

# State Dairy Commission

## Audit Highlights



Highlights of Legislative Auditor report on the State Dairy Commission, issued on October 11, 2001. Report # LA02-13.

### Purpose of Audit

The purpose of this audit was to determine if the State Dairy Commission's audit and investigative activities were carried out in accordance with its standards for monitoring the dairy industry. The audit included a review of the Commission's audit and investigative functions for calendar years 1999 and 2000.

### Audit Recommendations

This report contained five recommendations to improve the Commission's regulatory functions. Specifically, the Commission should document key activities of the audit process, and review audit work timely including the hours staff spend on each audit. In addition, policies and procedures should be revised to ensure adequate documentation of investigative activities. The Commission should also develop policies and procedures for recording and resolving complaints and to ensure late fees are collected as required by statute.

The Agency accepted all five audit recommendations.

### Status of Recommendations

The Department of Administration submitted the six-month report on the status of audit recommendations on July 11, 2002. The report indicated that four recommendations had been fully implemented and substantial progress had been made on the one recommendation that was partially implemented. Based on further analysis, we concluded that this recommendation had been fully addressed.

## Department of Business and Industry

### Results in Brief

The State Dairy Commission's audit and investigative activities did not always comply with its standards for monitoring the dairy industry. Staff did not always follow audit manual guidance for planning, supervising, and documenting audit work performed. In addition, staff investigators did not routinely document key activities during their investigations. As a result, the Commission does not have adequate assurance its monitoring efforts achieve the intended purpose. Furthermore, penalties for late payment of dairy assessments were not always collected as required. While audit and investigative functions need strengthening, management is taking steps to better manage the Commission's operations.

### Principal Findings

Auditors did not always document key decisions when planning audit work. Although the Commission's policies and procedures emphasize the importance of planning, audit staff did not document their planning efforts in the 25 audits we reviewed.

Supervisors did not review audit work timely and adequately monitor the hours staff spent on each audit. In 20 of 25 audits tested, supervisors did not review audit work until after the audit was completed and the results were reported. In addition, audit staff understated the time they spent working on audits by 45%.

Audit staff did not adequately document the work they performed. Although staff documented violations they found, audit manual guidance was not always followed for documenting audit procedures performed. For instance, only 3 of 25 audits contained a description of the procedures performed during the audit.

Investigations performed as part of the Commission's regulatory activities are not adequately documented. Investigators record the number of investigations performed daily, but detailed information such as establishments visited, procedures performed, and results of each investigation are not maintained. As a result, management lacks information to monitor investigative activities.

The Commission did not collect a late fee in 19 of 27 instances where amounts were due. Although only \$700 went uncollected for the 6 months we reviewed, regulation is inconsistent when late fees are not enforced equally.

Management is taking steps to improve operations. Accomplishments include developing a strategic plan, downsizing the agency to improve efficiency, and protecting Nevada's farms and producers from unfair pricing policies.