

Audit Highlights



Highlights of Legislative Auditor report on the Public Utilities Commission issued on September 29, 2010. Report # LA10-17.

Background

The Public Utilities Commission was created in 1919. The Commission regulates public companies engaged in electric, natural gas, telephone, water and sewer services; gas and electric master meter service at mobile home parks; and some propane systems. In addition, it monitors gas pipeline and railroad safety.

The Commission's mission is to supervise and regulate the operation and maintenance of utility services in Nevada. The Commission is comprised of three commissioners who are appointed by the Governor to four-year terms.

The Commission maintains offices in Carson City and Las Vegas, and had 93 authorized positions in fiscal year 2009. The Commission is self-funded with two budget accounts, funded primarily from annual assessments collected from public utilities. During fiscal year 2009, the Commission received about \$10.7 million in revenues.

Purpose of Audit

The purpose of this audit was to determine whether the Commission's financial and administrative practices were carried out in accordance with applicable state laws, regulations, policies, and procedures, and whether information technology security controls were adequate to protect the confidentiality, integrity, and availability of its information and information systems. This audit focused on the Commission's financial and administrative activities and information technology controls for fiscal year 2009, and included certain activities through February 2010.

Audit Recommendations

This audit report contains seven recommendations to improve the Commission's financial and administrative activities and information technology controls. Two recommendations address improving controls over receivables to ensure accounts are actively pursued and reported, and timely action is taken on delinquent assessment and fee reports. We also made three recommendations to strengthen controls over revenue received in Las Vegas, and certain expenditures and assets. In addition, we made two recommendations to improve controls over the Commission's information systems.

The Commission accepted the seven recommendations.

Status of Recommendations

The Commission's 60-day plan for corrective action is due on December 29, 2010. In addition, the six-month report on the status of audit recommendations is due on June 29, 2011.

Public Utilities Commission

Results in Brief

The Public Utilities Commission substantially complied with state laws, regulations, policies, and procedures significant to its financial, administrative, and information technology activities. However, better monitoring and updating of internal controls is necessary. Improved controls are needed over receivables to ensure unpaid accounts are actively pursued and properly reported. In addition, timely action needs to be taken on delinquent assessment and fee reports. Better financial and administrative controls are also needed to ensure revenue received in Las Vegas is properly safeguarded, out-of-state travel is accurately billed, and certain expenditures and assets are sufficiently reviewed. Furthermore, information technology control weaknesses existed in password controls and training designed to protect Commission data.

Principal Findings

The collection of administrative fines was not actively pursued by Commission staff. During fiscal year 2009, 27 fines totaling \$28,000 were assessed. Three months after the fiscal year, 24 fines totaling \$24,000 remained outstanding. Timely and sufficient collection efforts are needed to remind companies of their obligations and consequences for nonpayment.

The Commission did not properly report fine receivables to the State Controller as statutorily required. As of June 30, 2009, Commission records indicate it had \$24,500 in outstanding fines. A majority of Commission receivables are from assessed fines, which are included in the state's definition of an accounts receivable.

Enforcement actions were not timely on delinquent assessment and fee reports. Our analysis of delinquent reports revealed none of the ten reports we tested were pursued in a timely manner. They were pursued 2 to 13 months after the due date. These reports show how companies calculated fees due to the Office of Consumer Protection and the Office of Disability Services. The Commission should actively pursue delinquent assessment and fee reports to increase collections and ensure statutory compliance with established deadlines.

Controls over certain financial activities can be strengthened. Specifically, additional controls are needed over revenue received in Las Vegas. Improved controls are also necessary to ensure the accuracy of travel billings. In addition, better monitoring is needed over certain expenditure transactions to ensure cell phone use and employee travel is adequately reviewed. Further, improvements are needed over the tracking of agency owned vehicles. Good control systems provide reasonable assurance that an agency's objectives are achieved by ensuring the efficiency and effectiveness of operations, reliability of financial information, and compliance with laws and regulations.

Controls over the Commission's information systems also need improvement. The Commission did not ensure strong computer password controls were in place. The system permitted passwords to be set at a minimum of seven characters and to never force a change. State security standards require that passwords be a minimum of eight characters and be changed at least every 90 days. Shorter passwords and never requiring passwords to be changed creates a greater risk of unauthorized access to the Commission's network and data.

Management indicated the Commission does not conduct periodic security awareness training or require employees to sign security awareness statements. State standards require each agency conduct ongoing security awareness training. The intent of this training is to ensure that all employees, consultants, and contractors are aware of their responsibilities in protecting the state's information systems and data processed through them.