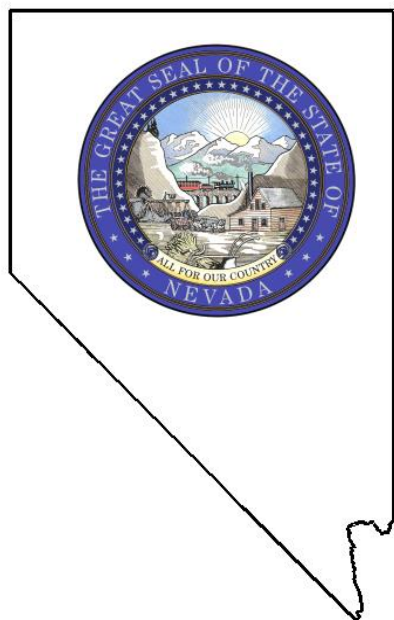


STATE OF NEVADA

Performance Audit

Department of Administration
Victims of Crime Program

2017



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of performance audit report on the Victims of Crime Program issued on January 17, 2018. Legislative Auditor report # LA18-10.

Background

The Victims of Crime Program was established in 1969 by the Nevada Legislature. The Program is responsible for assisting eligible victims who suffer injuries from violent crimes that occur in Nevada. The Program provides payment of crime related medical expenses, counseling, lost income, and other approved benefits. The mission of the Program is to provide financial assistance to victims of crime in a timely, cost efficient, and compassionate manner.

The State Board of Examiners is the governing authority of the Program and adopts rules and regulations to formulate standards for the payment of compensation to victims of crime. The Hearings Division's Senior Appeals Officer serves as the Program Coordinator. The Program has office locations in Las Vegas and Carson City. As of November 2016, all seven of the Program's authorized full-time equivalent positions were filled.

The Program is funded primarily from court assessments and a federal grant. Expenditures for fiscal year 2016 totaled \$6.1 million.

Purpose of Audit

The purpose of this audit was to (1) determine whether the Program has adequate controls to protect personally identifiable information and sensitive health information; and (2) determine if the Program has adequate controls related to performance measures, subrogation and revenue tracking, and employee performance evaluations. The scope of our audit focused on activities in certain areas from fiscal years 2014 through 2016.

Audit Recommendations

This audit report contains two recommendations to improve the protection of sensitive information and five recommendations to improve controls over performance measures, receipts, subrogation tracking, and employee evaluations.

The Program accepted the seven recommendations.

Recommendation Status

The Program's 60-day plan for corrective action is due on April 12, 2018. In addition, the six-month report on the status of audit recommendations is due on October 12, 2018.

Victims of Crime Program

Department of Administration

Summary

The Program's controls related to the protection of personally identifiable information and sensitive health information are weak. Documents containing sensitive information were not stored in a secure manner. Additionally, the Program's policies do not address document security until time of shredding. Furthermore, the Program has not reviewed the security of the contractor's server and the contract does not address protecting the server from unauthorized access by outside parties. The documents on the server contain sensitive information such as victims' personal information, medical records, and Social Security numbers.

Program controls related to certain administrative and financial practices need strengthening. First, the Program's policies and procedures regarding performance measures need improvements to ensure reported results are reliable. In addition, the Program needs to improve its process of recovering funds from victims when appropriate. Finally, the Program's controls related to reconciling revenues and evaluating employee performance can be strengthened.

Key Findings

Documents containing sensitive information are stored in an insecure manner. Boxes containing victim medical records and various other documents that are waiting to be shred are located in an open area that is accessible by all Program employees and janitorial staff provided by the building owner. These documents contained medical information and applications that include victim name, address, date of birth, crime information, and Social Security numbers. (page 4)

The Program's contractor stores victim data on its server at the contractor's office in Las Vegas. According to Program staff, neither the Program nor Enterprise Information Technology Services have reviewed the contractor's server security settings. Additionally, the contract does not address protecting the victims' data from unauthorized access by an outside party. Weak security controls may leave some information unprotected and vulnerable to third party security breaches. (page 5)

The Program's controls over collecting information and calculating performance measures do not provide assurance that the performance measures are accurate and reliable. The Program did not retain underlying records to support its reported performance measure numbers. Additionally, staff could not re-create the reports to match the numbers reported to the Department of Administration. In addition, there is no evidence that anyone reviewed the measures to ensure consistency with the budget instructions. (page 8)

The Program has not developed adequate policies to help ensure reliable and consistent reporting of performance measures. The Program's policies and procedures do not indicate how measures are calculated, who calculates the measures, how often they are calculated, who reviews the calculations, and to whom the measures are reported. The State Administrative Manual requires agencies to develop written procedures on how performance measures are calculated, including where data are obtained and which reports are used. (page 10)

The Program is entitled to and has the right to seek reimbursement from victims for money paid by the Program if victims obtain any recoveries. The Program refers to this reimbursement as a subrogation. However, there is no process in place to track known subrogation opportunities so there is no assurance that all subrogations are paid to the Program. Similar programs in other states we contacted have developed methods to track and recover subrogation funds. (page 10)

The Program's revenue collection and tracking processes need improvement. Staff are not adhering to some revenue collection and tracking procedures, such as performing reconciliations. While we did not detect evidence of fraud, the Program increases the risk that money could be lost or stolen, or errors could go undetected when it does not follow its internal control policies and procedures. The Program receives checks for restitution, subrogation, reimbursements, and donations. In fiscal year 2016, this amounted to \$162,500 in receipts. (page 12)

The Program continues to have problems completing timely employee evaluations. In fiscal year 2015 and fiscal year 2016, 16 employee evaluations were due, but only 9 (56%) were conducted by the Program. Furthermore, seven of the nine evaluations conducted were past due by an average of 109 days. One employee's file did not contain any evaluations conducted since 2011. (page 13)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Department of Administration, Victims of Crime Program. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. 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.

This report includes two recommendations to improve the protection of sensitive information, and five recommendations to improve controls over performance measures, receipts, subrogation tracking, and employee evaluations. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rocky Cooper".

Rocky Cooper, CPA
Legislative Auditor

September 14, 2017
Carson City, Nevada

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Introduction

Background

The Victims of Crime Program (Program) was established in 1969 by the Nevada Legislature. The Program is responsible for assisting victims who suffer injuries from violent crimes that occur in Nevada. The Program provides payment of crime related medical expenses, counseling, lost income, and other approved benefits. The mission of the Program is to provide financial assistance to victims of crime in a timely, cost efficient, and compassionate manner. The State Board of Examiners is the governing authority of the Program and adopts rules and regulations to formulate standards for the payment of compensation to victims of crime. The Hearings Division's Senior Appeals Officer serves as the Program Coordinator.

The Program has office locations in Las Vegas and Carson City. As of November 2016, all seven of the Program's authorized full-time equivalent positions were filled. The Carson City office has one staff person, and the Las Vegas office has two compensation officers and four support staff.

The Program is funded primarily from court assessments and a federal grant. Other funding sources for the Program include fines, penalties, restitution, and forfeitures imposed by Nevada's courts, as well as prisoner wage assessments. The Program also accepts private grants and donations. Expenditures for fiscal year 2016 totaled \$6.1 million. Exhibit 1 shows the revenues and expenditures for the last 3 fiscal years.

**Revenues and Expenditures
Fiscal Years 2014 to 2016**
Exhibit 1

Revenues	2014	2015	2016
Court Assessments	\$3,352,127	\$3,089,318	\$3,187,467
Federal Crime Victims Grant	2,054,000	2,332,000	2,449,000
Fines/Forfeitures/Penalties ⁽¹⁾	1,089,892	1,021,501	1,396,861
Filing Fees	785,610	785,030	735,044
Prisoner Wage Assessments	308,937	319,480	331,005
Restitution Collections	123,246	183,851	131,266
Reimbursement	62,594	125,214	90,114
Subrogation Recoveries	190,801	152,990	74,968
Other Revenues ⁽²⁾	38,345	42,199	46,345
Total Revenues	\$8,005,552	\$8,051,583	\$8,442,070
Expenditures			
Victims of Crime ⁽³⁾	\$6,645,324	\$4,098,368	\$4,278,504
Operating	1,250,340	1,273,665	1,312,016
Personnel Services	388,376	386,455	447,589
Other Expenditures ⁽⁴⁾	79,157	74,697	81,406
Total Expenditures	\$8,363,197	\$5,833,185	\$6,119,515
Difference	(357,645)	2,218,398	2,322,555
Beginning Funds	7,138,827	6,781,182	8,999,580
Ending Funds	\$6,781,182	\$8,999,580	\$11,322,135

Source: State accounting system.

⁽¹⁾ Includes civil penalties.⁽²⁾ Includes refunds, Treasurer's interest distribution, and donations.⁽³⁾ Includes payments to victims made through a contractor performing claims management and check processing services.⁽⁴⁾ Includes travel, training, information services, Department of Administration cost allocations, purchasing assessments, and statewide cost allocations.

The Program contracts with a company that provides an internet-based claims management system which allows authorized users access anytime. Since the Program stores data and communicates information in electronic form, rather than on paper, its system has the ability to create and store electronic images of all documents contained in a claim file. The contractor also provides services such as data storage, payment processing, check printing and mailing, vendor management, and claims administration, including medical bill review. Victim data is stored on the contractor's server, and backup copies are provided to the Program every month.

Scope and Objectives

The scope of our audit included a review of the Victims of Crime Program's protection of sensitive information in fiscal year 2016; performance measures for fiscal years 2014 to 2016; subrogation tracking in fiscal year 2016; and employee performance evaluations for fiscal years 2015 and 2016. Our audit objectives were to determine whether the Program has:

- Adequate controls to protect personally identifiable information and sensitive health information.
- Adequate controls related to performance measures, revenue and subrogation tracking, and employee performance evaluations.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. 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.

Improvements Are Needed to Protect Sensitive Information

The Program's controls related to the protection of personally identifiable information and sensitive health information are weak. Documents containing sensitive information were not stored in a secure manner. Additionally, the Program's policies do not address document security until time of shredding. Furthermore, the Program has not reviewed the security of the contractor's server and the contract does not address protecting the server from unauthorized access by outside parties. The documents on the server contain sensitive information such as victims' personal information, medical records, and Social Security numbers.

Document Storage Practices Need Improvement

Documents containing sensitive information are stored in an insecure manner. Boxes containing victim medical records and various other documents that are waiting to be shred are located in an open area that is accessible by all Program employees and janitorial staff provided by the building owner. These documents contained medical information and applications that include victim name, address, date of birth, crime information, and Social Security numbers.

The Program uses its internet-based claims management system to upload victim information and claims. Program employees do not enter application or claim information into the system, and only review the data entered into the system by the contractor. Program employees do scan certain documents into the system.

According to the Program's policies, the Program stores all documents scanned and uploaded into the system for a minimum of 30 days after being scanned, after which time the documents should be destroyed by shredding. An administrative assistant uses a shredder to dispose of the documents after the retention time is complete.

In the Las Vegas office, documents are not properly secured during the 30-day retention time. During walkthroughs of Program offices in Las Vegas, we observed boxes containing victim medical records and various other documents waiting to be shred. These documents were located in an open area accessible to all employees and anyone who has access to the office. This includes the cleaning service workers provided by the building owner who clean the Program office every day.

In addition, in this same open area, there were bins containing case information waiting to be picked up by the contractor. We observed that the bins contained medical information, applications that include victim name, address, date of birth, crime information, etc. We also observed that one bin contained tax information for a victim that had the victim's Social Security number. Leaving victims' information open to all employees and the building owner's janitorial staff increases the risk that personally identifiable information or personal health information can be misused or stolen.

NRS 603A.210 requires data collectors to implement and maintain reasonable security measures to protect records from unauthorized access, acquisition, destruction, use, modification, or disclosure. While the Program's policies address the document retention time prior to shredding, they do not address how to secure the documents until the time of shredding or the security of victim information.

Server Security Needs Further Evaluation

The Program's contractor stores victim data on its server at the contractor's office in Las Vegas. According to Program staff, neither the Program nor the Department's Enterprise Information Technology Services (EITS) have reviewed the contractor's server security settings. Additionally, the contract does not address protecting the victims' data from unauthorized access by an outside party. Weak security controls may leave some information unprotected and vulnerable to third party security breaches.

The Program could not provide documentation showing it, EITS, or any other independent entity have ever checked the contractor's server security settings or confirmed where the

system information is stored. This server contains case information for thousands of Program applicants dating back to 2004.

Program management stated a review of the system was conducted in 2004 before the Program started using the system created by the contractor, but could not provide documentation associated with the review. Furthermore, since 2004, significant changes have been made to the system reflecting the increased number of services that the contractor provides to the Program.

According to state security policies, standards, and procedures, system administrators should implement security practices to protect their systems from attack. In addition, agencies should conduct periodic security evaluations to assure continued protection and compliance with state information technology policies and standards, and these evaluations should be documented.

Since the contractor performs many services vital to the Program's operations, the Program should monitor the contractor's controls related to the information processed by the contractor. According to the U.S. Government Accountability Office, this monitoring can include:

- Contractual security requirements;
- Service level agreements; and
- Additional testing performed by the contractor's auditor or performed by the user entity.

The contract addresses user-level security but does not contain any provisions protecting the Program from a third party security breach. The lack of provisions protecting the Program from third party security breaches on an internet-based platform may create a high level of risk for the Program and victims of crime.

Recommendations

1. Update policies and procedures to ensure crime victims' confidential and sensitive information is protected. These policies and procedures should include document security until time of shredding.
2. Amend the contract to address periodic external security reviews of the contractor's server and protection from unauthorized access to victims' information by an outside party.

Certain Administrative and Financial Practices Need Strengthening

Program controls related to certain administrative and financial practices need strengthening. First, the Program's policies and procedures regarding performance measures need improvements to ensure reported results are reliable. In addition, the Program needs to improve its process of recovering funds from victims when appropriate. Finally, the Program's controls related to reconciling revenues and evaluating employee performance can be strengthened.

Controls Needed to Ensure Performance Measure Results Are Reliable

The Program's controls over collecting information and calculating performance measures do not provide assurance that the performance measures are accurate and reliable. Moreover, the Program did not retain underlying records to support its reported performance measure numbers. Staff could not re-create the original reports to match the numbers reported to the Department of Administration's Administrative Services Division (ASD). As a result, we cannot verify the accuracy of the performance measures.

Performance measures are designed to assist an agency and government officials in identifying financial and program results, evaluating past resource decisions, improving future resource allocation decisions, and communicating program results.

The Program had two performance measures included in the 2016 – 2017 Executive Budget: 1) average number of days to process claims, and 2) claims cost reduction. In addition, related measures are reported to ASD every quarter. The first measure reports the number of claims decisions issued during the quarter, and the average number of days to process those claims. The second measure, related to claims cost reduction, reports the

gross dollar amount of claims closed and the actual settlement dollar amount paid.

Underlying Records Not Retained

The Program did not retain underlying records to support its reported performance measures, as required by the State Administrative Manual (SAM). To obtain the numbers reported for the first performance measure, the Program Manager generates a report from the claims management system. However, the Program Manager does not keep copies of the reports generated from the system to support the reported performance measures. According to state guidelines, records used in calculating the performance measures should be retained for 3 fiscal years. Program personnel could not re-create the report to match the numbers reported to ASD because the report generated currently would not match the report generated at the time the performance measure was originally calculated.

For the second measure, the Program's contractor provides the Program Manager with the amount of the cost reduction. The contractor did not provide supporting documentation to the Program Manager for the measure, nor did the Program Manager know how the contractor calculated the measure.

Although the measures in the Executive Budget could be accurate, the lack of underlying records prevents the information from being verified and, therefore, from being considered reliable. Unreliable performance measures can misrepresent the actual results of an agency's operational or financial activities.

Furthermore, there is no evidence that anyone reviewed the performance measures to ensure consistency with the budget instructions. Program policies require that both fiscal and program staff are responsible for reviewing the performance measures to ensure consistency with budget instructions. State guidelines indicate fiscal and program staff are responsible for reviewing the performance measure procedures and ensuring they are followed. However, we did not find evidence that there was supervisory review of reported performance measure results.

Written Policies and Procedures Are Not Adequate

The Program had not developed adequate policies and procedures to help ensure reliable and consistent reporting of performance measures. The Program's policies and procedures do not indicate how measures are calculated, who calculates the measures, how often they are calculated, who reviews the calculations, and to whom the measures are reported.

SAM 2512 requires agencies develop written procedures on how performance measures are calculated, including where data are obtained and which reports are used. Although the Program's policies and procedures state the performance measures are monitored and calculated, the policies and procedures are not sufficient since they were copied from the Governor's Finance Office template and have not been tailored to the Program.

Process Needed to Collect Subrogation Recovery Funds

The Program is entitled to and has the right to seek reimbursement from victims for money paid by the Program if victims obtain any recoveries. The Program refers to this reimbursement as a subrogation. However, there is no process in place to track known subrogation opportunities so there is no assurance that all subrogations are paid to the Program.

The Program regularly receives subrogation funds, mainly from cases involving driving under the influence (DUI) claims. The amount reclaimed by subrogation in fiscal year 2016 totaled about \$75,000. If the Program were to develop a process to identify, monitor, and recover subrogation funds, the Program may have the ability to provide assistance to additional victims of crime.

The Program's policies place the responsibility for notifying the Program of any potential for recovery on the applicant. When the Program is notified that an applicant has retained an attorney to pursue a lawsuit, Program staff note the information in the victim's claim file and send the attorney a subrogation lien which informs the attorney of the State's right to subrogation for the amounts paid for the victim. When the victim reaches a settlement, the victim's attorney has a legal responsibility to notify all parties of the settlement amount. Victims who successfully pursue civil suits to recover damages are entitled to credit for their costs and

attorney fees when determining the amount the applicant must pay to satisfy the Program's lien. Therefore, the Program usually does not receive a full reimbursement of all costs paid for the victim. The Program writes off remaining amounts by calculating an acceptable amount to recover which considers the settlement amount, attorney fees, and costs. Program personnel work with victims' attorneys to negotiate an amount to pay back to the Program which must be approved by the Program Coordinator.

Known Subrogation Opportunities Are Not Tracked

The Program does not have an adequate system to identify, track and monitor opportunities for subrogation. From July 2014 through December 2015, the Program approved 101 applications for DUI victims, 24 of which had evidence of subrogation in the victim's file. Of these 24 files, 3 are pending payments totaling almost \$13,000 dating as far back as May 2015.

Management explained that there is no way to identify which cases in the system have subrogation information. Staff create letters, or write notes in the victims' files in the system indicating negotiated subrogation amounts due to the Program. The Program later provided a list of subrogation letters issued in fiscal year 2016. However, the list did not include subrogation letters that were misclassified as other types of documents in the case files, or subrogation negotiations only documented in the victim case notes.

The contractor's scope of work indicates that the claims management system must track and provide reporting on all subrogation payments received. In addition, the calculation of acceptable subrogation amounts must be built into the system to allow the Program to determine the appropriate subrogation payment amounts, which can then be reviewed by administrators. However, the contractor does not perform these functions for the Program.

Management also stated they do not follow up with victims' lawyers to inquire about recoveries after being notified of a possible settlement. Nor do they send periodic letters to victims or

attorneys that have disclosed that they are pursuing legal action with the potential for subrogation funds.

Other States Track Subrogations

Similar programs in other states developed methods to track and recover subrogation funds. These states have implemented a system to track and recover subrogation funds, enabling the programs to serve additional individuals. We contacted five similar programs in other states (Alaska, Arizona, California, Utah, and Washington). Four of the five states have developed a process to identify, monitor, and collect subrogations. The one state that did not have a formal process indicated they still contact each victim's attorney if there is a known settlement pending.

Each state surveyed approaches subrogation tracking differently. Three states programs informed us that they develop a close relationship with the civil attorneys. One state described being in contact with the attorneys quarterly for updates on the progress of the cases, and uses its state collection agency to recoup funds if it does not receive funding after a letter and phone call. Another state has developed a system that can generate an activity report, enabling staff to accurately track subrogation efforts.

Revenue Practices Need Improvement

The Program's revenue collection and tracking processes need improvement. Staff are not adhering to some revenue collection and tracking procedures, such as performing reconciliations. While we did not detect evidence of fraud, the Program increases the risk that money could be lost or stolen, or errors could go undetected when it does not follow its internal control policies and procedures. The Program receives checks for restitution, subrogation, reimbursements, and donations. In fiscal year 2016, this amounted to \$162,500 in receipts.

The Program's policies and procedures indicate staff should reconcile the check log with the state accounting system's budget status report on a monthly basis. Staff send checks to ASD for deposit, but do not reconcile the check logs to the state's accounting system to help ensure all revenue is deposited. Without reconciliations there is an increased risk that errors could go undetected.

**Personnel
Requirements
Were Not Always
Followed**

Furthermore, the policies and procedures require that checks should be kept in a locked office until the checks are mailed to ASD. However, we found that checks are kept in an unlocked desk drawer in a room with no locks, making them accessible to employees and increasing the risk of theft or loss.

The Program continues to have problems completing timely employee evaluations. We examined records of eight employees for evidence of required probationary period evaluations and annual evaluations. In fiscal year 2015 and fiscal year 2016, 16 evaluations were due, but only 9 (56%) were conducted by the Program. Furthermore, seven of the nine evaluations conducted were past due by an average of 109 days. One employee's file did not contain any evaluations conducted since 2011.

Without the required evaluations, management does not have documentation that promoted employees are fulfilling their new duties satisfactorily. In addition, without evaluations it is difficult for management to terminate employees who are not performing adequately, or acknowledge those employees whose performance exceeds standards.

The Department of Administration's Division of Human Resource Management (DHRM) keeps the Program's employee files. The Program Manager tracks when employee evaluations are due on a Microsoft Outlook calendar according to the due date information that DHRM provides, and also keeps a spreadsheet of which employees need evaluations. However, this system did not ensure employee evaluations were conducted timely.

This same issue was found in the prior audit in 2007. We recommended the Program adopt procedures that include management tools to monitor compliance with performance evaluations required by law.

While the Program's policies and procedures address conducting annual employee performance evaluations, they do not mention conducting performance evaluations during the probationary period for new employees or newly promoted employees according to the schedule in NRS 284.340. Per NRS 284.340,

evaluation reports must be filed at the end of the 3rd, 7th, and 11th month of employment for employees on a 12-month probation period.

Recommendations

3. Develop policies and procedures on the methodology used to obtain each performance measure and distribute it to all affected staff. The procedures should include how the supporting data is collected, calculated, reviewed, and retained.
4. Create policies and procedures for identifying, tracking, and collecting subrogation recovery funds.
5. Comply with policies and procedures related to collecting revenue.
6. Conduct employee evaluations timely, and update policies and procedures to include a periodic review by the Program Coordinator of scheduled evaluations to ensure they are completed timely.
7. Update the Program's policies and procedures to include evaluations for new hires and recently promoted employees in compliance with NRS 284.340.

Appendix A

Audit Methodology

To gain an understanding of the Victims of Crime Program, we interviewed staff, reviewed statutes, and policies and procedures significant to the Program's activities. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the Program's activities. Furthermore, we documented and reviewed the Program's internal controls and administrative procedures related to the security of sensitive information, performance measure reporting, subrogation and budget tracking, and conducting employee evaluations.

To determine if the Program adequately protects victim information, we requested information regarding the security of the server used by the Program's contractor, which stores victim case information containing sensitive information. We also observed the Program's system for storing files and disposing of sensitive information. In addition, we reviewed state information technology requirements.

To determine the reliability of performance measures used in the state's budget process, we reviewed the two measures reported in the Executive Budget for the 2014 – 2016 biennium. We requested the written procedures and the supporting documentation for the measures to determine if the report information was mathematically accurate and the underlying records were complete. Additionally, we interviewed the Department of Administration's Administrative Services Division (ASD) staff to gain an understanding of their role in performance measure reporting.

To determine if the Program effectively tracks and monitors subrogation recovery opportunities, we obtained a report of driving under the influence (DUI) cases for fiscal year 2015 and fiscal

year 2016 and verified the accuracy and completeness of the victim case files. To test the tracking and collection of subrogation recovery funds, we tested all 134 DUI victim files from fiscal year 2015 and the first 6 months of fiscal year 2016 for evidence of subrogation in the case files. We then determined if the amounts were repaid to the Program. We also compared Nevada's subrogation recovery practices to those of five other states to determine what is customary for the Program.

To determine if receipted funds were properly deposited, we reconciled a random sample of 30 entries of the 111 checks listed on the Program's check logs to the amount recorded in the state accounting system. We then calculated the number of days to deposit to ensure deposits were made timely in accordance with NRS 353.250. In addition, we assessed whether deposits were categorized correctly in the state accounting system by comparing the Program's check logs and the deposit information.

To determine if employee performance evaluations were conducted in accordance with NRS 284.340, we obtained the personnel files for all seven classified current employees, and one recently terminated employee. We reviewed the files to determine whether annual evaluations, probation period evaluations, and evaluations required after a substandard evaluation were completed timely. Additionally, we conducted interviews with staff at the Program and the Department of Administration's Division of Human Resources Management (DHRM) to determine DHRM's role in employee performance evaluation monitoring.

For our sample of Program receipts, we used non-statistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Judgmental samples were selected based on knowledge of the population and ensuring appropriate coverage. We did not project our results because the judgmental samples may not be representative of the population. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that non-statistical sampling provides sufficient and appropriate audit evidence to support the conclusions in our report.

Our audit work was conducted from April to December 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Program Coordinator of the Victims of Crime Program. On August 28, 2017, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B which begins on page 18.

Contributors to this report included:

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Appendix B

Response From Victims of Crime Program

Brian Sandoval
Governor



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September 8, 2017

Rocky Cooper, CPA
Legislative Auditor
Legislative Council Bureau
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Carson City, NV 89701

Dear Mr. Cooper:

I have reviewed the findings, conclusions and recommendations from the audit of the Victims of Crime Program that was conducted in 2016. The Victims of Crime Program accepts all of the recommendations and addresses each recommendation and set forth proposed compliance actions below.

As we discussed in our videoconference meeting on August 28, 2017, there has been a recent change in the Senior Appeals Officer/Victims of Crime Program Coordinator position. I am working diligently with our staff to ensure that past compliance issues are remedied and do not resurface. I hope the responses to the recommendations fully address your concerns.

Victims of Crimes Program Recommendations and Responses

Recommendation No. 1: Update policies and procedures to ensure crime victims' confidential and sensitive information is protected. These policies and procedures should include document security until time of shredding.

Response: Accepted. The program has already made the appropriate changes to our practices to comply with this finding. We have also created a policy to ensure victim and applicant confidentiality and document security is maintained.

Rocky Cooper, CPA
Response to Audit Recommendations
September 8, 2017

Recommendation No. 2: Amend the contract to address periodic external security reviews of the contractor's server and protection from unauthorized access to victims; information by an outside party.

Response: *Accepted.* We are currently working with our contractor and EITS to determine the best method for ensuring our contractor's server security. The contract will be amended once a mutually agreeable plan for periodic external security reviews is made.

Recommendation No. 3: Develop policies and procedures on the methodology used to obtain each performance measure and distribute to all affected staff. The procedures should include how the supporting data is collected, calculated, reviewed, and retained.

Response: *Accepted.* We have created a policy specifying the methodology used to collect, track and retain performance measure information for reports used for budget planning and quarterly reporting to the State of Nevada Administrative Services Division. We are working to creating the same for quarterly reports to the Board of Examiners.

Recommendation No. 4: Create policies and procedures for identifying, tracking, and collecting subrogation recovery funds.

Response: *Accepted.* The Victims of Crime Program will update policies to ensure subrogation recoveries are pursued on every claim that has a possibility of such recovery.

Recommendation No. 5: Comply with policies and procedures related to collecting revenue.

Response: *Accepted.* We will ensure that we comply with policies and procedures related to collecting revenue by keeping checks waiting to be deposited in a locked box and reconciling our check log to the accounting system monthly.

Recommendation No. 6: Conduct employee evaluations timely, and update policies and procedures to include a periodic review by the Program Coordinator of scheduled evaluations to ensure they are completed timely.

Response: *Accepted.* As of Fiscal Year 2018, all employee evaluations are current. Future evaluations are scheduled and we will continue to complete those prior to their due date. We have created an internal policy describing our plans to ensure we complete evaluations as directed.

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Recommendation No. 7: Update the Program's policies and procedures to include evaluations for new hires and recently promoted employees in compliance with NRS 284.340.

Response: *Accepted.* We have created an internal policy describing our plans to ensure we complete evaluations as directed.

Conclusion

Thank you for the past and current audit recommendations. I believe the Victims of Crime Program will benefit from the recommendations. Working with your auditors helped us to recognize concerns and begin addressing these issues. Jennifer Brito from your office demonstrated the highest level of professionalism and I was informed that she was a pleasure to work with. Rebecca Salazar from this office provided invaluable support during the audit and the preparation of this response. We look forward to providing you with the required 60-day plan for correction and the six-month report on the status of audit recommendations.

Respectfully submitted,



Michelle L. Morgando, Esq.
Acting Senior Appeals Officer/Victims of Crime Program Coordinator

Victims of Crime Program's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Update policies and procedures to ensure crime victims' confidential and sensitive information is protected. These policies and procedures should include document security until time of shredding.	<u> X </u>	<u> </u>
2. Amend the contract to address periodic external security reviews of the contractor's server and protection from unauthorized access to victims' information by an outside party	<u> X </u>	<u> </u>
3. Develop policies and procedures on the methodology used to obtain each performance measure and distribute to all affected staff. The procedures should include how the supporting data is collected, calculated, reviewed, and retained	<u> X </u>	<u> </u>
4. Create policies and procedures for identifying, tracking, and collecting subrogation recovery funds.....	<u> X </u>	<u> </u>
5. Comply with policies and procedures related to collecting revenue	<u> X </u>	<u> </u>
6. Conduct employee evaluations timely, and update policies and procedures to include a periodic review by the Program Coordinator of scheduled evaluations to ensure they are completed timely	<u> X </u>	<u> </u>
7. Update the Program's policies and procedures to include evaluations for new hires and recently promoted employees in compliance with NRS 284.340.....	<u> X </u>	<u> </u>
TOTALS	<u> 7 </u>	<u> </u>