

Audit Highlights



Highlights of Legislative Auditor report on the Division of Environmental Protection issued on October 17, 2011. Report # LA12-07.

Background

The Division's mission is to preserve and enhance the environment of the state to protect public health, sustain healthy ecosystems, and contribute to a vibrant economy. To accomplish its mission, the Division implements state and federal environmental laws, provides financial and technical assistance related to drinking water and wastewater systems, oversees clean-up of contaminated soil and water, administers the State Petroleum Fund, and provides public education programs.

The Division is organized into ten bureaus with offices in Carson City and Las Vegas. As of August 2011, the Division had 252 authorized positions. The Division also provides staff support to the State Environmental Commission, the Board to Finance Water Projects, and the Board to Review Petroleum Claims. The Division is primarily funded by federal grants, fees, assessments, and reimbursements. In fiscal year 2011, revenues and expenditures amounted to \$114 million, exclusive of transfers and appropriations.

Purpose of Audit

The purpose of this audit was to determine if state laws, regulations, and Division policies were followed regarding the administration of accounts receivable, reporting reliable performance measures, and the regulation of permittees. Our audit focused on the Division's activities for fiscal year 2011.

Audit Recommendations

This audit report contains 9 recommendations to assist the Division in enhancing controls over accounts receivable, performance measures, and permit issuance and fee collection.

The Division accepted the nine recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on January 18, 2012. In addition, the six-month report on the status of audit recommendations is due on July 18, 2012.

Division of Environmental Protection

Department of Conservation and Natural Resources

Summary

Developing controls to consistently turn debt over to the State Controller's Office can assist the Division with collections and ensure the removal of significantly delinquent debt. Additionally, controls to ensure subsidiary ledgers are accurate will aide in correcting quarterly reporting errors. Turning debt over to the Controller's Office and improving controls can create additional efficiencies that allow staff to concentrate efforts on other Division matters.

While the Division has a strategic plan, its performance measures can be improved by focusing on outcome based measures, maintaining supporting documentation, and developing policies and procedures. Without sound performance measures, state officials and Division management may be making decisions based on unreliable and inaccurate information. Additionally, management and stakeholders cannot effectively determine if goals and objectives are being met.

Delays were made in renewing some permits. Not promptly renewing permits may result in the Division losing revenue as permits are allowed to be active for periods beyond 5 years. Prompt issuance of permit renewals will also ensure fees are collected and permittee operations are proper.

Key Findings

Most bureaus did not actively submit debt over 60 days delinquent to the State Controller during fiscal year 2010 or 2011. Assembly Bill 87, passed during the 2009 Legislative Session, centralized the State's collection efforts to the Office of the State Controller after debts reach 60 days past due. Even though this requirement is relatively recent, the Division forwarded only about \$84,000 of its roughly \$2 million in debt. (page 5)

The Division did not properly report accounts receivable on quarterly reports forwarded to the Controller's Office. Errors and inaccuracies on accounts receivable ledgers resulted in inaccurate reporting and were caused by insufficient controls and staff turnover. (page 7)

Significantly aged and uncollectible debt of nearly \$2 million continues to be carried on the Division's ledgers. Some accounts related to bankrupt and abandoned facilities have been due for over a decade, and collection is highly unlikely. (page 9)

Most of the Division's performance measures are non-outcome oriented. Our analysis found 30 of 37 measures were non-outcome oriented and many simply counted the number of activities or the amount of work the Division was doing. Conversely, outcome measures demonstrate the impact an agency is having on a stated issue or problem. The Legislature and the Department of Administration recommend agencies use outcome measures to help decide how well an agency is achieving its goals. (page 11)

Supporting documentation for 7 of the Division's 37 performance measures reviewed was not retained. The Division was also unable to recalculate or recreate 6 of the 7 measures. Policies and procedures have not been developed over performance measures and will help ensure reported results and calculations are consistent, accurate, error free, and supporting documentation retained. (page 12)

Permit renewals were delayed. We found 8 of 73 permits were not issued as old permits expired. Although the Division has decreased the frequency of delays since our last audit, we still found notable delays between permit expiration and issuance ranging from 1 year, 2 months to 7 years, 11 months. We also reviewed several types of permit listings which indicated additional expired permits of both large and small facilities. By not renewing some Water Pollution Control permits timely, the Division has already missed about \$23,000 in renewal fees. (page 15)