

STATE OF NEVADA
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LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747



LEGISLATIVE COMMISSION (775) 684-6800
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(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
ROCKY COOPER, *Legislative Auditor* (775) 684-6815
SUSAN E. SCHOLLEY, *Research Director* (775) 684-6825

January 30, 2017

Members of the Nevada State Legislature
Legislative Building
Carson City, Nevada

Biannual Status Report on Audits of Certain State Boards

NRS 218G.400 requires certain boards to be audited annually or biennially by contract auditors. The audit report must be filed by the board on or before December 1 of each year in which an audit is conducted. In addition, boards with revenue less than \$75,000 for any fiscal year must complete a self-reported balance sheet and submit it to the Legislative Auditor and the Chief of the Budget Division on or before December 1 following the end of that fiscal year.

Financial Report Not Submitted

One board did not submit the required financial report:

<u>Board</u>	<u>Due December 1, 2016</u>
Board of Optometry	Annual audit report not submitted

Additional Information—Board of Optometry

During December 2016 and January 2017, we contacted the Board of Optometry by email and phone. The Board of Optometry indicated the audit report was not completed because the previous Executive Director passed away in the Spring of 2016 and the new Executive Director was not aware of the audit requirement. Further communications revealed the Board is retaining a new audit firm, but was unable to provide an expected audit completion date at this time.

Audit Report With Disclaimer of Opinion

Board
Nevada State Board of Physical Therapy Examiners

We noted the independent auditors issued a disclaimer of opinion for the Board of Physical Therapy Examiners' biennial audit for fiscal years 2015 and 2016. The auditors reported a material internal control weakness because expenditures did not have proper supporting documentation. Because of this condition, the auditors did not express an opinion on the financial statements. Furthermore, the audit report indicated the prior Executive Director

received compensation that was not Board-approved and may have had personal expenses paid with Board funds. Board expenditures for FY 2015 were \$379,000, of which salaries, Attorney General's fees, and rent comprised 84% of the total. Board minutes reflect concerns the prior Executive Director received additional unapproved compensation and used Board funds for personal expenses that were not reimbursed.

We requested additional information from the Board, including whether the Board intends to investigate these issues and what steps the Board has taken to strengthen internal controls. The current Executive Director indicated the Board contacted the Attorney General's Office for guidance regarding the matter. The Attorney General's Office indicated supporting documentation would be necessary for an investigation to be commenced. The Executive Director indicated the Board has not further pursued the matter since supporting documentation, including related invoices and check copies, is not available. Additionally, the Executive Director indicated the Board has limited resources and an investigation would be costly compared to the anticipated dollar value of misspent funds. The Executive Director did indicate, however, that the Board has improved controls related to cash receipts and disbursements.

Audit Reports With Modified Opinion

The 2016 audit reports for two boards contained modified opinions from the independent auditors.

Boards

Nevada State Board of Cosmetology

Nevada State Board of Examiners for Marriage and Family Therapists & Clinical Professional Counselors

In both instances, the basis for the modified opinion was that management had not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* for fiscal year 2016. We will continue to monitor the status of their compliance with the financial reporting requirements of GASB No. 68 for fiscal year 2017.

Boards Current With Filing Requirements

The following boards submitted audit reports or balance sheets for the year ended June 30, 2016, and are current in filing their required reports.

Nevada State Board of Accountancy
Board of Examiners for Alcohol, Drug and Gambling Counselors
State Board of Architecture, Interior Design and Residential Design
Board of Athletic Trainers
Barbers' Health and Sanitation Board
Chiropractic Physicians' Board of Nevada
State Contractors' Board

Boards Current With Filing Requirements (continued)

State Board of Cosmetology
Board of Dental Examiners of Nevada
Board of Dispensing Opticians
Board of Homeopathic Medical Examiners
State Board of Landscape Architecture
Board for the Regulation of Liquefied Petroleum Gas
Board of Examiners for Marriage and Family Therapists and
Clinical Professional Counselors
Board of Massage Therapists
State Board of Nursing
State Board of Occupational Therapy
State Board of Oriental Medicine
State Board of Osteopathic Medicine
State Board of Pharmacy
Board of Physical Therapy Examiners
State Board of Podiatry
Board of Psychological Examiners
State Board of Professional Engineers and Land Surveyors
Board of Registered Environmental Health Specialists
Board of Examiners for Social Workers
Nevada State Board of Veterinary Medical Examiners

All other boards not identified are currently in compliance with NRS 218G.400.

Financial Information–All Boards

See Attachment A for an overview of financial data on all occupational licensing boards.

Please contact me at (775) 684-6815 if you have any questions regarding this letter.

Sincerely,



Rocky Cooper, CPA
Legislative Auditor

RC:sy

Attachment

cc: The Honorable Brian Sandoval, Governor of Nevada
Michael J. Willden, Chief of Staff, Office of the Governor
James R. Wells, CPA, Director, Office of Finance, Office of the Governor
Nikki Haag, Boards and Commissions Officer, Office of Governor
Carol M. Stonefield, Chief Principal Research Analyst, Research Division,
Legislative Counsel Bureau

Attachment A
Occupational Licensing Boards
Financial Information
2016

Board	Revenues	Expenditures	Fund Balance/ Net Assets
1 Contractors	\$ 6,551,849	\$ 9,014,577	\$ 8,267,877
2 Medical Examiners ²	\$ 4,502,894	\$ 3,805,238	\$ 1,272,620
3 Nursing	\$ 3,080,078	\$ 2,932,835	\$ 2,375,415
4 Pharmacy ⁴	\$ 2,688,662	\$ 2,300,225	\$ (307,917)
5 Cosmetology	\$ 2,126,488	\$ 2,364,830	\$ 212,967
6 Private Investigators ¹	\$ 1,445,920	\$ 1,385,049	\$ 217,559
7 Dental Examiners	\$ 1,382,324	\$ 1,152,052	\$ 792,944
8 Massage Therapists	\$ 921,428	\$ 795,966	\$ 350,885
9 Engineers and Land Surveyors	\$ 921,256	\$ 701,808	\$ 1,209,528
10 Architecture, Interior Design & Residential Design ⁴	\$ 784,652	\$ 889,021	\$ (42,611)
11 Accountancy	\$ 687,240	\$ 662,786	\$ 734,379
12 Osteopathic Medicine	\$ 652,701	\$ 637,321	\$ 526,475
13 Chiropractic Physicians ⁴	\$ 413,511	\$ 348,591	\$ (101,520)
14 Veterinary Medical Examiners	\$ 383,278	\$ 423,587	\$ 221,508
15 Physical Therapy Examiners	\$ 382,301	\$ 394,711	\$ 119,364
16 Liquefied Petroleum Gas ⁴	\$ 375,491	\$ 402,629	\$ (67,353)
17 Social Workers ⁴	\$ 345,827	\$ 292,818	\$ (291,214)
18 Funeral Board ¹	\$ 316,134	\$ 187,642	\$ 239,732
19 Occupational Therapy	\$ 229,193	\$ 181,083	\$ 657,869
20 Alcohol, Drug, and Gambling Counselors ⁴	\$ 201,532	\$ 194,128	\$ (28,810)
21 Long-Term Care Administrators ¹	\$ 182,467	\$ 166,297	\$ 107,064
22 Psychological Examiners	\$ 169,865	\$ 180,712	\$ 119,886
23 Marriage and Family Therapists and Clinical Counselors	\$ 157,842	\$ 140,437	\$ 36,082
24 Dispensing Opticians	\$ 129,637	\$ 111,459	\$ 91,508
25 Audiology and Speech Pathology ¹	\$ 99,857	\$ 133,141	\$ 184,072
26 Barbers' Health and Sanitation Board	\$ 94,777	\$ 72,342	\$ 112,490
27 Certified Court Reporters ¹	\$ 82,945	\$ 68,224	\$ 85,377
28 Landscape Architecture	\$ 82,553	\$ 95,027	\$ 69,976
29 Podiatry	\$ 67,702	\$ 57,319	\$ 164,601
30 Oriental Medicine	\$ 53,604	\$ 54,259	\$ 153,658
31 Athletic Trainers	\$ 39,556	\$ 31,142	\$ 80,098
32 Homeopathic Medical Examiners ⁵	\$ 33,350	\$ 35,956	\$ (116,889)
33 Registered Environmental Health Specialists	\$ 28,980	\$ 33,927	\$ 35,867
34 Optometry ³	\$ -	\$ -	\$ -

¹ - Amounts listed are from the audit report for the period ended June 30, 2015, as these boards report biennially.

² - Board has a December 31 fiscal year end. Amounts listed are from December 2015 audit report.

³ - Board did not submit the required financial report.

⁴ - Deficit fund balance is the result of implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.

⁵ - Deficit fund balance is because \$130,951 is owed to the Office of Attorney General.