

STATE OF NEVADA

Biennial Report of the Legislative Auditor



December 31, 2024
Carson City, Nevada

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December 31, 2024

Members of the Nevada Legislature:

Pursuant to Nevada Revised Statutes 218G.160, I am pleased to report on the activities of the Audit Division for the biennium ended December 31, 2024. This report includes a comprehensive summary of audits issued during the biennium and also a brief overview of the Audit Division.

The Audit Division is committed to providing high quality audit reports based on independent, objective evaluations conducted in accordance with professional auditing standards. I am especially hopeful the findings and recommendations contained in our reports will assist the Legislature, the Governor, and agency heads in providing efficient and effective government services.

We gratefully acknowledge the cooperation and assistance of the members of the Legislative Commission, the Audit Subcommittee, the Interim Finance Committee, the Governor's Finance Office, and others with whom we have worked. They made it possible for us to conduct our audits and prepare accurate and constructive reports.

Our purpose is to serve the Legislature and the citizens of Nevada. Your suggestions as to how we may continue to improve our services will always be welcomed.

For more information about Legislative Auditor reports and our various functions, please visit our website: www.leg.state.nv.us/audit.

Respectfully,

A handwritten signature in black ink, appearing to read "Daniel Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

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INTRODUCTION

The mission of the Audit Division is to improve accountability and the effectiveness of state government. This is accomplished by providing members of the Legislature with factual information concerning the operations of state agencies, programs, activities, and functions; working with state agencies to identify opportunities to improve accountability, reduce waste, and enhance program effectiveness; and recommending to the Legislature the amendment of existing laws or the enactment of new laws designed to improve the functioning of state agencies.

The key to improving any organization is an objective assessment of the performance of that organization. That is the type of assessment provided by legislative audits of state agencies. These audits, which are conducted in accordance with rigorous professional standards, provide an independent and unbiased evaluation of government operations. Maintaining independence is important for findings, conclusions, and recommendations to be viewed as impartial by reasonable and informed third parties. Since the Audit Division is part of the legislative branch of state government, it maintains independence from the agencies it audits as they are primarily executive branch agencies. To further avoid circumstances that could cause third parties to question their independence, Audit Division staff identify and evaluate relationships and threats that could impair independence prior to starting an audit, and at the end of each audit, and on an annual basis.

AUTHORITY

The authority and duties of the Audit Division are set forth in Chapter 218G of Nevada Revised Statutes (NRS). NRS gives the Audit Division the power to perform audits of all accounts, funds and other records of all agencies of the State to determine the honesty and integrity of fiscal affairs, accuracy and reliability of information, effectiveness of management controls, and compliance with applicable laws and regulations. The Audit Division may also be directed by the Legislature to perform special audits and investigations.

In addition, statutes require state agencies to make their books, accounts, reports, or other records of information, confidential or otherwise, available to the Audit Division upon request. Because of the sensitive nature of the work, all Audit Division work and related working papers are kept confidential in accordance with statutes. (See Appendix E for a comprehensive list of statutes related to the Legislative Auditor.)

TYPES OF AUDITS CONDUCTED

The Division conducts performance audits on certain agencies and programs. Performance audits address the operational efficiency and effectiveness of programs in relation to their intended goals and objectives, sufficiency of internal controls, and compliance with laws and regulations. These audits provide important insight into agencies, especially in times of limited resources and increasing demands for public service. Another important aspect of state government we assess is the adequacy of information security which continues to

be increasingly critical to the success of government functions. Historically, the Division conducted financial audits of state agencies.

The scope of the audits for the upcoming biennium will vary depending upon the nature and purpose of the agency. Agencies are chosen to be audited through the Audit Division's risk assessment-based process. The following factors comprise the criteria when performing the risk assessment. These factors are based on objective data and professional judgement:

- Years From Last Audit
- Budgeted Revenues and Expenses
- Complexity of Agency or Programs
- History of Issues or Areas of Concern
- Legislative or Public Interest

As in the past, the integrity of fiscal affairs will receive substantial consideration in the planning phase of each audit. Increased audit emphasis will be placed on providing an independent assessment of the performance of an agency, program, activity, or function. This will be done in order to provide information to improve public accountability and facilitate decision-making by the Legislature or those responsible for initiating corrective action. This may include determining if an agency is operating in an economical and efficient manner or determining program effectiveness and the extent to which a program achieves a desired level of results.

The Legislative Commission approves the biennial audit program of the Legislative Auditor and may direct the completion of any special audit or investigation considered necessary. The Legislature may also direct the Legislative Auditor to conduct special audits or investigations through legislation. (See Appendix C for the 2024 – 2026 Audit Program for the Audit Division.)

Under the authority of NRS 218G.350, the Legislative Auditor contracts with an independent certified public accounting firm to conduct the State's Single Audit. The audit includes an opinion on the State's financial statements and on the State's compliance with requirements associated with federal awards.

REPORTING AUDIT RESULTS

The findings and recommendations of the Audit Division are published in formal reports which include constructive suggestions for change. Since the purpose of an audit is to improve government operations, state agency officials are given the opportunity to respond to a draft report to ensure findings are accurate and conclusions are appropriate. The comments of these officials are considered in preparing the final audit report. Audit reports are presented to the Legislative Commission or the Audit Subcommittee of the Legislative Commission at public meetings. However, if the Legislature is in session and the Chair of the Audit Subcommittee does not call a meeting within five days after being notified that

an audit report is ready for presentation, the report is issued. After presentation, copies of the reports are made available to each member of the Legislature, state officials, and the public.

BENEFITS OF LEGISLATIVE AUDITS

The benefits of the Audit Division's work can be measured in a number of ways. First, our audits save taxpayer dollars by identifying waste and inefficiencies and by finding ways to enhance state revenues and other resources. Second, legislative audits identify ways to improve program performance and effectiveness. Third, our audits ensure internal control systems are suitably designed to protect public resources. Fourth, we determine whether state agencies and programs are operating in accordance with laws and regulations. Fifth, our audits ensure public officials are held accountable. Finally, legislative audits assess risks of fraud and report significant illegal transactions to government officials.

MILLIONS OF TAXPAYER DOLLARS HAVE BEEN SAVED

While not all audit recommendations result in monetary savings for the State, legislative audits have contributed significantly over the years to saving millions of dollars for Nevada's taxpayers. In the past two years, the Audit Division has achieved a return of more than \$21 for every dollar of audit costs. During the biennium, measurable financial benefits of more than \$339 million have been realized by implementing our recommendations. In many cases, these benefits are based upon work we did in past years, because it often takes agencies time to implement our recommendations or because the financial benefits of the recommended course of action were felt over more than one biennium. For instance, based upon a prior audit, we estimate the Aging and Disability Services Division realized savings of over \$16 million from increasing controls over the costs relating to supported living arrangement and jobs and day training services. During the current biennium, we estimate the Division of Health Care Financing and Policy realized savings of over \$222 million from reducing capitation payments for individuals concurrently enrolled in the other states' Medicaid programs.

IMPROVED PROGRAMS TO BETTER SERVE NEVADANS

Our work has led to improvements in programs to better serve Nevadans. By increasing program effectiveness, improved levels of service can be provided thus ensuring Nevada's citizens and visitors get the most for their money. For example, our audit on the *Delivery of Treatment Services for Children With Autism (LA22-04)* found families face difficulties in obtaining timely services for their children with autism. The lack of providers serving children with autism in the State contributes to some of the struggle. Additionally, with the Medicaid reimbursement rate significantly lower than private insurances, service providers are reluctant to assist Medicaid recipients. Senate Bill 96 of the 2021 Legislative Session required Nevada Medicaid to increase hourly reimbursement rates comparable to other states. This bill also required the Autism Treatment Assistance Program to publish guidance for obtaining an autism diagnosis and the providers who perform such services. This bill passed in June 2021 increasing the reimbursement rate to at least \$52 per hour.

These changes, as well as other recommendations noted in this report, will assist Nevada families in obtaining autism treatment services faster.

Furthermore, our audit on the *Department of Corrections, Use of Force (LA22-11)* found inmate grievances were not always adequately addressed as panels were not always convened or were often untimely in determining whether use of force was appropriate and justified. We also found prospective officers worked in facilities without adequate training or supervision. This audit made several recommendations to ensure use of force grievances are reviewed and completed timely and prospective officers are not performing functions without proper training.

FOCUS IS ON IMPROVING ACCOUNTABILITY

Although not directly measurable in terms of dollar savings, improved public accountability and management controls pay dividends by ensuring assets are properly safeguarded against waste, loss, and misuse; laws and regulations are followed; appropriate goals and objectives are met; and reliable data are obtained, maintained, and fairly disclosed. Over the past two years, our audit work continued to focus on improving the accountability of Nevada State Government. Legislators, public officials, and citizens want and need to know whether the state's funds are handled properly and in compliance with laws and regulations. They also have an interest in knowing whether state agencies and programs are achieving their purposes and are operating economically and efficiently. This need for accountability has created a demand for more information about state government. To realize government accountability, legislators, program managers, and citizens must have credible, objective, and reliable information to assess the integrity, performance, and stewardship of the government's activities.

The quality of audits conducted by the Audit Division has been recognized on a national level. The Audit Division received the National State Auditors Association's Excellence in Accountability Award in the small performance audit category in 2014 and 2019. (See Appendix A for the latest award.)

IDENTIFICATION OF FRAUD

Legislative audits are required by generally accepted government auditing standards to assess risks of fraud that could significantly affect the audit. The assessment includes discussions among audit team members and inquiries of agency officials. Audit procedures are designed to obtain reasonable assurance of detecting fraud. If information comes to our attention indicating that fraud may have occurred, we evaluate the impact on the audit and report significant illegal transactions to the Governor, each member of the Legislature, and the Attorney General, in accordance with NRS 218G.140.

During the biennium, we did not report any instances of potential fraud. However, our prior audit of the *Delivery of Treatment Services for Children With Autism (LA22-04)* identified some providers overbilled Nevada Medicaid for autism treatment services. Some of the overbilling problems may be the result of provider fraud, while others may be unintentional errors. Our analysis of Medicaid fee-for-service providers' claims for applied behavior analysis found unreasonable and possibly fraudulently paid claims from

service hours exceeding a reasonable daily threshold for both providers and children. We found providers were paid for 15 or more service hours in a single day on over 3,000 occasions since 2016. We also identified about 3,600 instances where provider billings exceeded 10 or more service hours for a particular day for a single child. We were not able to calculate an overpayment amount because we could not determine what portion of each claim was legitimate.

RECOMMENDATIONS TO IMPROVE STATE GOVERNMENT

Audit reports issued over the biennium contain recommendations to improve the operations of state government, and all of those recommendations were accepted by agency officials. Many of the recommendations address ways to eliminate waste, increase collection of revenues, enhance program effectiveness, improve accountability, and ensure compliance with state laws and regulations. The following summarizes recommendations made and accepted during the past 4 years.

Acceptance of Audit Recommendations				
	Calendar Year			
	2021	2022	2023	2024
Recommendations Made	48	53	53	75
Recommendations Accepted	48	53	53	75
Acceptance Rate	100%	100%	100%	100%

FOLLOW-UP ON AUDIT RECOMMENDATIONS

Chapter 419, Statutes of Nevada 1987 (Assembly Bill 540), provides for a follow-up process on audit recommendations. Sixty days after an audit report becomes a public document, the agency audited must file a report outlining a plan of action to implement the recommendations (NRS 218G.250). Six months later, a status report must be filed indicating what recommendations in the audit report have been implemented, what recommendations have not been implemented, and the reason why they have not been implemented (NRS 218G.270).

The judicial branch and statewide elected officials file their 6-month status reports directly with the Legislative Auditor. The Office of Finance, Office of the Governor, prepares 6-month status reports on executive branch agencies and files the reports with the Legislative Auditor. The Legislative Auditor analyzes the reports and submits them to the Audit Subcommittee of the Legislative Commission and the Interim Finance Committee. Some agencies may be requested, based on the status of recommendations, to return to future meetings of the Audit Subcommittee and provide further information regarding recommendations partially or not implemented. This process provides further assurance recommendations made by the Audit Division will be properly implemented.

For the biennium ended December 2024, we received 9, 6-month status reports addressing the status of 86 recommendations. Our analysis of these status reports and additional information provided to the Audit Subcommittee through the follow-up process indicates that 83 recommendations during the biennium were fully implemented. Two of the 6-month reports, containing 3 partially implemented recommendations, remained in the follow-up process at the end of the biennium.

AUDIT LEGISLATION

The statutory duties of the Legislative Auditor include recommending the enactment or amendment of statutes based upon the results of audits. During the current biennium, two reports resulted in recommendations to the Legislature, which are summarized below.

Legislative Recommendations			
Report Name	Page No.	Recommendations Made	Resulting Legislation
Nevada System of Higher Education, Self-Supporting and Reserve Accounts (LA24-03)	12	The Legislature may wish to consider whether Nevada System of Higher Education’s actions to move expenditures from self-supporting accounts at or near year end, and use all state funds first, meets with legislative intent when allocating General Fund dollars.	No legislation passed related to this recommendation.
Governmental and Private Facilities for Children – Inspections, January 2024 (LA24-13)	26-27	<p>The Legislature may want to consider enacting legislation to require all facilities the Bureau of Health Care Quality and Compliance licenses, which have physical custody of children pursuant to a court order, to screen employees who have direct contact with children for substantiations of child abuse or neglect before hire. These facilities include facilities for intermediate care, facilities for the treatment of abuse of alcohol or drugs, psychiatric hospitals, psychiatric residential treatment facilities, and skilled nursing facilities.</p> <p>Additionally, the Legislature may want to consider enacting legislation to require all children’s facilities that have physical custody of children pursuant to a court order to screen employees periodically for substantiations of child abuse or neglect.</p>	No legislation passed related to this recommendation.

The Audit Division and the Audit Subcommittee of the Legislative Commission do not have the authority to directly submit a bill draft request. Enactment of these legislative recommendations are dependent on a legislator or a committee to sponsor such legislation.

AUDITS REQUIRED THROUGH LEGISLATION

During the 2023 Legislative Session, two bills passed requesting the performance of audits directed toward improving state government. One piece of legislation requires performance audits not less than once every 4 years of certain larger school districts and the State Public Charter School Authority. The initial audits include evaluating compliance with statutory requirements concerning annual reports of accountability, and state and local laws relating to contracting with outside entities providing goods or services; evaluating the implementation and achievement of plans presented to the legislature; the efficacy of any school implemented strategy or program; or any other matter requested by the Interim Finance Committee. The first round of these audits are currently in progress and expected to be presented in calendar year 2025. The other legislation requires an audit of the Division of Forestry of the State Department of Conservation and Natural Resources. The audit includes a review of the billing practices respect to the forest fire suppression budget account, and accounts receivable and payable in that budget account. The audit report is currently in progress and expected to be presented in early 2025. The description of each legislation is as follows.

		BILL NUMBER	STATUTES OF NEVADA CHAPTER NUMBER
AN ACT	Relating to the Legislative Counsel Bureau; requiring the Legislative Auditor to conduct performance audits of certain school districts and the State Public Charter School Authority; authorizing the Chair of the Interim Finance Committee to request certain additional audits of school districts; establishing provisions governing such performance audits; and providing other matters properly relating thereto.	A.B. 517	454
AN ACT	Relating to the Division of Forestry of the State Department of Conservation and Natural Resources; requiring the Legislative Auditor to conduct an audit related to the Forest Fire Suppression budget account; making an appropriation; and providing other matters properly relating thereto.	S.B. 480	334

AUDITS REQUESTED BY LEGISLATIVE COMMISSION

During the biennium, no audits were requested by the Legislative Commission.

REPORTS ISSUED DURING BIENNIUM

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2023 – 2024 BIENNIUM IN REVIEW

AUDIT HIGHLIGHTS

Over the biennium the Audit Division issued 25 audit and other reports relating to the operations of state government and other governmental agencies. (See Appendix B for a list of audit reports issued during the biennium.) Many audits completed during the biennium contributed to legislative and executive branch actions resulting in significant benefits to state government and Nevada citizens. Benefits directly attributable to or notably influenced by the audit work include elimination of waste, increased collection of revenues, and more effective government programs. While it is not the sole purpose of audits to identify ways to save money or increase revenues, many audit recommendations did, in fact, have a cost-savings impact. Consequently, we have worked closely with agency management to provide constructive recommendations which should, if properly implemented, save millions of dollars.

The following summarizes the results of the audits and reports issued in the 2023 – 2024 biennium. The full text of each report and audit highlights including the significant findings can be found on the Audit Division website at: www.leg.state.nv.us/audit. In addition, our website provides additional information including: State of Nevada Single Audit Reports; reports on audits of certain state boards; child fatality reviews; and external quality control reviews.

AUDITS REQUIRED THROUGH LEGISLATION

NEVADA SYSTEM OF HIGHER EDUCATION

CAPITAL CONSTRUCTION PROJECTS

The Nevada System of Higher Education (NSHE) needs to enhance its policies and procedures to ensure institutions' capital construction project funding and management practices comply with state laws, NSHE policies, and contract terms. Funding of some capital construction projects used state-appropriated operating funds, and institutions did not have authority to manage some state-funded projects. In addition, change order documentation was not always adequate to ensure contractors' billed amounts complied with contract terms, and some unallowed amounts were billed. Furthermore, better project planning is needed to limit unnecessary modifications to construction contracts' scopes of work. Proper controls over construction project management are critical for ensuring compliance with applicable state laws and NSHE policies, and to safeguard financial resources.

Better controls over project solicitation and procurement practices are needed to ensure compliance with state law and NSHE practices. Specifically, some project solicitations did not comply with state law regarding the disclosure of selection criteria weights. In addition, delays in evaluating contractor proposals and reviewing contract documents added \$1.8 million to a project contract. Furthermore, institutions used some nontraditional procurement methods for capital construction projects. Current practices associated with

the use of these methods may limit institution control over project construction when compared to more traditional methods.

- The University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR) used almost \$5 million in state operating funds to help pay for capital construction. For 10 of 27 (37%) projects tested, UNLV and UNR used state operating funds. The Appropriations Act designates these funds for instructional and operating costs, and not capital construction. Institutions use of these funds was often done so they would not revert to the State.
- UNLV and UNR's management of capital construction projects using state operating funds did not always comply with state laws and NSHE policy. State law requires that contracts for the construction of NSHE projects with 25% or more state appropriations use the construction management services of the Department of Administration, State Public Works Division (SPWD). For 3 of 27 (11%) projects tested, the use of state funds represented more than 25% of the total project funding. Neither the institutions nor NSHE requested authority from SPWD to manage these projects.
- Change order documentation was often not adequate to determine compliance with contract terms. When a change to a project is needed, involving contract amount or timing, change orders are required to amend construction contracts. We tested 49 change orders worth \$8.3 million related to 27 capital projects. For almost \$3.1 million (37%), supporting documentation did not include detailed labor, material, equipment, or overhead and profit markup fees. In addition, unallowed costs or incorrect markup fees were charged. For change order items with adequate documentation, we found 38 of 49 (78%) change orders included unallowed costs or incorrect markup fees. This resulted in over \$200,000 in inappropriate payments to contractors.
- Scope modifications to the original construction contract increased project costs by \$5.5 million and resulted in additional overhead and profit markup fees of more than \$800,000. These changes to the projects' scopes could have been included in the original solicitation process with better project planning. When a project's scope is modified through change orders, noncompetitive pricing and overhead and profit markup fees drive up the cost of these changes.
- Institutions' project closeout processes did not ensure compliance with state law regarding reporting requirements or ensure important documentation was received prior to the final project payment. In addition, excess project funding was not transferred timely.
- Institutions are using nontraditional procurement methods to complete capital construction projects. For one project, a public-private partnership was used for the construction of a new \$125 million medical education building, at a cost of \$25 million to the State. However, it is unclear whether institutions have statutory authority to use this method. In addition, the use of nontraditional methods compared to traditional methods resulted in less control and oversight over construction project management and financial activities.

NEVADA SYSTEM OF HIGHER EDUCATION

INSTITUTION FOUNDATIONS

We found almost all gift donations were assigned to the appropriate foundation gift account in accordance with the donors' intent. However, there were instances in our sample where this did not occur consistently at a couple institutions' foundations. Additionally, while most donations were properly recorded, there were some differences in how certain related processes were performed. Specifically, records were not always maintained to demonstrate gift acknowledgement letters or receipts were issued to donors for every gift. Improved recordkeeping will help ensure donors receive adequate documentation to serve as support for tax deductible donations.

We found institutions generally expended gift funds in accordance with donor intent. However, some institutions carried forward unspent gift funds for multiple years that possibly could be utilized through related active accounts or be repurposed for other uses if agreed upon by donors. Additionally, in a few instances, gift funds were expended in a manner that did not appear to align with donors' intent. During the scope of our audit, changes to one institution's practices appear to have corrected this issue. In other cases, documentation supporting expenditures lacked some supporting details.

- Overall, our testing found 763 of 774 (99%) sampled donations at 7 institutions were properly recorded by the foundations in appropriate gift fund accounts at the institutions. This sample included \$116 million in donations received between July 1, 2017, and June 30, 2021. We confirmed the dollar value of the donation and the categorization in an appropriate gift fund aligned with the donation.
- Adequate documentation associated with donations and accompanying donor wishes were generally retained to support transactions. However, in certain instances, foundations could not provide evidence that all donation acknowledgment letters were sent to donors. For 65 of 774 (8%) donations tested, letters or donation receipts were not available at 5 of 7 foundations.
- During testing at College of Southern Nevada (CSN) Foundation, we found for 7 of 110 (6%) samples there were errors between the donation information recorded in CSN Foundation's donor management software and the CSN Foundation's financial software. These errors were not seen at other institutions' foundations.
- At Great Basin College (GBC) Foundation, we identified one instance where donated money was not applied to the correct gift fund in accordance with donor intent. In 2018, a donation of almost \$94,000 designated by the donor for a memorial scholarship endowment was assigned to an unrestricted GBC Foundation account. We verified the money was transferred to the correct gift fund in October 2022.
- Our testing found 686 of 690 (99%) gift fund expenditures tested were appropriately spent in accordance with the intended purpose of the gift fund. This sample included expenditures totaling \$23 million spent between July 1, 2017, and June 30, 2021. Additionally, adequate documentation associated with the expenditures was retained to support the transactions for 680 (99%) of the expenditures in our sample.

- At six institutions, we found that privately donated money went unutilized in certain accounts for multiple years. While some of these accounts may be saving funds for a future purpose, many did not have donation or expenditure activity for at least 5 years. Some institutions' gift funds would benefit from a routine review of stale accounts to identify opportunities to repurpose funds to other actively utilized accounts consistent with the donations' intended purpose.
- While 99% of donor funds were used in accordance with donor intent, we did find instances where this was not the case. At some institutions, we found a few instances where gift expenditures did not have sufficient supporting documentation or evidence the expenditure was in alignment with the intended purpose of the gift funds. In our assessment, these were not egregious deviations but warranted the attention of the institutions.

NEVADA SYSTEM OF HIGHER EDUCATION

SELF-SUPPORTING AND RESERVE ACCOUNTS

Minimal systemwide oversight and variations in internal control systems and operations at institutions of the Nevada System of Higher Education (NSHE) contributed to inappropriate or questionable financial activity. This occurred because the Board of Regents (Board) has provided institutions with latitude for operations, but policies and related guidelines are often vague or insufficient, which contributes to variation amongst institutions. Our review of self-supporting accounts found some inappropriate activity. For example, institutions moved expenditures to state-supported accounts without ensuring consistency in the type of activity. In addition, state funds were not reverted in accordance with state law. We also found questionable uses of student fees when compared to Board policies. Furthermore, institutions commingled restricted and unrestricted revenues, and reports to the Board did not always provide useful, accurate, or complete information. Increased oversight of institutions will help ensure funds are used appropriately and NSHE is accountable to the Legislature, its students, and the public.

Reserve and contingency accounts are not adequately overseen by the Board. As a result, there is little consistency amongst institutions in how accounts are created, structured, and used. For instance, some institutions utilized reserve accounts for routine operational expenditures such as payroll. We also found some self-supporting programs had a significant amount of idle funds relative to total uses. These programs had about \$200 million in reserves at the end of fiscal year 2021. Excess reserves can indicate programs are overfunded and fees should be reduced, or funding should be redirected for more immediate purposes.

- Institutions make a concerted effort to utilize all state appropriations before other types of funding. Accounting transactions are created near year end to ensure state appropriations are fully utilized. All NSHE institutions recorded transactions to move expenditures from self-supporting to state-supported accounts in fiscal years 2018 to 2021. Of 90 transactions reviewed, 59 were related to moving expenditures near or at year end to ensure state appropriations were fully utilized. Of these 59 transactions, 9

moved expenditures between unrelated accounts or activities and 16 moved amounts across different functional categories of expenditures.

- About \$270,000 in state appropriations were not reverted and state funds were reallocated to a different institution without obtaining authorization from the Legislature. The Appropriations Act requires the return of unused state appropriations after a specified date and approval from the Interim Finance Committee for changes to the distribution of appropriations.
- We tested 250 transactions in self-supporting accounts for all institutions and found 6 (2%) in which general improvement or other restricted student fees were not used consistent with Board policy. Specifically, two institutions used a total of nearly \$6.7 million in general improvement and other restricted student fees to support athletics and band programs over several years.
- Differential and technology fees funded costs for centralized services against Board policy. One institution assessed a 3.5% administrative overhead charge to self-supporting programs. From fiscal year 2018 to 2022, nearly \$1.5 million in differential and technology fees were used to pay for centralized services.
- Target amounts were not set for reserve or contingency accounts, so institutions have little assurance accounts are funded properly at any given time. Additionally, limited oversight or monitoring of reserve activities occurs systemwide. Variation occurred because the Board has not established policies regarding these activities.
- We found 5 of 50 (10%) transactions tested totaling over \$2 million where reserve accounts were funded from sources that included student fees. We also found institutions paid normal operating costs from reserve accounts. Ten of 50 (20%) transactions reviewed included payments for payroll, printing, computer, and office equipment purchases. Paying for normal operating costs from reserve funds does not align with best practices.
- Institutions violated Board policy by not utilizing student fees on those students who paid them. Of 189 programs reviewed, 44 (23%) retained more than 1 year of revenue in reserve for at least 3 consecutive years. On average, these programs retained about two times average annual revenues at the end of fiscal year 2021.

AGENCY AUDITS

COLORADO RIVER COMMISSION OF NEVADA, RESOURCE AND TECHNOLOGY ADMINISTRATION

The Colorado River Commission of Nevada (CRC) can improve its recordkeeping, policies and procedures, and oversight of its operational processes including power delivery, water usage tracking, and performance measures reporting. For example, records used to document electrical switching and inspections were not always complete and sometimes lacked evidence of required review, although our inspections did not identify any major safety or security concerns. CRC reporting of Nevada's Colorado River water usage was materially accurate, although there were minor reporting errors and internal review

processes were lacking. Improved oversight of these CRC processes will enhance reporting accuracy and formalize efforts to maintain safe and secure facilities.

CRC can strengthen its oversight of information technology (IT) assessments and planning, and certain security processes. CRC has not completed an IT risk assessment or important plans to respond to risk-related incidents and disasters. The lack of a documented IT risk assessment and planning increases the risk CRC has not appropriately identified, assessed, and taken steps to reduce IT risks to an acceptable level. In addition, certain security processes can be improved to protect sensitive IT and electrical systems.

- Records used to document safety procedures performed when taking high voltage electrical systems in and out of service were not always complete and sometimes lacked evidence of management review. For 10 out of 29 (34%) CRC switching records reviewed, certain switching fields relating to required review and switching procedures were not completed.
- Of the total required monthly inspections for 33 substations overseen by CRC, there was no evidence 36 out of 396 (9%) inspections were performed. Monthly inspections are the primary means to help ensure critical electrical equipment is working properly and safely.
- For the 13 of 14 substations with maintenance issues, CRC did not have a documented corrective action plan to help ensure issues were corrected. CRC also had not documented prioritization of issues in terms of risk or evidence that management reviewed inspection results.
- CRC's reporting of Nevada's Colorado River water usage to federal and state officials was materially accurate. However, the 2021 report contained an informational table with minor miscalculations comparing the 2021 water usage to the previous year. After we identified the errors, CRC made corrections to the table and resubmitted the report. The minor error in the informational table did not impact the overall reporting or accounting of Nevada's net water usage.
- CRC did not ensure one of its hydropower performance measures was accurately reported and published in the State of Nevada 2021 – 2023 Executive Budget. Accurate reporting of performance measures provides agency managers, the Legislature, and the public with information to evaluate the performance of CRC.
- CRC does not have a documented IT risk assessment and continuity of operations, disaster recovery, and incident response plans for their administrative network and the supervisory control and data acquisition system (SCADA). Logs are not utilized to record visitor access to areas that contain sensitive IT equipment. State IT security standards require records of these visits be maintained for a minimum of 1 year. Proper oversight helps ensure organizational resources are protected.
- Two IT employees did not have a fingerprint-based background check as required by state IT security standards. Additionally, two employees working with critical infrastructure did not receive background checks for 3 years after their hire dates.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION

REHABILITATION DIVISION

The Rehabilitation Division (Division) lacks the necessary processes to adequately implement the Pre-Employment Transition Services (Pre-ETS) youth program. For example, the Division fell short of meeting youth spending requirements by an average of 5% since 2018 which may result in fewer funds available for adult services. Insufficient planning also left the Division unable to ensure program and financial requirements were met. As a result, youth with disabilities in rural communities lacked equitable access to resources as students in three rural school districts did not receive any Pre-ETS services, and nine others had minimal access to services. Additionally, some school districts indicated communication and Division responsiveness has been lacking. Finally, the Division does not keep adequate records for youth services. Without adequate program planning, increased communication, and data tracking, the Division is not able to maximize funding available, and youth with disabilities are not receiving necessary services.

The Division does not have strong oversight and outreach controls over the administration of Adult Vocational Rehabilitation services. Counselors did not review an average of 41% of open cases in accordance with grant requirements in fiscal years 2020 and 2021. Additionally, Individualized Plans of Employment (IPE) costs exceeded plan amounts without adequate approval in 56% of cases reviewed. Weak controls also may allow for the misuse of services by elderly clients to obtain hearing aids without an intention to work. Finally, the Division should improve outreach to underserved populations.

- The Division is out of compliance with grant spending requirements. To bring spending into compliance, the Division would need to spend an average of \$814,000 more per year on Pre-ETS services or decrease adult services by an average of \$5.4 million per year.
- The Division has not adequately developed a service plan for Pre-ETS program delivery. Additionally, a lack of adequate program planning has impacted the distribution and quality of services rendered among Nevada counties.
- Some rural communities have limited, if any, services for youth, while others have more established programs. Three rural counties with high schools did not receive any Pre-ETS services in either fiscal year 2020 or 2021. Although the remaining rural school districts had services, the primary service offered was a virtual job shadow.
- The Division can increase services through enhanced collaboration and communication. School district staff were not aware of the full range of services or funding, and many school district staff expressed challenges in working with the Division.
- The Division does not have policies and procedures over accurately tracking key data points for Pre-ETS program delivery. Invoices submitted by school districts totaled approximately \$104,000 in fiscal year 2021; however, records in the Division's data management system totaled less than \$37,000.

- Thirty-three of the 80 (41%) client cases tested did not contain documentation that the clients' employment plan was reviewed or updated annually. IPE costs also exceeded plan amounts without adequate approval. Nine of the 16 (56%) cases reviewed exceeded planned spending amounts, and cases reviewed did not obtain the required supervisory approval. These nine cases totaled \$104,000 in additional spending over the level of supervisory approved amount.
- Division practices allowed elderly clients and vendors to potentially misuse services. Weak controls allowed elderly clients the opportunity to obtain hearing aids without providing documentation of employment. Further, the Division does not monitor vendors to prevent them from over referring clients to the Rehabilitation Division solely to receive services not covered by other means.
- Additional efforts are required to improve the equitability of services. Fewer Asian and Hispanic or Latino individuals obtained services when compared to the Nevada population.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF HEALTH CARE FINANCING AND POLICY, DUAL ENROLLMENTS AND SUPPLEMENTAL DRUG REBATES

The Division of Health Care Financing and Policy (Division) does not have adequate processes in place to monitor certain Managed Care Organization (MCO) activities, which resulted in over \$34 million in improper payments and uncollected funds. Specifically, the Division does not identify individuals concurrently enrolled in other states' Medicaid programs. Consequently, the Division made improper monthly capitation payments to MCOs because federal law does not allow an individual to be enrolled in more than one state. We conservatively estimate over \$22.9 million in improper capitation payments were made during calendar years 2020 and 2021. In addition, the Division's lack of oversight related to MCOs' supplemental drug rebate payments resulted in \$6.9 million dollars going uncollected for almost 2 years. Additionally, \$4.2 million in rebates were invoiced to drug manufacturers by MCOs but not remitted to the State. Without action and effective oversight activities, improper capitation payments will continue and supplemental drug rebates will go uncollected.

- The Division does not utilize available information to identify recipients enrolled in Medicaid in another state and to end related MCO capitation payments. Because payments are automatic and made each month regardless of actual medical services rendered, significant improper payments accrue when out-of-state recipients are not identified timely, and action is not taken to disenroll them from the MCO. We identified 7,092 individuals who were enrolled in a Nevada Medicaid MCO during calendar year 2020, and also enrolled in another state's Medicaid program. For 44 of 50 (88%) recipients randomly selected and tested from the population, we observed capitation payments continued an average of 12 months after the individual enrolled in another state's Medicaid program. As a result, we conservatively estimate MCOs received over \$22.9 million in improper payments during calendar years 2020 and 2021.

- The Division’s oversight of the supplemental drug rebate program is inadequate. During the 2019 Legislative Session, Senate Bill 378 was passed and included a provision that MCOs remit supplemental drug rebates to the State, less an administrative fee. This requirement went into effect on January 1, 2020. The Division issued a memorandum on March 27, 2019, to MCOs detailing the requirement to submit rebates less a 1% administrative fee at the end of each quarter. Despite issuing the memorandum, we found the Division took no additional action to collect or verify millions of dollars in supplemental drug rebates. While two MCOs remitted rebate payments to the State, one did not. After our inquiry to the Division on November 30, 2021, the MCO made a payment for \$6.9 million in supplemental drug rebates owed. Neither the Division nor the MCO could explain why payment was not remitted, even though two other MCOs submitted supplemental drug rebate payments to the Division totaling over \$7.4 million as of March 31, 2021.
- In addition, the Division did not obtain supporting documentation to ensure supplemental drug rebate payments made were accurate or timely. We requested supporting documentation and determined another \$900,000 in drug rebates was collected by MCOs, but not remitted to the State. Furthermore, another \$3.3 million in rebates was invoiced to drug manufactures by MCOs, but remains uncollected by the MCOs. The Division has not established formal policies and procedures over the collection and review of supplemental drug rebates, and the reconciliation of supplemental drug rebates invoiced, collected, and received by MCOs.
- The Division has not complied with requirements to audit certain MCO activities related to supplemental drug rebates. State law requires the Division perform an annual audit of each MCO, including an analysis of all claims processed to evaluate supplemental drug rebate compliance. Furthermore, MCOs are required to obtain an annual audit of internal controls to ensure the integrity of financial transactions and claims processing. The results of these audits must be posted on the Division’s website. According to the Division, staff turnover impacted the Division’s ability to perform and obtain audits. In addition, the Division does not have policies and procedures related to the auditing of supplemental drug rebates or internal controls. Without policies and procedures, Division staff will lack adequate guidance to ensure compliance with laws and contract provisions.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF HEALTH CARE FINANCING AND POLICY, HOSPICE CARE CLAIMS AND FISCAL AGENT CONTRACT

The Division of Health Care Financing and Policy (Division) lacks adequate controls to ensure hospice care provider payments comply with federal and state Medicaid policies. Specifically, we found hospice providers billed and received payment for duplicate services for room and board charges. Additionally, providers billed and received payment for higher home care rates than allowed and did not properly bill the service intensity add-on rate. Furthermore, the Division paid claims with service dates after a recipient’s date of death. We estimate over \$386,000 in improper payments for hospice claims paid during calendar years 2020 – 2022. These improper payments occurred because the Division’s

Medicaid Management Information System (MMIS) lacks critical system controls regarding these services, and the Division has not developed additional compensating controls. Without proper controls, improper hospice payments will continue.

After performing an analysis of overpayments by providers and service type, we observed no significant patterns. Therefore, we were unable to determine if the overpayments were provider errors or possible fraud.

Better oversight and contracting practices for fiscal agent services will help ensure state contracting laws and policies are followed. The Division's current fiscal agent contract has been in effect since January 2011, over 12 years, and the Division has frequently modified the scope of work, amount, and duration of the fiscal agent contract over its administration of the MMIS. The initial contract maximum was \$176 million and is currently at \$803 million (354% increase). By not regularly soliciting competitive bids for fiscal agent services, other vendors are denied the opportunity to compete and offer different solutions and pricing.

- The Division overpaid hospice providers who improperly billed for duplicate room and board services. Hospice care providers improperly billed and were paid for 115 duplicate dates of services during calendar years 2020 – 2022. These overpayments occurred because the MMIS did not have the proper system controls in place to prevent hospice providers from billing and receiving payment for duplicate room and board services. We conservatively estimate over \$155,000 in improper payments for hospice claims were paid during this period.
- The Division overpaid hospice providers who improperly billed for the higher routine home care rate. For 13 of 20 recipients randomly selected and tested, we found hospice providers used the higher routine rate for more than the recipient's initial 60 days in hospice care. We conservatively estimate about \$114,000 was improperly paid to providers during the 3-year period.
- The Division overpaid hospice providers who improperly billed the service intensity add-on rate. We found providers improperly charged for the service intensity add-on for 668 (38%) out of the 1,755 service intensity add-on dates paid. For 376 (56%) dates of services, the recipient had no death date based on Division of Public and Behavioral Health, Office of Vital Records data. The remaining 292 (44%) dates of services improperly paid were found to have dates of death, but providers billed the service intensity add-on before the recipient's last 7 days of life. We also found hospice providers were paid beyond the daily limits established for the service intensity add-on. We estimate over \$117,000 in improper payments were made during calendar years 2020 – 2022.
- The Division overpaid hospice providers who improperly billed for services claimed to be rendered after a recipient's date of death. We identified four dates of services where providers received payment for services claimed to be rendered after the recipient's date of death during calendar years 2020 – 2022. For fee-for-service claims, proper controls are not in place to retroactively identify improper payment of services dated after a recipient's date of death. While the amount of improper payments for hospice

services were immaterial, the potential effect could be significant for all fee-for-service claims.

- The Division's current fiscal agent contract has been in effect since January 2011 but frequent modifications to the scope of work, amount, and contract duration have occurred. By not regularly soliciting competitive bids for fiscal agent services, interested vendors are denied the opportunity to compete and offer different solutions and pricing.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT, PANDEMIC RELIEF AND STATE SMALL BUSINESS CREDIT INITIATIVE ASSISTANCE PROGRAMS

The Governor's Office of Economic Development (GOED) did not provide sufficient oversight to ensure businesses were appropriately awarded funds from the coronavirus relief programs it oversaw. While these programs provided important fiscal relief to businesses, proper oversight is necessary to ensure funds are distributed equitably and used in accordance with federal requirements. Our audit identified that the eligibility was questionable for more than 10% of the awardees that received funds from the Pandemic Emergency Technical Support Program (PETS) and Commercial Rental Assistance Program (CRAG). Specifically, businesses were awarded funds from the two programs while owing taxes and other debts to the State. Additionally, some awardees were late filing required tax returns or did not have an active Nevada state business license. Funds were provided to these businesses despite demand for awards exceeding available funding in one of the programs. Furthermore, monitoring of program recipients to ensure businesses spent funds appropriately did not occur.

GOED can improve fiscal oversight practices for administering and safeguarding financial assistance to small businesses. Additionally, information necessary to monitor and evaluate the State Small Business Credit Initiative's (SSBCI's) performance was not collected, and program performance evaluations were not performed. Further, reports submitted to the Legislature did not contain all required information for proper oversight. Finally, legislative consideration is needed to ensure planned program restructuring maintains intended legislative oversight and transparency to the public about use of taxpayer funds.

- For PETS, a total of 494 award recipients owed the State about \$5.6 million as of the March 1, 2020, program eligibility cutoff date. About \$704,000 was owed by 108 awardees on the State Controller's outstanding debt list. From the Department of Taxation's outstanding debt list, we identified 386 awardees owing about \$4.9 million.
- CRAG had a total of 69 award recipients owing approximately \$669,000 to the State, as of March 1, 2020. Most of debt owed came from 58 CRAG awardees, owing about \$660,000, on the Department of Taxation's debt list. There were also 11 CRAG awardees owing about \$9,000 who appeared on the Controller's outstanding debt list.
- GOED awarded funds to some businesses that had not filed timely tax returns with the State. A total of 623 PETS awardees appeared on the Department of Taxation's list

- having at least one late tax return as of March 1, 2020. A total of 66 CRAG awardees appeared on the Department of Taxation's late tax return list as of March 1, 2020.
- GOED provided proper oversight to ensure awardees for CRAG had a proper business license. However, for PETS, we identified 57 awardees who were given an award based on a state business license issued after the March 1, 2020, program eligibility cutoff date.
 - In total, approximately \$10.7 million of Coronavirus Relief Funds were awarded to businesses whose eligibility under program requirements was questionable while other applicants received no funds.
 - Applications for PETS were not processed timely. On average it took 144 days (or about 5 months) to process these applications. Per contract requirements, funds should have been awarded by the contractor within 60 days of the application submission date.
 - Post-award monitoring was not performed to ensure program funds were spent as required.
 - GOED has not established sufficient fiscal oversight practices for administering and safeguarding financial assistance to small businesses. GOED did not ensure required independent financial statement audits were performed by the Nevada Battle Born Growth Escalator, Inc. (NBBGEI) or ensure its bank accounts were properly safeguarded.
 - GOED needs to improve monitoring activities over SSBCI and NBBGEI. NBBGEI held SSBCI cash and equity investments costing approximately \$3.6 million on behalf of the State. NBBGEI's holdings are expected to increase with the infusion of approximately \$100 million into the SSBCI by the federal government over the next few years.
 - GOED did not have sufficient controls to ensure required information regarding the performance of NBBGEI was reported to the Legislature and posted on the internet. Insufficient reporting inhibits SSBCI program transparency and legislative oversight.
 - During our audit, one contracted entity, providing services for NBBGEI, became unresponsive to our requests for meetings and documentation. While the limitations to records did not warrant modification of our audit conclusions, we believe they were significant enough to be disclosed in our report.

OFFICE OF THE GOVERNOR

OFFICE OF THE CHIEF INFORMATION OFFICER, CUSTOMER RATE DEVELOPMENT AND CONTRACTING PRACTICES

The Office of the Chief Information Officer (Office) lacks adequate controls to properly track its employee labor distribution and to monitor customer utilization of its services in calculating customer rates. Specifically, the Office does not track employee time related to some services and for other services employee time tracking is not accurate. In addition, the Office did not always properly identify customers using its services. Operating as an enterprise fund, the Office is responsible for ensuring its operations are self-supporting

through the customer rates it charges using entities. Rates are calculated based on the costs to produce the service and the number of entities using the service. Accurate labor distribution and customer utilization information is needed to ensure proper rate development so the costs of providing services are funded and so appropriate rates are charged to the appropriate users.

The Office did not always use competitive solicitation practices to procure millions of dollars in services. Instead, some procurements were completed as sole source procurements, or contracts were extended for years through amendments. In addition, effective contract monitoring did not take place, resulting in work being performed without appropriate contracts. State laws and policies govern the contracting process for services. When services are procured without competition or written contracts, there is an increased risk the State could overpay for services, fail to procure the best value, or be unable to enforce desired scopes of work.

- The Office does not have an established, formalized process for tracking employee time and forecasting labor distribution. Our examination of cost pools revealed substantial deficiencies in labor distribution tracking, with 7 of 10 (70%) lacking thorough tracking of employee time allocation. Information technology services provided by the Office are divided into cost pools for budgetary purposes. A cost pool is a grouping of costs by service activity, and includes costs like direct labor, materials, overhead, and other costs associated with providing a specific service. In most cases, the majority of the expense associated with these cost pools is employee salaries and benefits. Therefore, the proper tracking of employee time associated with cost pools is important.
- The Office lacks effective controls to monitor customer utilization. For five of eight (63%) cost pools tested, information supporting customer utilization was inaccurate or undocumented. For example, the virtual server cost pool did not include on its 2022 and 2023 utilization list five customers that started using the services in fiscal year 2021. In addition, we observed some customers reported their own utilizations and non-paying customers were utilizing services. Tracking customer utilization is essential for generating accurate service rates and making informed decisions about resource allocation.
- We tested contracts that were in effect during fiscal years 2022 and 2023, and observed instances where the Office procured services through the questionable use of sole source waivers. For three of the eight (38%) sole source procurements tested, the services procured were offered by more than one vendor. State law, regulation, and policy require agencies to competitively procure goods and services.
- In some cases, contract amendments were used to expand contract maximums instead of seeking competitive bids. For 2 of 14 contracts tested, \$16.8 million in contract price was added through contract amendments. We found that one vendor's contract increased by \$12.1 million without any solicitation. Another vendor's contract, which began in 2013, was amended four times, with the scope of the contract evolving over the years. However, no solicitations were conducted for these changes.
- Inadequate contract monitoring resulted in transactions occurring outside the protections of a contract. We tested 15 expense contracts in fiscal year 2022 and 11 in

fiscal year 2023. We found two payments totaling \$187,000 were made to vendors without active contracts in place. We also found a lapse in two revenue contracts for billing and payments pertaining to site space (rack rentals), microwave, and digital signal channels. In addition, we found two vendors were not billed for services rendered by the State. When products or services are not procured through a contract, or the contract expires, the State could be subjected to arbitrary price increases, unacceptable changes in products, delays, lack of services, or incorrect payments.

PUBLIC UTILITIES COMMISSION OF NEVADA, PERFORMANCE MEASURES

Stronger controls are needed over the administration of performance measures to improve usefulness and reliability. We analyzed the Public Utilities Commission of Nevada's (PUCN's) performance measures and found only 27% of its 33 measures were outcome based. Increasing the number of outcome measures would provide useful information to management and oversight bodies such as the Governor and Legislature in making budget and policy decisions. We also found reported results for measures were not always accurate. Additional guidance and oversight can improve the reliability of the agency's measures. Useful and reliable performance measures are important to facilitate accountability and evaluate success in achieving goals.

- The PUCN reported a total of 33 performance measures in the 2023 – 2025 Nevada Executive Budget System. We analyzed these measures and found only 9 (27%) were outcome based. The Budget Building Manual of the Governor's Finance Office recommends outcome measures that demonstrate the impact the agency is having on Nevada. Additionally, the Budget Division and the Legislature encourage outcome based measures to get a sense of how an agency is operating.
- Steps can be taken to improve the reliability of the PUCN's performance measures used in the state's budget process. We found mathematical errors led to inaccurate data. Our review found three 2021 and five 2022 measures to be inaccurate. These measures existed within the program activity areas of the Safety Programs, Constituent Services, and Agency Human Resource Services. Accuracy and reliability are critical for assessing performance and determining whether agency objectives are being achieved.
- The PUCN policies and procedures do not provide adequate guidance to assist staff with measuring performance. During our testing, we found that the agency documents the methodology used for calculating each performance measure in a spreadsheet used by fiscal staff for inputting performance data into the state budget system. Additionally, some staff maintain informal procedures and handwritten notes for preparing their performance measures. Formal written policies and procedures demonstrate a commitment to reliable performance measures by providing agency staff clear instructions for collecting applicable information.
- Performance data is collected and compiled by individuals within each program activity area with little or no supervisory or management review. We found all fiscal year 2022 measures lacked an adequate review of measurement calculations and detailed support.

For 24 of the 33 measures, staff indicated the measure was reviewed by program staff. However, no documentation existed to support this review.

- The PUCN's current process for developing, maintaining, and monitoring performance data does not emphasize its use in managing operations. We found two of the agency's eight program activity areas do not utilize performance data to manage their activity area: Fiscal and Financial Operations, Management, and Reporting; and Agency Human Resource Services. Staff indicated that their performance measures are only calculated as part of the state budget process; therefore, the measurement results are not used to monitor internal performance.

INFORMATION SECURITY AUDITS

DEPARTMENT OF MOTOR VEHICLES, INFORMATION SECURITY

The Department of Motor Vehicles (DMV) has not adequately prioritized critical information technology (IT) functions to mitigate service disruptions, ensure timely recovery, and safeguard data. For instance, policies and plans governing IT operations, including an IT operation risk assessment, continuity of operations, disaster recovery, incident response plans, and general IT-related policies were either not completed or not followed when necessary. Furthermore, DMV's data is vulnerable since the data destruction and patch management processes do not track or monitor hard drives needing data sanitization or necessary software updates. The DMV does not monitor the data extraction process used for data sales or review audit logs when changes are made to sensitive information in its primary application. Adequate IT policies protect entities from unnecessary security exposure and prolonged system failure recovery.

In addition, the DMV has not fully implemented controls over user access to ensure systems and applications are protected from unauthorized access. For instance, Information Technology Security (ITSEC) forms are not always updated with relevant information. Some users in the same position have more access than others without any record of why that is, including local administrator access. In addition, the DMV is not regularly reviewing current user access or permissions as required by state security standards. Furthermore, the DMV is not reconciling its IT assets, including hardware and software, leaving many discrepancies across inventory systems and compliance issues with software utilization.

- The DMV is not routinely completing an annual risk assessment of its information systems and does not have monitoring controls in place. Additionally, the DMV does not have fully documented plans related to critical IT operations and functions and did not follow the documented plans they do have when issues arose.
- There is no process or policy to track and monitor hard drives from receipt to disposal to ensure devices are thoroughly cleaned or destroyed when the hard drive is retired. In addition, hard drives in leased equipment may not be recovered and data destroyed since the DMV does not have an effective process to collect hard drives before equipment is removed from the premises.

- During our review of the systems patch management process, we found servers, computers, and other devices that were not receiving updates consistently. By not updating these devices routinely, the DMV is increasing the potential for a data breach or malware infection.
- The DMV does not have a change management procedure with which to track the request, approval, and implementation of hardware changes. During our review of the DMV's change management process, IT staff were unable to provide documentation of any kind related to the configuration of 25 selected devices which included servers, computers, and switches.
- The DMV does not monitor data extractions performed for third-party entities or review logs for changes to sensitive information. Consequently, we could not determine if information provided to third parties was appropriate and matched original data requests.
- User access management is weak for DMV systems. Specifically, the DMV's user access management and ITSEC form process should be timelier and more accurate. Additionally, the DMV is not reviewing user access regularly, including local administrator permissions, or ensuring that user accounts with domain administrator rights are not used for daily operations such as internet browsing, email, or similar activities.
- The DMV's ITSEC forms lack approved access consistency. The two top-level primary application users have full access to the application; however, the ITSEC forms do not reflect their administrative access or their updated positions. Additionally, the DMV does not ensure permissions for routine positions are appropriate.
- The DMV did not consistently remove former or inactive employees' network access in a timely manner. Additionally, third-party users with significant periods of inactivity were not monitored or reviewed for the need for continued access.
- The DMV's computer hardware management process can be improved. Our review found the DMV's asset inventory is not accurate, showing IT assets missing from inventory records and other discrepancies between internal listings and state inventory records. In addition, the DMV does not currently have a software reconciliation policy and software is not included in the DMV's annual inventory process.

DEPARTMENT OF TAXATION, INFORMATION SECURITY – ADDENDUM (SERVERS, OPERATING SYSTEM AND DATABASE APPLICATION SOFTWARE)

An addendum to report LA18-23 was necessary because security vulnerabilities existed in certain information systems within the Department of Taxation (Department). Providing details regarding those vulnerabilities, at the time we made the original report public, would have unnecessarily exposed those information security weaknesses. Since the Department has performed sufficient corrective actions to mitigate the security vulnerabilities, we are issuing this addendum as a supplement to our original report.

Twenty-two of the Department's 114 servers had critical security vulnerabilities due to outdated and unsupported operating system and application software. As software becomes

outdated, the Department can no longer rely on security updates or software provider technical support to help the Department address issues as they arise. Knowing key dates in an application's lifecycle helps an organization make informed decisions about when to upgrade or make other changes to its software. Without adequate software upgrade planning, the Department compromises security, performance, and overall efficiency.

SILVER STATE HEALTH INSURANCE EXCHANGE, INFORMATION SECURITY

Improvements can be made to enhance information security controls meant to protect the confidentiality, integrity, and availability of the Silver State Health Insurance Exchange's (Exchange's) systems. The Exchange's user access requests, authorizations, and monitoring practices were incomplete and undocumented. In addition, the Exchange does not verify that all users with access to the state-based exchange platform have completed a pre-access background check before granting system access. Furthermore, signed user access agreements have not been properly maintained or documented for all state-based exchange platform users. The Exchange's mandatory quarterly user access reviews have not been documented. In addition, security awareness training procedures and training policies have not been created or implemented. Finally, multiple users with state-based exchange platform access had not completed the assigned security awareness training, and the process to ensure completion was not effective.

The Exchange's key information security processes can be strengthened. In addition, the asset inventory process used at the Exchange needs to be further developed. Finally, the process for ensuring local administrator accounts are disabled needs to be implemented. Inadequate information security processes increase the risk of data loss, productivity loss, noncompliance, and reputational damage.

Our review of physical and environmental security controls concluded the Exchange can improve its key control process which includes physical and digital keycard management. Further, while the Exchange has a server room containing limited essential equipment and requires keycard access, the server room door provides minimal physical security. Physical security controls have a direct impact on the Exchange's ability to mitigate loss, disclosure, or inappropriate use of assets and protected data.

- While we noted various opportunities for improvement, our work did not identify any critical security vulnerabilities at the Exchange within our testing areas.
- The Exchange's user access request practices lack consistency and documentation across the various user types accessing the state-based exchange platform. For 29 of the 30 users tested, the Exchange was unable to produce evidence of access request forms or other records of access approval.
- The Exchange's process for ensuring background checks are completed does not verify all users receive them. For the 30 users tested, the Exchange was unable to produce evidence it verified that a background check had been completed before granting or allowing access to the state-based exchange platform.
- The Exchange does not have a process in place to ensure all users accessing the state-based exchange platform, which contains Nevada citizens' personally identifiable

information have read and signed the required acceptable use agreement. For the 30 state-based exchange platform users tested, the Exchange was unable to produce any documentation of a signed acceptable use agreement.

- The Exchange does not have any documentation to verify that quarterly user access reviews are being conducted. Exchange management explained to the auditors that a quarterly review is occurring; however, the review has never been documented and there is no formal process to perform or document quarterly reviews.
- Better oversight of the Exchange’s security awareness training program for employees and contractors is needed. We identified 22 of 30 users tested did not complete their annual refresher security awareness training, or the Exchange was unable to produce evidence of its completion.
- The risk management process can be further developed to include an assessment of internal information technology (IT) systems. During discussions with management, it was confirmed that no risk assessment is completed for IT on the local Exchange network including servers and workstations.
- The Exchange’s asset inventory practices are weak and need improvement as they relate to computer hardware used by the agency. After reviewing different reports of the Exchange’s computer hardware assets, we observed significant discrepancies in physical inventory reconciliation.
- The Exchange does not adequately manage digital keycards and physical key access. While the Exchange utilizes the state’s keycard access system, keycard accounts were not reviewed regularly to ensure the continued need for access to secure areas.

CHILDREN’S FACILITIES REVIEWS

NRS 218G.570 – 218G.585

GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN – INSPECTIONS, DECEMBER 2022

In 14 of 19 children’s facilities inspected, we did not note significant issues that caused us to question the health, safety, welfare, or protection of the rights of the children. However, at the five facilities listed below we identified multiple issues that caused us to question whether the facility adequately protected the children in its care. Based on our observations, we contacted the facilities’ licensing agencies and communicated our concerns.

Nevada Homes for Youth

- We noted health, safety, welfare, and other issues at Nevada Homes for Youth.
 - Health issues included: incomplete and inaccurate medication records, children self-administering medication, missing medication, contraband, child intoxication, and missing treatment plans.

- Safety issues included: unsecured chemicals, outdated first aid kit supplies, broken electrical outlets, a broken window, missing statutorily required personnel records, and face sheets were not readily available to staff.
- Welfare issues included: unsanitary living conditions, inappropriate age-related activities, and the complaint process was not posted.
- Other issues included: incomplete training records, incomplete and altered child records, and policies and procedures were weak.

Never Give Up Youth Healing Center

- We noted health, safety, welfare, and other issues at Never Give Up Youth Healing Center.
 - Health issues included: incomplete and missing medication records, administration of medication without consent, and staff were unaware of children’s treatment plans.
 - Safety issues included: unsecured laundry supplies and chemicals, damaged property that posed safety hazards, missing statutorily required personnel records and training, missing documentation that an incident was reported in accordance with mandated reporting requirements or investigated internally in accordance with facility policy, and face sheets were not readily available to staff.
 - Welfare issues included: unsanitary living conditions; beds missing pillowcases, sheets, and bed coverings; inappropriate age-related activities; and unsecured complaint boxes.
 - Other issues included: incomplete training records and policies and procedures were weak.

3 Angels Care

- We noted health, safety, welfare, and other issues at three of 3 Angels Care homes.
 - Health issues included: incomplete and missing medication records and a missed medication administration for a child.
 - Safety issues included: unsecured tools, chemicals, and laundry supplies; an outside locking storage room being used as a place to sleep; children of opposite gender sharing a room; and lack of supervision.
 - A welfare issue included: the use of a storage room as a “quiet room.”
 - Other issues included: incomplete personnel records and policies and procedures were weak.

Advanced Foster Care Homes

- We noted health, safety, welfare, and other issues at two homes licensed by the Advanced Foster Care program.
 - Health issues included: incomplete and missing medication records and incomplete and missing treatment plans.

- Safety issues included: unsecured tools, chemicals, and knives; fire escapes were not posted, and documentation of fire drills were missing; storage of medication was not readily available; and missing documentation to support a repeat background check for a foster parent.
- Welfare issues included: complaint forms not being readily available, the complaint process not being posted, no documentation that children were made aware of their right to file a complaint, and a complaint on behalf of a child was not forwarded to the Legislative Auditor.
- Other issues included: missing and incomplete training records and policies and procedures were weak.

Prison Rape Elimination Act (PREA)

- In two of eight correction and detention facilities inspected, we noted issues that prompted us to question whether the facilities adequately implemented a PREA process in accordance with federal regulations. PREA standards require the facilities to use a screening tool to assess children for sexual victimization or abusiveness. Two facilities used a screening tool which did not assess for 10 of 11 items required by screening standards.

GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN – INSPECTIONS, JANUARY 2024

In 22 of 29 children’s facilities inspected, we did not note significant issues that caused us to question the health, safety, welfare, or protection of the rights of the children. However, at the seven facilities listed below we identified multiple issues that caused us to question whether the facilities adequately protected the children in their care. Based on our observations, we contacted the facilities’ licensing agencies and/or placement agencies and communicated our concerns.

Nevada Homes for Youth

- We noted health, safety, welfare, and civil and other rights issues at Nevada Homes for Youth.
 - Health issues included: children self-administering medication, missing medication, incomplete and missing medication records, and untimely and missing treatment plans.
 - Safety issues included: missing statutorily required personnel records, a cracked windowpane and broken glass, damage to the facility, unsecured laundry supplies, face sheets were not readily available to employees, expired fire extinguishers, and missing fire drill records.
 - Welfare issues included: substance use and contraband, lack of regular programming, unmonitored electronic use, inappropriate content, and unsanitary living conditions.

- Civil and other rights issues included: child rights and the complaint process were not posted, incomplete personnel records, incomplete child records, and policies and procedures were weak.

Aurora Center for Healing

- We noted health, safety, and civil and other rights issues at Aurora Center for Healing.
 - Health issues included: incomplete and missing medication records and untimely treatment plans.
 - Safety issues included: items that created strangulation and self-harm risks, unsecured utility storage, missing statutorily required personnel records, missing fire extinguishers, unsecured laundry supplies, and a cracked windowpane. Welfare issue included: inappropriate television content.
 - Civil and other rights issues included: child rights and the complaint process were not posted, personnel discipline records for holds, and policies and procedures were weak.

Advanced Foster Care Homes

- We noted health, safety, and civil and other rights issues at four Advanced Foster Care Homes.
 - Health issues included: incomplete and missing medication records, a medication error and medication error notification issues, untimely and missing treatment plans, and unsecured records.
 - Safety issues included: missing statutorily required personnel records; debris that posed safety risks; missing fire drill records and fire escape routes were not posted; and expired first-aid kits.
 - Civil and other rights issues included: child rights were not posted, incomplete personnel records, and policies and procedures were weak.

HELP of Southern Nevada - Shannon West Homeless Youth Center

- We noted health, safety, and civil and other rights issues at HELP of Southern Nevada - Shannon West Homeless Youth Center.
 - Health issues included: children self-administering medication and incomplete and missing medication records.
 - Safety issues included: lack of implementation of PREA standards, missing statutorily required personnel records, missing fire drill records, and expired first-aid kits.
 - Civil and other rights issues included: child rights and the complaint process were not posted, incomplete personnel records, and policies and procedures were weak.

COUNT OF MONEY IN THE STATE TREASURY

NRS 353.060 requires the Legislative Auditor to count the money in the State Treasury at least annually. During this biennium, we conducted the money count on June 30, 2022, and June 30, 2023. Money count reports are filed with the Secretary of State and presented to the Audit Subcommittee. The 2024 money count report is anticipated to be filed with the Secretary of State in early 2025.

UNIFORM SYSTEM OF INTERNAL CONTROL

The Department of Administration, in accordance with Chapter 774, Statutes of Nevada 1987 (Senate Bill 341), issued regulations in January 1988 requiring each state agency to develop a uniform system of internal accounting and administrative control. Chapter 774 also provides that we include in our biennial report a list of those agencies audited that have not carried out a system of internal controls. The required elements of the system are described in NRS 353A.020. The agencies identified as having deficiencies in its internal accounting and administrative control systems in audits issued between January 1, 2023, and December 31, 2024, are:

COLORADO RIVER COMMISSION OF NEVADA, RESOURCE AND TECHNOLOGY ADMINISTRATION
 DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION, REHABILITATION DIVISION
 DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF HEALTH CARE FINANCING AND POLICY, DUAL ENROLLMENTS AND SUPPLEMENTAL DRUG REBATES
 DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF HEALTH CARE FINANCING AND POLICY, HOSPICE CARE CLAIMS AND FISCAL AGENT CONTRACT
 DEPARTMENT OF MOTOR VEHICLES, INFORMATION SECURITY
 DEPARTMENT OF TAXATION, INFORMATION SECURITY — ADDENDUM (SERVERS OPERATING SYSTEM AND DATABASE APPLICATION SOFTWARE)
 GOVERNOR’S OFFICE OF ECONOMIC DEVELOPMENT, PANDEMIC RELIEF AND STATE SMALL BUSINESS CREDIT INITIATIVE ASSISTANCE PROGRAMS
 NEVADA SYSTEM OF HIGHER EDUCATION, CAPITAL CONSTRUCTION PROJECTS
 NEVADA SYSTEM OF HIGHER EDUCATION, INSTITUTION FOUNDATIONS
 NEVADA SYSTEM OF HIGHER EDUCATION, SELF-SUPPORTING AND RESERVE ACCOUNTS
 OFFICE OF THE GOVERNOR, OFFICE OF THE CHIEF INFORMATION OFFICER, CUSTOMER RATE DEVELOPMENT AND CONTRACTING PRACTICES
 PUBLIC UTILITIES COMMISSION OF NEVADA, PERFORMANCE MEASURES
 SILVER STATE HEALTH INSURANCE EXCHANGE, INFORMATION SECURITY

OTHER SIGNIFICANT RESPONSIBILITIES

FEDERAL AUDIT REQUIREMENTS

The Federal Government, in 1979, transferred the responsibility for auditing federal programs to the state level. As a result, in 1981 the Legislature created the Audit Subcommittee to address this issue. Public Law 98-502, known as the Single Audit Act of 1984, was enacted to strengthen the audit requirement. The Act was subsequently amended in 1996 in an attempt to further streamline the audit process. Significant revisions to the single audit process were made with the passage of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in 2014.

The Audit Subcommittee has authorized the Legislative Auditor to contract with public accounting firms to audit these federal programs. The Audit Division monitors the work performed by the contracted auditor. The financing of contract audits is provided through the Office of Finance, Office of the Governor, and the Audit Division’s budget. During the most recent audit of the fiscal year ended June 30, 2022, federal financial assistance expenditures totaled about \$9.95 billion. Findings related to state agencies are summarized below.

Single Audit Findings by State Agency			
State Agency	Number of Findings	Number of Repeat Findings ⁽¹⁾	Percent of Repeat Findings
Department of Education	10	4	40%
Department of Employment, Training and Rehabilitation	4	2	50%
Division of Child and Family Services	3	2	67%
Division of Health Care Financing and Policy	3	2	67%
Division of Public and Behavioral Health	3	0	0%
Division of Welfare and Supportive Services	9	5	56%
Housing Division	10	3	30%
Nevada Supreme Court	1	1	100%
Office of the Governor, Office of Finance	6	2	33%
State Department of Agriculture	2	0	0%

(1) Repeat findings are generally due to timing differences. Specifically, an agency will not have its findings meeting with the contracted auditor until months after the agency's prior fiscal year ended. By the time the agency is made aware of an issue, they are already operating with the issue present during the current fiscal year. Hence, the same issue will be reported as a repeat finding during the following year's audit.

SCHOOL DISTRICT REVIEWS

Chapter 482, Statutes of Nevada 2005, provides that to the extent money is made available by the Legislature, every 6 years each school district undergo a review of its financial management principles unless an exemption is granted by the Legislature. The Legislative Auditor assists the Legislature with selecting school districts for review and may provide the State Board of Education with a list of qualified consultants to perform these reviews. In addition, the Legislative Auditor reviews the final report from each review and the plan for corrective action adopted by the school district. The Legislative Auditor then determines the extent to which the plan has been carried out and submits a report of this determination to the Legislature.

CHILD WELFARE RESPONSIBILITIES

CHILD FATALITY AND NEAR FATALITY REVIEWS

Chapter 70, Statutes of Nevada 2007, requires child welfare agencies to submit case files to the Legislative Auditor of children who suffer a fatality or near fatality if the child had prior contact with the agency. The Legislative Auditor is required to review the information to determine whether the case was handled in a manner consistent with state and federal law and to determine whether any procedures could have assisted in preventing the fatality or near fatality. This statute also requires the Legislative Auditor to provide certain information about the fatality or near fatality to a member of the public upon request, under certain conditions.

CHILDREN'S FACILITIES OVERSIGHT

Chapter 2, Statutes of Nevada 2009, requires the Legislative Auditor to conduct performance audits of governmental facilities for children, as directed by the Legislative Commission. In addition, the Statutes of Nevada requires the Legislative Auditor conduct inspections, reviews, and surveys of children's facilities. These facilities include both governmental and private facilities which have physical custody of children pursuant to the order of a court. The purpose of the inspections, reviews, and surveys is to determine if the facilities adequately protect the health, safety, and welfare of the children in the facilities and whether the facilities respect the civil and other rights of the children in their care.

SPECIAL LICENSE PLATE REVIEWS

Chapter 239, Statutes of Nevada 2007, requires each charitable organization receiving revenue from the issuance of a special license plate, to submit a balance sheet and certain financial records to the Legislative Auditor. The Legislative Auditor is required to review the reported information to determine whether the charitable organization has properly filed the appropriate documentation, committed improper practices of financial administration, and used adequate methods and procedures to ensure all money received was expended solely for the benefit of the intended recipient. The Legislative Auditor reports the results of these reviews annually to the Legislature and Department of Motor Vehicles.

AUDITS OF CERTAIN STATE BOARDS

Nevada Revised Statutes 218G.400 requires boards with annual revenues less than \$200,000 to prepare a balance sheet for that fiscal year and file it with the Legislative Auditor and the Chief of the Budget Division of the Office of Finance. If revenues exceed \$200,000, the board must engage a certified public accountant or public accountant to audit the board's fiscal records of the fiscal year and file the audit report with the Legislative Auditor and Budget Division. Boards may elect to have the audit conducted biennially. The Legislative Commission may also direct the Legislative Auditor to perform an audit of a board's fiscal records. The Legislative Auditor monitors agencies' compliance with these requirements and reviews the reported financial information for unusual or unique financial circumstances or conditions the Legislative Auditor considers significant and reportable to the Legislature. The review is limited to the financial information provided by the Boards and does not constitute an audit. A report is submitted by the Legislative Auditor to members of the Legislature every 6 months detailing boards' failure to report and significant issues identified.

ACTIVITIES THAT SUPPORT AND ENHANCE THE AUDIT FUNCTION

PROFESSIONAL DEVELOPMENT

We place great importance on retaining and developing qualified staff. The Audit Division encourages and provides the opportunity for all staff members to develop their professional skills to the fullest extent. Government auditing standards require auditors to complete 80 hours of continuing professional education and training every 2 years. In meeting this requirement, continuing education and training is provided and includes such topics as current developments in audit methodology, governmental accounting, assessment of internal controls, principles of management and supervision, financial management, statistical sampling, performance auditing, program evaluation, and data analysis.

The Audit Division is constantly identifying resources to provide timely professional and technical assistance on accounting, auditing, and program evaluation issues to staff. This also facilitates the development of office policies and procedures relating to professional standards and practices. The ongoing revision of the Audit Division audit manual has resulted in numerous changes to procedures to increase the effectiveness and efficiency of the audit process, while ensuring compliance with applicable professional standards.

As part of professional development, we actively support auditors seeking professional certification and advanced degrees. Most of our professional staff are either certified public accountants or have master's degrees.

QUALITY ASSURANCE

Every 3 years the Legislative Auditor contracts with an external organization to perform a quality control review of the Audit Division's operations. The most recent review was completed in October 2024. We are pleased to report the office received a pass rating, the highest possible, on the review indicating that our system of quality control is appropriately comprehensive and suitably designed to ensure reasonable compliance with professional audit standards. (See Appendix D for the quality control review report.)

INFORMATION TECHNOLOGY

The Audit Division continues to update and expand its capabilities to meet the challenges created by continued advances in information technology. Information technology is an important part of state operations as most functions of government utilize information systems to operate programs, process data, and store important information. Therefore, Audit Division staff must be knowledgeable about software applications and systems. The Audit Division continually improves on methods used to review agencies' operations that utilize information technology to determine if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organizations' goals and objectives.

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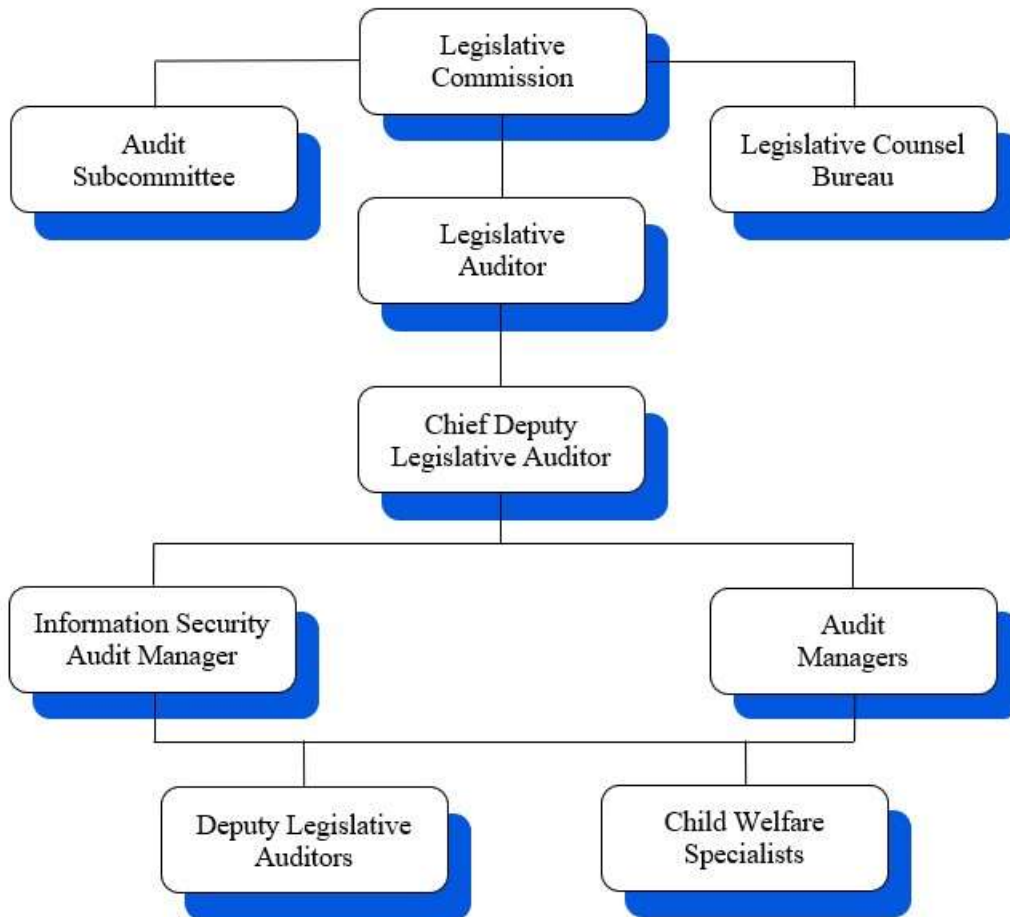
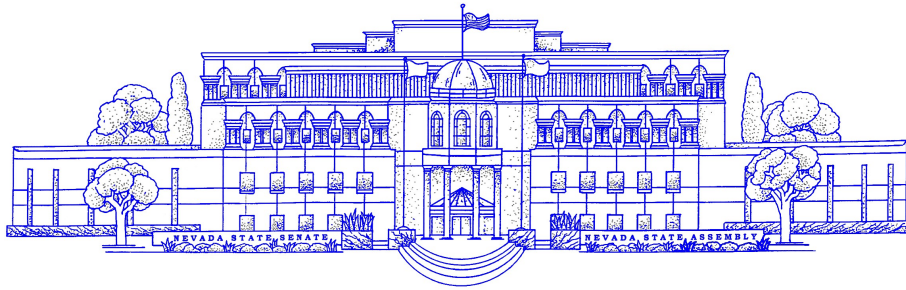
APPENDICES

APPENDIX A

AUDIT DIVISION

ORGANIZATIONAL CHART

LEGISLATURE



APPENDIX A

AUDIT DIVISION (CONTINUED)

HISTORICAL LISTING OF LEGISLATIVE AUDITORS

DANIEL L. CROSSMAN	2019–CURRENT
ROCKY J. COOPER	2015–2019
PAUL V. TOWNSEND	2001–2015
WM. GARY CREWS	1990–2001
JOHN R. CROSSLEY	1978–1990
EARL T. OLIVER	1971–1978
ROBERT E. BRUCE*	1968–1971
NORMAN H. TERRELL*	1963–1968
A. N. JACOBSEN	1949–1963

The Legislative Auditor is a statutory officer appointed by the Director of the Legislative Counsel Bureau, with the approval of the Legislative Commission for an indefinite term, whose qualifications and duties are defined by law. The Legislative Auditor serves as staff to the Nevada Legislature and its various committees and is the chief of the Audit Division.

* The official title Fiscal Analyst (Chapter 403, Statutes of Nevada 1963) was used for a period of ten years, 1963–1973 (Chapter 771, Statutes of Nevada 1973); however, the principal functions and duties were auditing and accounting for the Legislative Branch of Government.

APPENDIX A

AUDIT DIVISION (CONTINUED)

AUDIT DIVISION STAFF

DANIEL L. CROSSMAN, CPA	LEGISLATIVE AUDITOR
TODD C. PETERSON, MPA	CHIEF DEPUTY LEGISLATIVE AUDITOR
EUGENE ALLARA, CPA	AUDIT MANAGER
TAMMY A. GOETZE, CPA	AUDIT MANAGER
JENNIFER M. OTTO, MPA	AUDIT MANAGER
JAMES T. THORNE, MPA, CCM	AUDIT MANAGER
SHIRLEE EITEL-BINGHAM, CISA	AUDIT MANAGER, INFORMATION SECURITY
DALTON BUTLER, BS	DEPUTY LEGISLATIVE AUDITOR, INFORMATION SECURITY
CHRISTOPHER GRAY, MPA	DEPUTY LEGISLATIVE AUDITOR, INFORMATION SECURITY
JOSHUA TERRY, CISSP, PCIP	DEPUTY LEGISLATIVE AUDITOR, INFORMATION SECURITY
JENNIFER ALEXANDER, MBA	DEPUTY LEGISLATIVE AUDITOR
JEET BAINS, MBA	DEPUTY LEGISLATIVE AUDITOR
AMANDA BARLOW, MPA	DEPUTY LEGISLATIVE AUDITOR
TAYLOR BEALE	DEPUTY LEGISLATIVE AUDITOR
KAM WAI CHEUNG, CPA	DEPUTY LEGISLATIVE AUDITOR
TAMMI CLINE, CPA	DEPUTY LEGISLATIVE AUDITOR
PARKER COLE, MA	DEPUTY LEGISLATIVE AUDITOR
LUPITA CRUZ, MPA	DEPUTY LEGISLATIVE AUDITOR
WILLIAM F. EVENDEN, MAcc, CCM	DEPUTY LEGISLATIVE AUDITOR
ANDREA FOUNTAIN, MBA, CPM	DEPUTY LEGISLATIVE AUDITOR
ZACKARY FOURGIS, MBA	DEPUTY LEGISLATIVE AUDITOR
LAURA HARWOOD, MBA	DEPUTY LEGISLATIVE AUDITOR
KATRINA HUMBLICK, CPA, MAcc	DEPUTY LEGISLATIVE AUDITOR
SCOTT JONES, CIA, PHD	DEPUTY LEGISLATIVE AUDITOR
LORI KROBOTH, MBA	DEPUTY LEGISLATIVE AUDITOR
KAREN MARTIN, MBA	DEPUTY LEGISLATIVE AUDITOR
PAIGE McALLISTER, MPA	DEPUTY LEGISLATIVE AUDITOR
LEE MITCHELL, MAcc	DEPUTY LEGISLATIVE AUDITOR

APPENDIX A
AUDIT DIVISION (CONTINUED)

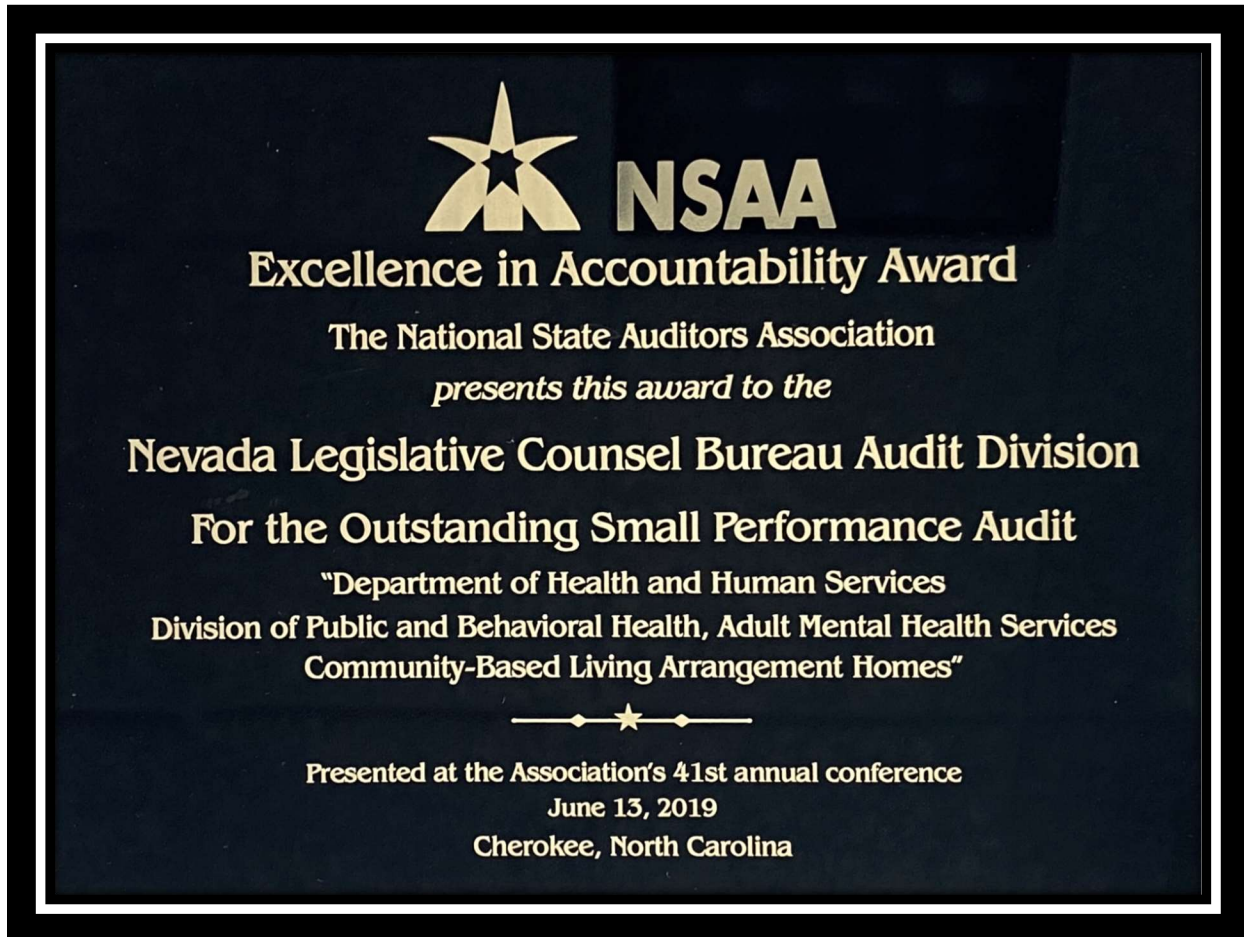
AUDIT DIVISION STAFF (CONTINUED)

KAREN MORENO, MBA	DEPUTY LEGISLATIVE AUDITOR
JEFF MULLEN, MACC	DEPUTY LEGISLATIVE AUDITOR
DAVID S. OLSEN, MPH	DEPUTY LEGISLATIVE AUDITOR
VICTORIA SALAS, MBA	DEPUTY LEGISLATIVE AUDITOR
RAY SANCHEZ, MBA, CCM	DEPUTY LEGISLATIVE AUDITOR
HARVEEN SEKHON, MBA	DEPUTY LEGISLATIVE AUDITOR
KIMBERLY SHAFER, CPA, CGIP	DEPUTY LEGISLATIVE AUDITOR
LISA SHERYCH, MBA	DEPUTY LEGISLATIVE AUDITOR
MANDY TANDY, MBA	DEPUTY LEGISLATIVE AUDITOR
MIA TOWNSELL, MBA	DEPUTY LEGISLATIVE AUDITOR
HAILEY CORNELIA-SWIFT, MSW, LMSW	CHILD WELFARE SPECIALIST
MONICA CYPHER, LSW	CHILD WELFARE SPECIALIST
JENNIFER GRAVES, BA	OFFICE MANAGER
DARLENE MAGNER	ADMINISTRATIVE ASSISTANT

APPENDIX A

AUDIT DIVISION (CONTINUED)

EXCELLENCE IN ACCOUNTABILITY AWARD



APPENDIX B

SCHEDULE OF REPORTS RELEASED 2023 – 2024

NUMBER	REPORT TITLE
18-23A	Department of Taxation, Information Security – Addendum (Servers Operating System and Database Application Software)
24-01	Department of Health and Human Services, Division of Health Care Financing and Policy, Dual Enrollments and Supplemental Drug Rebates
24-02	Department of Employment, Training and Rehabilitation, Rehabilitation Division
24-03	Nevada System of Higher Education, Self-Supporting and Reserve Accounts
24-04	Nevada System of Higher Education, Capital Construction Projects
24-05	Nevada System of Higher Education, Institution Foundations
24-06	Governmental and Private Facilities for Children – Inspections, December 2022
24-07	Report on Count of Money in the State Treasury, June 30, 2022
24-08	Department of Motor Vehicles, Information Security
24-09	Public Utilities Commission of Nevada, Performance Measures
24-10	Colorado River Commission of Nevada, Resource and Technology Administration
24-11	Report on Count of Money in the State Treasury, June 30, 2023
24-12	Department of Health and Human Services, Division of Health Care Financing and Policy, Hospice Care Claims and Fiscal Agent Contract
24-13	Governmental and Private Facilities for Children – Inspections, January 2024
24-14	Silver State Health Insurance Exchange, Information Security
24-15	Office of the Governor, Office of the Chief Information Officer, Customer Rate Development and Contracting Practices
24-16	Governor’s Office of Economic Development, Pandemic Relief and State Small Business Credit Initiative Assistance Programs

APPENDIX C

2024 – 2026 AUDIT PROGRAM

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

CARSON CITY OFFICE
LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701
(775) 684-6800



LAS VEGAS OFFICE
NEVADA LEGISLATIVE OFFICE
7230 AMIGO STREET
LAS VEGAS, NEVADA 89119
(702) 486-2800

December 16, 2024

Members of the Legislative Commission
Legislative Building
Carson City, Nevada

REQUEST FOR APPROVAL TO PERFORM AUDITS

Schedule 1 lists the audits we currently have in progress. In accordance with Nevada Revised Statutes (NRS) 218E.205, we are requesting your approval to continue these audits as we will not be able to present all of them to the Audit Subcommittee of the Legislative Commission by the start of the 2025 Legislative Session.

In accordance with NRS 218G.120, we are requesting your approval of a basic audit program, which is set forth in Schedule 2. In some cases, an audit of an agency may only cover a specific program or function within an agency. For agencies with several major programs, we may perform more than one audit. For audits noted as multi-agency audits, the specific agencies examined will be determined at the time of the audit based on a risk assessment specific to the audit's objective(s). The timing as to when we can start the audits is contingent upon the availability of audit staff and additional requirements that may be placed upon the Audit Division by the Legislative Commission and the Legislature.

The proposed audits were selected using a risk assessment process. This process considered such factors as the length of time since the last audit, amount of agency revenues and expenditures, legislative and public interest, prior problems, and agency or program complexity. 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. Audit objectives may include determining if an agency is operating in an economical or efficient manner, or determining the extent to which a program achieves a desired level of program results. Audit objectives can also include evaluating agencies' compliance with laws and regulations, and determining if appropriate information technology security controls are in place to protect sensitive information against unauthorized use.

Respectfully requested,

A handwritten signature in black ink, appearing to read "Daniel L. Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

DC:jg
Enclosures

APPENDIX C

2024 – 2026 AUDIT PROGRAM (CONTINUED)

**Legislative Counsel Bureau
Audit Division
Audits in Progress
As of December 16, 2024**

Schedule 1

- Department of Administration
 - Mail Services Division
 - State Public Works Division
- Department of Conservation and Natural Resources, Division of Forestry (Senate Bill 480, 2023 Session)
- Department of Indigent Defense Services
- School Districts (Assembly Bill 517, 2023 Session)
 - Clark County School District
 - State Public Charter School Authority
 - Washoe County School District
- Nevada Department of Transportation
- Multi-Agency Audits
 - Information Security
 - Department of Employment, Training and Rehabilitation, Employment Security Division
 - Cannabis Compliance Board
 - Department of Health and Human Services, Division of Public and Behavioral Health
 - Office of the Secretary of State
 - Opioid Crisis Response (various agencies)

APPENDIX C

2024 – 2026 AUDIT PROGRAM (CONTINUED)

**Legislative Counsel Bureau
Audit Division
Proposed Audits
December 2024 through December 2026**

Schedule 2

- Department of Administration
 - Human Resource Management Division
 - Purchasing Division
- Department of Agriculture
- Department of Business and Industry
 - Financial Institutions Division
 - Nevada Housing Division
 - Nevada Taxicab Authority
- Department of Corrections
- Department of Education
- Department of Health and Human Services
 - Division of Aging and Disability Services
 - Division of Health Care Financing and Policy
 - Division of Welfare and Supportive Services
- Office of the Military, Division of Emergency Management
- Department of Motor Vehicles
- Department of Public Safety
 - Nevada Highway Patrol Division
 - Division of Parole and Probation
- Office of the State Controller
- Department of Taxation
- Department of Wildlife
- Integrated Financial System (Advantage ERP) (various agencies)

APPENDIX D

EXTERNAL QUALITY CONTROL REVIEW

National State
Auditors Association
An Affiliate of NASACT



Headquarters Office
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590
P (859) 278-1147, F (859) 278-0507
www.nasact.org

Washington Office
The Hall of the States
444 N. Capitol Street, NW, Suite 422
Washington, DC 20001
P (202) 674-5451, F (202) 674-5473

PEER REVIEW REPORT October 4, 2024

Daniel L. Crossman, Legislative Auditor
Nevada Legislative Counsel Bureau - Audit Division
401 S. Carson Street
Carson City, NV 89701-4747

We have reviewed the system of quality control of the Nevada Legislative Counsel Bureau's Audit Division (the Division) in effect for the period January 1, 2023, through September 13, 2024. A system of quality control encompasses the Division's organizational structure, and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the Division. Our responsibility is to express an opinion on the design of the system and the Division's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the Division's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the Division's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Division's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the Division's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore, it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the Nevada Legislative Counsel Bureau's Audit Division, in effect for the period January 1, 2023, through September 13, 2024, has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **The Nevada Legislative Counsel Bureau's Audit Division has received a peer review rating of *pass*.**

Chris Vetter
Concurring Reviewer
External Peer Review Team
National State Auditors Association

Jenny Page
Team Leader
External Peer Review Team
National State Auditors Association

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR

NRS

- 218A.051 Legislative Auditor defined.
- 218E.205 Priorities and limitations on studies and investigations.
- 218E.240 Legislative Commission: Audit Subcommittee.
- 218F.100 Creation and composition; appointment of Director and chiefs of divisions.
- 218F.110 General powers and duties.
- 218F.150 Officers and employees of Legislative Counsel Bureau not to oppose or urge legislation; exceptions, conditions and limitations on disclosure of information.
- 218G.010 Legislative declaration.
- 218G.030 Legislative Auditor: “Agency of the State” defined.
- 218G.100 Legislative Auditor: Qualifications.
- 218G.110 Legislative Auditor: Powers and duties.
- 218G.120 Regular and special audits and investigations.
- 218G.130 Legislative Auditor to keep file of reports and releases; confidentiality of working papers from audit.
- 218G.135 Legislative Auditor duty to protect security of information systems; duty to report vulnerabilities in such systems.
- 218G.140 Report of improper practices following audit.
- 218G.150 Report of inadequacy of fiscal records.
- 218G.155 Report on leadership positions and diversity in audited agencies.
- 218G.160 Biennial report of Legislative Auditor.
- 218G.200 Audits of state agencies required, duty of agency personnel to assist in audit.
- 218G.210 Books and records of agencies of State: Availability to Legislative Auditor.
- 218G.220 Legislative Auditor: Request for financial statements from agencies of State.
- 218G.230 Audits: Discussion of preliminary audit report with head of agency audited; presentation of final report when Legislature in session.
- 218G.240 Audits: Presentation and distribution of final report; restriction on disclosure.

APPENDIX E
STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 218G.250 Audits: Notice to agency of acceptance of final report; submission of plan for corrective action.
- 218G.260 Audits: Order for withholding money from agency for failure to submit or comply with plan for corrective action.
- 218G.270 Audits: Report on carrying out of recommendations of Legislative Auditor; review of report.
- 218G.330 Audits required by Federal Government: Arrangements with Legislative Auditor; payment of cost of audit; Audit Contingency Account.
- 218G.340 Audits required by Federal Government: Legislative Auditor or private firm may be chosen to conduct audit; procedure for selecting firm; combining of audits.
- 218G.350 Audits to ensure compliance with federal regulations: Selection of firm to perform audit; submission, presentation and distribution of report.
- 218G.400 Preparation of balance sheets by and audit of fiscal records of certain boards; payment of costs; removal of state officer or employee for failing to prepare balance sheet, conduct audit or maintain necessary fiscal records.
- 218G.450 Special audits of certain entities which receive public money.
- 218G.550 Notification of Legislative Auditor of fatality or near fatality of child; review of information; cooperation with Legislative Auditor by agency.
- 218G.555 Legislative Auditor to disclose certain data and information by request; exceptions.
- 218G.570 Performance audits of governmental facilities for children.
- 218G.575 Inspection, review and survey of governmental facilities for children and private facilities for children.
- 218G.580 Scope of inspection, review and survey.
- 218G.585 Duty of facilities to cooperate with inspection, review and survey.
- 218G.590 Duty to report deficiencies of facilities.
- 218G.595 Duty of licensing entity to review whether certain facilities have corrected reported deficiencies.
- 218G.600 Performance audits of certain larger school districts and the State Public Charter School Authority required; scope of audit; report.

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 218G.605 Performance audits of additional school districts upon request of Chair of Interim Finance Committee; report.
- 218G.610 Discussion of preliminary report with audited school district or State Public Charter School Authority; inclusion of school district’s or Authority’s explanation or rebuttal in final report.
- 218G.615 Distribution and presentation of final report of audit; adoption of additional procedures; restrictions on disclosure before presentation.
- 218G.620 Notice to school district or State Public Charter School Authority of final report of audit; submission of plan for corrective action required under certain circumstances; status report concerning plan for corrective action; regulations relating to authority of Audit Subcommittee.
- 218G.625 Duty of officers and employees of school district or State Public Charter School Authority to aid and assist with audit and make all information available; full cooperation required.
- 218H.400 Reports by registrant; audit or investigation.
- 232B.235 Audit of certain boards and commissions: Recommendation; duties of Legislative Commission.
- 239C.210 Confidentiality of certain documents, records or other items of information upon declaration of Governor.
- 277.200 Text of compact. (Tahoe Regional Planning Agency)
- 353.060 Count of money in state treasury by Legislative Auditor.
- 353.065 Count of securities and money in custody of State Treasurer.
- 353.070 Actual money only to be counted.
- 353.075 Report to be filed following count.
- 353.080 Failure of Legislative Auditor to perform duties: Penalties.
- 353.325 Distribution of audit report of state agency.
- 353A.020 System of accounting and control for agencies: Adoption; elements; modification; development of procedures.

APPENDIX E
STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 353A.025 Biennial reporting of agency internal accounting and administrative control compliance to Legislative Auditor.
- 353A.045 Duties of Administrator of Division of Internal Audits. Consult with Legislative Auditor.
- 353A.065 Provide annual reporting of the Division of Internal Audits to Legislative Auditor.
- 353A.100 Working papers of the Division of Internal Audits available to Legislative Auditor upon request.
- 387.613 Selection of school districts for financial management review and selection of consultants to conduct reviews.
- 387.626 Working papers of consultants for school district reviews available to Legislative Auditor upon request.
- 387.631 Provide school district review report to the Legislative Auditor.
- 387.636 Provide school district corrective action plan to the Legislative Auditor.
- 387.639 Review of school district's report concerning progress on corrective action plan.
- 387.644 School district's reporting when exempt from review.
- 463.1593 Regulations concerning financial practices licensees: Duties of Legislative Auditor. (Gaming)
- 482.38277 Certain charitable organizations to prepare and file certain documents with Legislative Auditor and Department of Motor Vehicles; duties of Legislative Auditor with respect to forms and information.
- 482.38278 Legislative Auditor to submit annual final written report; contents of report.
- 482.382785 Department of Motor Vehicles may request audit of certain charitable organizations; Legislative Commission may direct Legislative Auditor to perform audit; Legislative Auditor to prepare written report of audit.
- 482.38279 Determination that charitable organization failed to comply with certain provisions or standards; organization may request hearing; Department of Motor Vehicles to issue decision; authority of Department to suspend collection of additional fees or production of design of special license plate.

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 514A.100 Mining Oversight and Accountability Commission can request special audit or investigation.
- 630.127 Performance audits of Board. (Board of Medical Examiners)
- 645A.050 Duties of commissioner. (Escrow Agencies and Agents)
- 645B.060 Duties of commissioner. (Mortgage Brokers and Mortgage Agents)
- 692A.117 Confidential Records. (Title Insurance)

OTHER CITATIONS

Article VIII, Section 8.050 Charter for the City of Mesquite
Annual audit of trust funds, accounts, fiscal affairs: Requirements; distribution of copies; expenses. Audit responsibility to Legislative Auditor if City does not obtain audit. (Senate Bill 56, Chapter 325, 2017 Legislative Session)