

Audit Highlights



Highlights of Legislative Auditor report on the Division of Forestry issued on February 11, 2013. Report # LA14-01.

Background

The Division of Forestry provides professional natural resource and wildland fire management services to Nevada citizens and visitors to enhance, conserve and protect forest, rangeland and watershed values, endangered plants, and other native flora. NDF's core mission is to protect natural resources and property from wildfire.

Support for NDF's activities are recorded in five budget accounts. Total revenues for fiscal year 2012, including general fund appropriations amounted to over \$31 million. Expenditures for the same time period exceeded \$28 million. NDF operates from three offices with its headquarters located in Carson City and two regional offices in Elko and Las Vegas. NDF operates with approximately 180 employees, not counting seasonal hires.

NDF, in conjunction with the Nevada Department of Corrections, operates nine conservation camps throughout the state. The objectives of the program are to provide manpower for conservation, labor-intensive projects, community assistance, fuels and resource management, wildland fire suppression activities, and other emergency responses. NDF conservation camps received over \$3 million in project revenue and responded to 288 emergency incidents during fiscal year 2012.

Purpose of Audit

The purpose of our audit was to determine if adequate controls and processes were in place to ensure the efficient, effective and proper administration of conservation camp projects and billings.

This audit included a review of NDF's conservation camp project activities for the 18-month period ending June 30, 2012.

Audit Recommendations

This audit report contains six recommendations to improve oversight and control activities regarding conservation camp project work.

NDF accepted the six recommendations.

Recommendation Status

NDF's 60-day plan for corrective action is due on May 7, 2013. In addition, the six-month report on the status of audit recommendations is due on November 7, 2013.

Division of Forestry

Department of Conservation and Natural Resources

Summary

Overall, the Nevada Division of Forestry (NDF) billed and received funds from conservation camp projects timely and accurately; however, NDF can improve certain oversight and control activities regarding conservation camp project work. Specifically, project agreements should be executed for all projects and forwarded to the central office to ensure NDF management are knowledgeable about project work and the State is adequately protected from unforeseen liabilities. Additionally, NDF can better document and review circumstances related to free, reduced rate, and non-conservation related project work. Better controls and oversight will ensure project revenue is maximized and camp operations are consistent throughout the State.

Key Findings

NDF did not ensure project agreements were executed for all work projects. In several instances project agreements did not exist, work was performed outside the effective dates of the agreement, or agreements were written that did not contain effective dates. In all, our testing found 15 of 45 (33%) projects did not have executed agreements and 10 (22%) agreements were not current or complete. As a result, NDF did not collect over \$13,000 in project revenue. For the 18-month period ended June 30, 2012, NDF performed approximately 500 reimbursable and 90 non-reimbursable projects. Without properly executed agreements, the State may not be adequately protected from liability and all project revenue may not be recovered. (page 6)

NDF policies require reduced rate projects to be approved by central office personnel; however, documentation regarding such approval was not maintained. Reduced rate projects are negotiated and billed at less than standard rates determined by NDF and based on operating costs. Furthermore, free and reduced rate work can be better controlled with more documentation regarding rate reductions, prioritization of projects, and cost-benefit analyses. NDF conservation camp crews provide valuable services to communities throughout the State, but better control and review over projects will assist in ensuring work performed is the most beneficial for the State and the program is performing as anticipated by management. (page 7)

Work projects did not always comply with work objectives as stated in NDF camp policies. Our testing identified some (11 of 45) reimbursable and non-reimbursable projects where the work type did not meet stated camp objectives. Policies allow work to be performed outside of the stated objectives if objective related work is unavailable; however, we found no documentation regarding the necessity to perform such services. Work performed outside of stated objectives included reimbursable and non-reimbursable projects. (page 10)

Management reports were not always accurate or complete due to project cost calculation and compilation errors. Of the 45 projects tested, cost calculation errors were noted for 14 of the projects. Some projects resulted in project costs being overstated on monthly reports, but most errors resulted in costs being understated. Accurate monthly reports are important because NDF does not capture this information elsewhere and it is used to calculate certain performance measures and monitor camp project activity. (page 11)

Projects were not always billed in accordance with the terms specified in project agreements. Of 27 reimbursable projects tested, 2 were not billed according to the terms of the agreement and we could not determine the accuracy of 6 because project agreements were not executed. For example, one project invoice was billed as a flat rate of approximately \$6,000. Upon review of the agreement, a rate per acre was noted as the billing rate. Available documentation did not reflect the number of acres completed during the project month so we could not determine the accuracy of the invoiced amount. Differences went undetected because the central office does not review agreement terms when approving billing invoices. (page 12)