. **Implement procedures over property and equipment to ensure: (1) inventory is taken annually and the results are reconciled to the state's records, (2) asset identification tags are attached when property and equipment is received, and (3) property and equipment designated for disposal is properly disposed of.**

Since the audit began, NAIW has completed a physical inventory of all assets valued over \$1000 for the Carson City office and the Las Vegas office. All assets have been reconciled with Purchasing and updated in Advantage. At the time of NAIW's audit, Purchasing reported fixed assets under four different location codes. NAIW has worked with Purchasing, reconciling them to two codes.

NAIW has revised its policy (copy attached). Inventory of fixed assets will be completed on an annual basis by each office no later than January 31st of each calendar year. The Accounting Assistant III will reconcile all assets with the Fixed Asset Report no later than February 28th of each calendar year.

A Property Disposition Report will be prepared by the Legal Office Manager or her designee and approved by the NAIW before an item is removed from the offices of NAIW. A copy of the Property Disposition Report will be provided to the Accounting Assistant III to have the

Website: <http://www.naiw.nv.gov>
E-mail: naiw@naiw.nv.gov

item removed from NAIW's inventory listing on Advantage. The Accounting Assistant III will sign and date the Property Disposition Report when the item has been removed from the inventory listing.

Recommendations

2. **Ensure work performance standards for classified employees are developed and all employees are provided a copy.**
3. **Implement controls over personnel administration to ensure employees are evaluated as required by state law.**

At time of the LCB audit, NAIW acknowledges five positions did not have work performance standards completed, Supervising Legal Secretary, Accounting Assistant III, Legal Research Assistant II, and Legal Office Manager. NAIW had been working on performance standards for some time and has now completed the Supervising Legal Secretary standards. NAIW is currently in the process of completing the work performance standards for each of the remaining positions. A copy of the work performance standards for the Supervising Legal Secretary have been completed, signed and filed. A copy of the work performance standards for the remaining positions will be signed by the employee, his/her immediate supervisor, the NAIW, a copy will be provided to the employee and the supervisor, and a copy will be maintained in the personnel file.

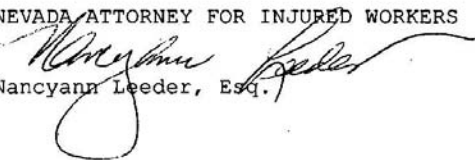
In addition, since the audit, NAIW has updated the Carson City Legal Secretary II performance standards to match those already in use in the Las Vegas office, so all are under the changed state format.

The Legal Office Manager will provide a monthly report to the NAIW and supervisors indicating evaluations due the following month.

With the refocus of our attention upon these procedural matters, NAIW anticipates full compliance with these recommendations within six months.

Sincerely,

NEVADA ATTORNEY FOR INJURED WORKERS


Nancyann Leeder, Esq.

NL:jkw

Agency/response to LCB.wpd

Nevada Attorney for Injured Workers Response to Audit Recommendations

Recommendation Number		Accepted	Rejected
1	Implement procedures over property and equipment to ensure: (1) inventory is taken annually and the results are reconciled to the state's records, (2) asset identification tags are attached when property and equipment is received, and (3) property and equipment designated for disposal is properly disposed of	<u> X </u>	<u> </u>
2	Ensure work performance standards for classified employees are developed and all employees are provided a copy	<u> X </u>	<u> </u>
3	Implement controls over personnel administration to ensure employees are evaluated as required by state law	<u> X </u>	<u> </u>
TOTALS		<u><u> 3 </u></u>	<u><u> 0 </u></u>