

STATE OF NEVADA

Biennial Report of the Legislative Auditor



December 31, 2022
Carson City, Nevada

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December 31, 2022

Members of the Nevada Legislature:

I am pleased to report on the activities of the Audit Division for the biennium ended December 31, 2022. 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 go to: www.leg.state.nv.us/audit.

Respectfully,

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

Daniel L. Crossman, CPA
Legislative Auditor

DLC:smy
cc: The Honorable Steve Sisolak, Governor of Nevada

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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 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 statute. (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. 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
- Budgeted Expenses
- Complexity of Agency or Programs
- History of Problems
- 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 him to make 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 2022-2024 basic audit program for the Audit Division.)

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 carefully 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 Chairman 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 \$9 for every dollar of audit costs. During the biennium, measurable financial benefits of more than \$68.6 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 nearly \$13 million from increasing controls over the costs relating to supported living arrangement and jobs and day training services. During the current biennium, the Department of Taxation identified over \$8.3 million in underpaid taxes from audits of marijuana establishments.

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 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 requires Nevada Medicaid to increase hourly reimbursement rates comparable to other states. This bill also requires the Autism Treatment Assistance Program to publish guidance for obtaining an autism diagnosis and the providers who perform such services. 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 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.

Recommendations made in our prior audits of the Taxicab Authority and Attorney General could result in financial benefits to Nevadans and the public. Recommendations to improve oversight of the taxicab industry are estimated to provide savings to the public of about \$21 million per biennium, as improved oversight will help deter long hauling practices. Furthermore, the audit of the Attorney General made recommendations to improve controls over the disbursement of restitution funds. As a result of the recommendations, over \$17,000 in undisbursed settlement funds were returned to the State and paid to victims of unlawful mortgage practices or deposited with the Nevada Treasurer's Office of Unclaimed Property for safeguarding and potential future payments.

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 reported an instance of potential fraud. Our audit of the Delivery of Treatment Services for Children With Autism 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. As required by NRS 218G.140(2), we reported this information to the Governor, each legislator, and the Attorney General.

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			
	2019	2020	2021	2022
Recommendations Made	33	79	48	53
Recommendations Accepted	33	79	48	53
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, 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 2022, we received 15, 6-month status reports addressing the status of 127 recommendations. Our analysis of these status reports and additional information provided to the Audit Subcommittee through the follow-up process indicates that 100 recommendations during the biennium were fully implemented. Six of the 6-month reports, containing 17 partially implemented and 10 no action 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, one audit resulted in a recommendation to the Legislature, which is summarized below.

Legislative Recommendation			
Report Name	Page No.	Recommendation Made	Resulting Legislation
LA22-04: Delivery of Treatment Services for Children With Autism	36	The Legislature may want to consider directing Nevada Medicaid to increase the reimbursement rate for Registered Behavior Technicians (RBTs) to reflect more closely the rates paid by other insurance coverage entities in the State.	Senate Bill 96, passed on June 4, 2021, requires the Department of Health and Human Services to submit a request to amend the State Plan for Medicaid to increase the reimbursement rate for services provided by a RBT to at least \$52 per hour, or as close to that amount as the Secretary approves. Upon approval, the rate of reimbursement will be equal to or greater than the rate provided under Medicaid. The State Plan Amendment was approved effective January 1, 2022.

AUDIT REQUIRED THROUGH LEGISLATION

During the 2021 Legislative Session, a bill was passed requesting a performance of audits of the Nevada System of Higher Education. The audits include an examination and analysis of the sources and uses of money privately donated to each school; capital projects at the University of Nevada, Reno and the University of Nevada, Las Vegas; and self-supporting and reserve accounts. The audit reports are currently in progress and are expected to be presented in early 2023. The description of this legislation is as follows.

		BILL NUMBER	STATUTES OF NEVADA CHAPTER NUMBER
AN ACT	Relating to higher education; requiring the Legislative Auditor to conduct an audit of the Nevada System of Higher Education; making an appropriation; and providing other matters properly relating thereto.	A.B. 416	467

AUDIT REQUESTED BY LEGISLATIVE COMMISSION

During the prior biennium, concerns addressed at legislative committee meetings prompted the request of a special audit to be conducted by the Legislative Auditor. On December 30, 2019, the Legislative Commission authorized the Federation of State Medical Boards to conduct a performance audit of the State Board of Medical Examiners. Upon completion of the Federation’s audit, which was presented to the Legislative Commission on December 28, 2020, the Audit Subcommittee of the Legislative Commission directed the Legislative Auditor to conduct an additional audit on the State Board of Medical Examiners. The objectives of the audit included evaluating the licensing and investigation processes, and the purchase of an office building. This audit was released on May 4, 2022, and contained 10 recommendations to improve controls over investigative and disciplinary processes, including complaint intake, fines, and cost recoveries.

SCHEDULE OF REPORTS

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2021–2022 BIENNIUM IN REVIEW

AUDIT HIGHLIGHTS

Over the biennium the Audit Division issued 23 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 2021–2022 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.

AUDIT REQUIRED THROUGH LEGISLATION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DELIVERY OF TREATMENT SERVICES FOR CHILDREN WITH AUTISM

Funding for Autism Spectrum Disorder has been sufficient to cover children receiving services through Nevada autism programs since 2015. However, we found evidence of improper billing and possible fraud in Medicaid claims. While funding has been sufficient to cover those applying for services, families continue to struggle to obtain treatment and opportunities exist to assist families in obtaining more timely diagnosis and treatment. Assisting families in getting more timely services is critical to improving the outcomes of children with autism.

Barriers to treatment are mostly influenced by an insufficient provider base to provide therapy to all children who medically require services. We estimate there are only enough providers to serve about two of every three children who would most benefit from Applied Behavior Analysis (ABA) services. While many factors influence the number of providers delivering medical services, Registered Behavior Technician (RBT) reimbursement rates are significantly lower than private insurances and challenges in the workplace contribute to limited capacity. Finally, improved communication will enhance outcomes, ease transitions, and result in more robust delivery of services for families of children with autism.

- State agencies did not spend all funds budgeted for autism treatment. In the 2015 Legislative Session, the State estimated the cost to provide autism treatment to be \$35.7 million annually. This amount was projected to cover an estimated 2,500 children needing treatment services. However, since fiscal year 2017 only about \$15 million per year, on average, has been spent on autism therapy services.
- Our analysis of fee-for-service Medicaid claims for autism treatment services found unreasonable and possibly fraudulent claims paid. Specifically, too many hours were charged for a single day. We found nearly 1,000 of 113,000 days for individual providers in which 24 or more hours were billed. Claims, some of which may overlap between providers and children, totaled about \$6 million since fiscal year 2016 for excessive service hours for both providers and children. However, we could not calculate an overpayment because we could not determine what portion of each claim was legitimate, if any.
- Autism Treatment Assistance Program (ATAP) currently helps families once children have been formally diagnosed with autism documented through a school-based Individualized Educational Program or medical diagnosis. However, many families surveyed indicated the process of obtaining a formal autism diagnosis needed to meet criteria to receive ABA treatment is difficult. Obtaining a diagnosis often takes several months and, in some cases, even longer. Providing families additional assistance to help them obtain a diagnosis, including information about available providers can reduce the time needed to obtain a diagnosis and ease parental stress and concern.
- Families also face challenges in obtaining treatment for their children once they have received an autism diagnosis. Delays in starting treatment range from several months to over a year. Although these delays have been declining recently, there are opportunities for ATAP to reduce the time further between diagnosis and treatment. More timely treatment of children is critical to improving outcomes.
- While the number of licensed ABA providers in Nevada significantly increased between August 2019 and October 2020, many children continue to wait several months before receiving treatment, because providers do not have openings in schedules to accept children right away. Over the last few years, the number of providers has steadily increased as more insurers, including Nevada Medicaid, support ABA therapy as a treatment option for autism. However, the number of providers is still not sufficient to provide service to those wanting service, as evidenced by waitlists, but also for those who would benefit from but are not seeking treatment.
- The shortage of ABA providers for children with Medicaid is worse than for children with private insurance since only about a third of licensed ABA providers served Medicaid children in fiscal year 2020. Consequently, children covered by Medicaid and ATAP programs wait for treatment to begin longer than children with private insurance. The providers who deliver the majority of one-on-one therapy, RBTs, are paid half the rate by Medicaid and ATAP that private insurers pay. In addition, providers indicated the process for being enrolled in Medicaid is burdensome and takes considerable time.
- A significant barrier to school-aged children receiving ABA therapy services is the time spent in school. Many school districts have programs designed to provide therapy and

assistance to school-aged children with autism. Medicaid has been providing school districts with the necessary knowledge of what is allowable to bill under ABA services and intends to provide additional support to provide children more comprehensive services.

AUDIT REQUESTED BY LEGISLATIVE COMMISSION

NEVADA STATE BOARD OF MEDICAL EXAMINERS

Better monitoring and oversight of the investigative and disciplinary processes can help the Nevada State Board of Medical Examiners (Board) provide more timely resolution of complaints and other issues. Additionally, enhancing controls over the administration of fines will ensure they are assessed consistently and fair. Further, maintaining support for investigative costs will help support its cost recovery efforts and provide equitable treatment of licensees.

Board procedures over licensing and publishing of disciplinary data adequately ensured timely and accurate processing. Delays in licensing physicians were largely attributable to applicants and other third parties gathering and providing necessary information. Additionally, disciplinary information on the Board's website and provided to the National Practitioner Data Bank was accurate. Finally, the Board's decision to purchase an office building was based on reliable and accurate analysis and information.

- The Board could improve the monitoring of its complaint resolution process which can take as long as several years to finalize. Large gaps of time existed between activities in certain cases where the Board could not provide explanations for delays. Timely resolution of cases is important for ensuring practicing physicians are competent and patients are safe from harm.
- There are opportunities for the Board to eliminate delays. We found:
 - It took an average of 23 days for a complaint to be reviewed and assigned to an investigator. Five cases took significantly longer, up to 68 days. Management stated the intake turnaround goal is 7 days.
 - Investigators took 31 days to review complaints, notify licensees they were under investigation, and request medical records, if needed. Seven cases took significantly longer, up to 134 days.
 - The disciplinary process, when applicable, took over a year to resolve. Our review of cases showed little documentation existed detailing Board activities, if any, during this time period.
- Enhancing the process of assessing fines in disciplinary matters could help ensure equity. The Board has discretion in making the final disciplinary determinations and utilizes judgment and licensee history in this process. However, the Division has not established disciplinary guidelines or schedules that recommend penalties based on specific violations. We found such guidelines to be a best practice in our conversations with other states.

- The Board assessed licensees for the cost of investigations; however, these costs were not adequately supported to determine whether the amount assessed was accurate. For instance, the Board does not maintain a detailed record of the hours worked on each case by Board staff. In addition, invoices paid to external peer reviewers do not always include detail for the hours worked to determine the reasonableness of the charge. Assessing and recovering accurate investigative and disciplinary costs is important for ensuring fair and equitable treatment of licensees.
- The Board processed applications efficiently with nearly 75% of the time to issue a license related to applicants obtaining the proper documentation. We reviewed the licensing process for 50 applications and found it took the Board an average of 98 days to complete the licensing process, but the majority of those days were related to applicants and third parties gathering required information.
- Disciplinary information on the Board's website and the National Practitioner Data Bank was accurate for all cases reviewed. State law requires the Board's website to include a list of each licensee and a brief description of any disciplinary actions. This information allows individuals to make informed decisions when choosing health care providers.
- Board management performed sufficient analysis prior to purchasing a Reno office building in 2018 for \$3.4 million. We reviewed documentation provided by management to determine whether quality information was used to make an informed decision regarding this purchase.

AGENCY AUDITS

DEPARTMENT OF BUSINESS AND INDUSTRY

DIVISION OF INSURANCE

Controls over financial assets can be improved to ensure revenue is adequately monitored and fines are equitably enforced. Specifically, the Division of Insurance (Division) does not reconcile revenue with database records to ensure amounts received are ultimately deposited and properly recorded. For calendar year 2019, we identified \$11.5 million in revenues recorded in the state accounting system, but not in the Division's database. The Division does not record all revenue in the database due to limitations with the system. Further, the Division did not maintain a check receipt log and system controls allowed staff to alter financial records without oversight. The Division also does not have an adequate process for equitably assessing late fees. With proper controls, we estimate the Division can collect at least an additional \$152,000 per year. Finally, the Division also lacks adequate controls to safeguard personally identifiable information (PII) from unauthorized access. In calendar year 2019, there were over 160,000 unmasked instances of PII in the Division's database.

The Division did not complete activities to ensure bail agencies corrected identified issues of noncompliance. The Division began a more comprehensive program to audit bail agencies in August 2018. This program, with full implementation, has the potential to strengthen confidence in the practices and services provided by the industry. However, the

Division did not follow up with agencies to ensure corrective action, nor does it have a program to impose fines for continued noncompliance. Without an ongoing program of follow-up and continuation of the audit process, issues with the industry may again become problematic.

- Even though some financial activities are bifurcated between the Division and the Department of Business and Industry, neither entity performs a comprehensive reconciliation of payments received. A reconciliation is important because the Division processes a large volume of transactions from different sources recorded to varying budget accounts and revenue types that total more than \$50 million in any given year. As part of our audit, we compared fiscal year 2019 totals and found a variance of over \$11.5 million between Division and state accounting system records. This occurred because the Division does not record all transactions in its licensing database due to database limitations that prevent certain transactions from being automatically recorded.
- The Division lacks a process to ensure checks received are properly accounted for. During calendar year 2019, the Division received over 9,000 checks totaling \$10.8 million; however, the checks were not adequately controlled upon receipt. Specifically, the Division did not log the checks when opened and initially processed. Logging checks is critical to ensuring all funds received are deposited. In addition, a check receipt log provides those responsible for completing monthly reconciliations with critical supporting documentation.
- Accounting staff have greater user rights than necessary for accounting system controls to function as intended. For example, accounting staff are able to make edits, such as voiding payments, to financial records without managerial oversight or approval. During March 2019, we identified more than 50 records totaling \$112,000 that were voided or edited without supervisory review. These capabilities along with the lack of check receipt logs make it possible for staff to alter financial records and divert checks for personal use.
- The Division does not consistently assess fines for late payments. There were nearly 2,500 late payments during calendar year 2018; however, only some licensees were assessed fines even though authority exists, in many instances, to fine entities for late payment. The Division did not correctly assess fines on 15 (47%) of the 32 late payments included in our testing. On average, for our sample, payments were received 47 days late, but one payment was received almost 6 months after the due date.
- Our review identified the following instances of vulnerability for the Division regarding PII; over 160,000 unmasked PII on Division databases; generating over 200 accounting reports with PII each year; the policy and procedures manual was available to all employees and contained unmasked PII; and, applications not requiring a secure method of transmission when sending documents containing PII. These issues resulted from the Division using PII as a primary identifier for the majority of individual licensees.
- The Division completed the last bail agency audit in February 2019; however, no other routine follow-up has been conducted on any of the entities audited. As a result, the

Division may be allowing some issues to persist in an industry serving a vulnerable population. While the Division sent notifications of violations, it did not ensure corrective action was taken. Furthermore, the audit process has not been standardized as routine by the Division.

DEPARTMENT OF BUSINESS AND INDUSTRY

OFFICE OF THE NEVADA ATTORNEY FOR INJURED WORKERS

The Office of the Nevada Attorney for Injured Workers (NAIW) can improve its oversight of certain activities. Specifically, information systems administration needs additional monitoring to ensure the continuation of critical services. Additionally, NAIW reported unreliable performance measures to decision makers and could improve by emphasizing outcome-based performance measures. Finally, the security of personally identifiable information was not adequate.

Case management administration was adequate in ensuring the timeliness of cases although NAIW experienced delays in receiving crucial evidence and information from third parties. Specifically, case processes were generally timely including NAIW sending and requesting necessary documents in a prompt manner. However, the need for evidence from third parties delayed some hearings. Injured workers can experience financial and mental stress while fighting for workers' compensation benefits so timely resolution of cases is important.

- Controls over information systems administration were deficient. Specifically:
 - NAIW was not timely in renewing its service level agreement for information technology (IT) services which resulted in NAIW having no guarantee that their data was being properly backed up. The most recent agreement with NAIW's IT vendor expired in June 2019 and had not been renewed until April 2020.
 - User accounts that provide access to critical systems have not been periodically reviewed, which increases the risk of unauthorized access to sensitive data. In addition, unnecessary user accounts were not always disabled or removed in a timely manner.
 - Continuation of critical services was not ensured. Specifically, NAIW does not verify the adequacy of server backups and has not requested backup testing results from their IT vendor in the past. In addition, NAIW does not have a written IT contingency plan. Furthermore, background checks were not conducted on NAIW's IT service vendor's employees which helps lower the risk of harm or disruption to a system.
 - NAIW was not aware of its responsibility to ensure the IT vendor's employees completed required annual security awareness training. Without completing such training, NAIW has less assurance that data and systems are adequately protected.
- The accuracy of performance measures reported in the Governor's Executive Budget could not be substantiated. NAIW did not retain appropriate supporting documentation

on four fiscal year 2018 measures. Our review of supporting documentation regarding the remaining four measures found: supporting documents did not show how NAIW calculated three of the measures; supporting documents did not always agree to amounts reported; there was no evidence of review by management for any measure tested; and extensive manual work was required by staff to calculate two reported measures. Additionally, NAIW does not have comprehensive policies or procedures for performance measures.

- Measures used in the State’s budgeting process can be revised to incorporate outcome-based performance measures. The fiscal year 2018 measures NAIW reported provide workload and timeliness statistics. Outcome based measures were not emphasized but are recommended as they better demonstrate an agency’s impact on citizens of Nevada.
- NAIW does not adequately secure personally identifiable information during nonbusiness hours. Individuals who are authorized to enter NAIW’s offices, such as the non-state employed janitorial crews, have access to clients’ personal information including Social Security numbers and medical records in unsecured file cabinets.
- NAIW was timely in sending and requesting necessary case management documents. These documents include welcome packages to commence work on a case, claim files that contain facts of each case prior to NAIW’s appointment, and case closure letters which notify clients of their right to appeal further to the District Court.
- The need for evidence and information from third-party sources delayed some cases. NAIW does not have control over the timeliness of receiving claim files, medical records, doctors’ opinions, and independent medical evaluations. We found that waiting for this evidence and information contributed to delayed hearings.

DEPARTMENT OF CORRECTIONS, USE OF FORCE

The Department of Corrections (Department) needs to enhance processes over the review and investigation of use of force allegations and incidents. Inmate grievances alleging excessive use of force were not always adequately addressed. In addition, review panels were not always convened to determine if the use of force was appropriate and justified. When convened, review panels were often untimely. Proper review of inmate grievance allegations and investigation of use of force incidents help ensure the Department is complying with requirements to provide a safe and humane environment free of cruel and unusual punishment under the Eighth Amendment.

Prospective officers worked in the Department’s facilities without adequate training or supervision prior to completing the Peace Officers’ Standards and Training Academy. Additionally, better tracking is needed to ensure refresher and weapons training for certified peace officers is up to date. Further, obsolete weapons should be removed from institutions’ armories. Finally, the Department needs to routinely review administrative regulations to ensure changes in legislation are incorporated. Proper training and accurate regulations are necessary to ensure officers only use force in appropriate circumstances, to protect peace officers and inmates, to limit the liability of the Department, and to ensure compliance with state and federal laws.

Use of force data collected by the Department is not accurate, complete, or reliable. Errors in the data cause the Department's statistical reports to understate use of force incidents. Additionally, the Department is not collecting some required data regarding use of force incidents. Relying on inaccurate data may result in management making improper conclusions and taking inappropriate actions.

The Department spent about \$192,000 on a body camera program that has not been implemented. As a result, the Department did not collect and report incident data or develop performance measures, requested by the Legislature, regarding the effectiveness of monitoring equipment. Purchasing equipment that is not used is a waste of state funds.

- The Inspector General's (IG) Office did not review most grievances alleging excessive use of force. We found for 13 of 20 (65%) grievances, there was no evidence the IG's Office reviewed the grievance. For all seven grievances reviewed, the IG's Office did not provide a timely response to the inmate of the outcome as required by administrative regulation.
- Use of Force Review Panels (Panel), convened to review use of force incidents, sometimes did not occur. A Panel was not convened for 9 (36%) of the 25 incidents we tested. Of the 16 completed Panel reviews, 10 (63%) were untimely. Panels are necessary to determine if the use of force was justified and consistent within the policies, procedures, and training of the Department.
- The Department used prospective officers to work in its facilities without proper supervision or training. Our testing revealed 4 of 20 (20%) prospective officers were assigned to work posts alone. Additionally, six (30%) prospective officers were assigned to work dedicated posts, normally requiring a second certified peace officer. Finally, we identified four incidents where prospective officers participated in use of force incidents.
- The Department does not have an effective tracking process to ensure its officers are current with their routine training. We reviewed the training files of 104 officers and found no documentation of pregnant inmate restraint training for 9 officers and staff. Additionally, six officers were issued TASERS, one officer fired a blank shotgun round, and two officers used a restraint chair with no evidence their training was up to date. NAC 289.230 prohibits officers from using weapons unless their training is current.
- We found 212 out of 744 (28%) weapons located in the armories at the institutions were unauthorized or obsolete. Additionally, 171 of these weapons were currently in use. An authorized weapons list is needed to ensure weapon reliability and quality, proper training, and for weapons tracking.
- The Department uses restraint chairs but has not adopted an administrative regulation governing their use. Additionally, administrative regulations have not been updated for recent Legislative changes related to certain law enforcement practices and peace officer drug testing.

- The Department spent \$192,000 on 71 body cameras, supporting hardware, and licensing fees but never implemented the program. An additional \$26,500 will be incurred annually for licensing fees unless the program is terminated.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION

EMPLOYMENT SECURITY DIVISION

The Employment Security Division (Division) did not effectively administer certain aspects of Nevada's state unemployment taxes (SUTA) from employers. Employer accounts with overpayments totaling over \$25 million are being treated inconsistently, with some overpayments rolling forward and others being removed from accounts after 3 years. Additionally, the Division could improve collection of past due SUTA from employers. We found Division collection activities were often untimely and monthly collection reports were incomplete, incorrect, or not used effectively. Furthermore, the Division does not always document collection activities completed on accounts and does not use the Debt Offset Program to assist in the collection of delinquent SUTA. With over \$26 million in outstanding SUTA as of November 2018, enhancements to the Division's collection process should be made.

- The Division's refund practices result in inequitable refund conditions for Nevada employers. The unemployment insurance claim filing system (UINV) expires some account overpayments after 3 years, consistent with statute and previous processes, while others roll forward each quarter. Active employer accounts are not subject to credit expiration and employers may be allowed to use or request a refund indefinitely, even though statute requires refunds be requested by employers no later than 3 years after the overpayment was made. The Division did not process overpayments in this manner until the UINV system was implemented. In October 2018, almost 17,000 employer accounts had over \$25 million in overpayments.
- The Division can improve the effectiveness of its operations and administrative controls over the collection of accounts receivable. Collection activities on delinquent SUTA employer accounts were not always performed, and sometimes the Division did not perform any collection activities when employers failed to pay taxes due. As of November 2018, there were over \$26 million in outstanding SUTA due from over 10,000 employer accounts.
- The Division has not established guidelines for the timing of collection activities, other than system generated employer billing statements. Standard collection activities include sending billing statements, conducting warning calls, issuing pre-demand and demand letters, entering into payment agreements, and generating judgements and notices to withhold. Inconsistent and inadequate collection processes lead to a wide variation between accounts as to when collection activities occur. Inconsistent collection activity persists because the Division has not determined which collection activities are most successful nor does it prioritize accounts based on payment history, industry, amount, age, or account type, to maximize limited resources.

- Reports used by the Division's collection unit are not always complete, which delays recoveries. System support staff were not aware of report deficiencies to correct the errors. Additionally, an accounts receivable aging report is not generated by the UINV system. If reports used by the Division are not accurate or reliable, employer accounts may not be detected, collection activities may not begin timely, and delinquent accounts may remain deficient indefinitely.
- Collection documents are not consistently scanned into UINV by the Division. UINV is the system of record and should be used to track completed collection activities. However, we found documents were often not in the system because policies and procedures have not been properly developed to ensure collections activities are completely documented.
- The Division is not using the statutorily authorized Debt Offset Program offered by the State Controller to assist in the collection of delinquent SUTA. Debts can be submitted to the Controller exclusively for the offset program. If the Division does not utilize all the collection tools available to it, the probability of collecting delinquent SUTA decreases.
- Employer accounts with returned billing statements that do not have forwarding addresses are not placed on account hold by the Division. The Division sends approximately 25,000 monthly statements to all employers with any non-zero balance on their account. Account holds suspend mail notifications including monthly statements. This would eliminate mailing of undeliverable statements and reduce some postage costs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF CHILD AND FAMILY SERVICES, ASSESSMENT AND SAFETY OF CHILD PLACEMENTS

While overall we found the Division of Child and Family Services (Division) generally complied with requirements associated with child placements, some improvements can be made. Health, safety, and regulatory standards were not always followed for some providers that care for children in state custody. Additionally, there was no evidence that some required background checks and provider assessments were completed, and some inspections and subsequent corrective action of foster homes were not adequately documented. We also found unlicensed homes are not subjected to the same standards of licensed foster homes, but additional measures can help ensure the welfare of children placed in these homes. Improved oversight of child placement providers will assist the Division in ensuring the safety and welfare of children in state custody.

Foster care payments were accurately and appropriately administered by the Division. We reviewed a representative sample of foster care and specialized payments and found payments were made to verified youth placements at licensed facilities. Additionally, specialized payments were supported by corresponding documentation in the Division's records. Accurate and justified foster care payments support the financial health of the Division, the State, and foster care providers.

- Child placement providers did not always comply with health, safety, and regulatory standards. Of 30 homes inspected, 10 or 33% of homes had health and/or safety deficiencies, and 79% of foster placements had at least 1 foster care regulatory violation.
- Four foster providers assessed did not comply with medication management requirements established in regulation. Foster care providers are required to maintain records detailing provided medication and the date and time administered. Homes evaluated included children on antipsychotic and anti-seizure medications.
- After conducting reviews of Division files for 11 unlicensed placements selected for inspection, we found the Division did not have evidence required background checks and home assessments were completed for some providers. There was no evidence of home inspection documentation for 27% and no evidence of background checks for 45% of unlicensed placement providers reviewed. In addition, some emergency placements lacked required Division safety assessments, including Emergency Placement Checklists (29%) and Confirming Safe Environment assessments (57%).
- We also found that the Division did not always complete home inspection documentation and ensure that all residents of foster homes received required health assessments. Fifty-eight percent (14 of 24) of foster home inspection documentation was incomplete, including 2 missing inspection checklists, 7 checklists with inspection criteria not completed, and 10 inspection checklists with missing or incomplete corrective action plans. Of the 24 foster homes, 5 homes (21%) did not have a tuberculosis test completed timely for all the adults in the home, and 1 foster home resident did not have any tuberculosis test on file.
- The Division has not established a written agreement with unlicensed providers who oversee children in state custody, and home inspection procedures for unlicensed providers are brief or poorly defined. Additionally, the Division does not provide documentation regarding expected home health and safety standards to unlicensed providers. The Division, children in state custody, and providers are at increased exposure to preventable risk due to inadequate oversight of unlicensed placements.
- Foster care payments were accurately and appropriately administered by the Division. We randomly selected 50 fiscal year 2021 foster care payments of 4,068 total claims and found payments were accurately calculated, payment records in Unified Nevada Information Technology for Youth agreed to the state accounting system, and special payments were supported by medical documentation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF CHILD AND FAMILY SERVICES, MANAGEMENT OF MALTREATMENT REPORTS AND CHILD HEALTH

The Division of Child and Family Services (Division) did not completely process certain maltreatment reports and was unaware that some reports lacked supervisory review. In addition, Division staff and management did not always employ adequate report recordkeeping practices and had the opportunity but did not complete necessary investigations in response to certain maltreatment reports. Furthermore, the Division does not assess comprehensive Medicaid claims of children in state custody to identify injuries or medical evaluations indicating potential abuse and neglect. Without effective management of maltreatment incidents and reports, children were exposed to increased risk of harm and neglect.

The Division was lacking in its monitoring of health care for children in state custody. For instance, the Division did not ensure children received required preventative health and dental care or that visits were properly documented in Unified Nevada Information Technology for Youth (UNITY). In addition, the Division's prescribed health care schedule for children in state custody was not updated to align with medical standards. When children do not receive required health care, they are at an increased risk of preventable illness. Maintaining complete records of health care for children in state custody facilitates continuity of care and supports the welfare of children.

- Division management was unaware that certain maltreatment reports lacked complete supervisory review and were not processed according to statute and policy. Of over 4,800 rural reports received in calendar year 2019, 107 indicated a lack of supervisory review, which means the report was not completely processed. Unprocessed reports included serious allegations such as physical abuse, parental drug abuse, domestic violence, and child self-harm. Out of the 107 reports, 35 reports identifying alleged victims, perpetrators, and/or maltreatment incidents did not receive complete or timely supervisory review until we notified the Division of the oversight. We assessed all 107 reports and identified 18 in which the welfare of the children was potentially at immediate risk. We promptly notified the Division of these 18 reports. The Division confirmed these reports had not received proper oversight and assessed the safety of the children involved.
- The case histories associated with 11 of 107 maltreatment reports showed that children were exposed to additional risk of abuse and neglect because of inadequate or untimely report processing by the Division. The Division also delayed reporting alleged crimes of sexual abuse against children to law enforcement.

- The Division did not have adequate recordkeeping and record retention practices for certain maltreatment reports. Of 133 reports, 11 reports had inadequate report documentation. Examples of inadequate report documentation included insufficient or inaccurate documentation of alleged incidents, alleged perpetrators, alleged victims, or Division actions in response to reports.
- Some reports were deleted from UNITY even though those contained important incident-related information regarding alleged victims or instances of abuse and neglect.
- The Division had the opportunity but did not complete necessary investigations in response to allegations of abuse and neglect for 7 of 133 reports we assessed that were received in 2019. Reports not investigated by the Division included allegations of neglect, child abuse, inadequate shelter, failure to protect, threatened violence against a child, potential self-harm, and domestic violence.
- The Division does not analyze Medicaid claims of children in state custody for injuries or medical assessments indicative of abuse and neglect. Both state and federal entities have evidenced the child welfare benefits of utilizing Medicaid claims to identify potential incidents of child abuse and neglect. The Division was not aware of this best practice.
- Many children in state custody in 2019 did not receive required preventative health and dental care. A total of 29% of children did not receive annual preventative health care and 28% did not receive any dental care.
- For 159 of 198 (80%) children in state custody for all of 2019, the Division did not maintain complete health records in UNITY. Division policies are inadequate to ensure all health care records are obtained and entered into UNITY.
- The Division did not update timely its preventative health care schedule in policy for children in state custody to align with American Academy of Pediatrics recommendations.

DEPARTMENT OF VETERANS SERVICES

The Department of Veterans Services (Department) can provide more assistance to Southern Nevada State Veterans Home (SNSVH) residents. Specifically, the home needs a formalized process for helping with timely enrollment into Medicaid. Untimely enrollment can result in less revenue for the Department and unnecessary debt for disadvantaged veterans. Additionally, a review of potential residents' financial capability prior to admission is needed to ensure residents are able to pay for their care at the home. Admitting residents without adequately considering how services will be reimbursed can affect home operations. Furthermore, the home's bed hold process could be more consistent to ensure a resident can return to his or her room upon return from a hospital visit. Ensuring a resident's space at the home is secure is important for facility compliance with federal regulations and residents' peace of mind.

- The Department does not have an established, formalized process for assisting residents with enrollment into Medicaid. As a result, some residents who could have been

- enrolled into Medicaid were not and applications for others were delayed. Since Medicaid covers a portion of the veterans' cost for room and board, untimely enrollment can result in less revenue for the Department and unnecessary debt for disadvantaged veterans.
- In certain instances, the home did not help residents maximize use of public assistance programs. Our testing also found some residents did not submit applications timely, resulting in delayed enrollment and unpaid room and board charges. For some residents, it took over 140 days to submit an application for Medicaid enrollment. Three residents who may have qualified for Medicaid at some point during their stay at the home were not enrolled into the program and had over \$81,000 remaining due upon discharge.
 - Adequate review of potential residents' financial capability is not occurring prior to SNSVH admission, which may lead to residents not being able to pay for their care at the home. Admission guidelines require a verified payment source from potential residents. Our review identified 7 of 26 residents did not have a comprehensive review prior to being admitted to the home. By performing financial reviews of potential residents, SNSVH can reduce potential hardships for residents unable to pay for their care by identifying available assistance programs. Our review of outstanding resident accounts as of June 2020 identified a balance of over \$83,000 in accounts that were 120 days past due for residents without evidence of a comprehensive financial review upon admission.
 - Policies, procedures, or guidelines are not available for financial reviewers to evaluate a potential resident's ability to pay for uninsured care at the home. Staff indicated guidelines for financial review did not exist. Even though staff obtained financial documentation, including bank statements and tax returns, an evaluation of the resident's ability to pay was not performed.
 - The Department's process for holding a resident's bed when they temporarily leave the home could be more consistent. When a resident is transferred out to a hospital, a bed hold form should be completed. We found bed hold forms are not always obtained timely for SNSVH resident transfers. We tested 24 of 152 residents who were transferred to a hospital in fiscal year 2020. We found 3 of the 24 residents did not receive a bed hold authorization form when transferred, and another 9 were untimely.

INFORMATION SECURITY AUDITS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIVISION OF HEALTH CARE FINANCING AND POLICY, INFORMATION SECURITY

The background investigation process at the Division of Health Care Financing and Policy (Division) can be strengthened. Specifically, non-Division state employees and Division IT contractors were given access to the Medicaid Management Information System (MMIS) without verifying or documenting a background check was completed. In addition, some fiscal agent employees' user accounts were enabled before the Division received background investigation information and authorized access. Finally, newly hired Division employees did not receive a preliminary background investigation or submit their background investigation packet before they were given access to MMIS. Background investigations help reduce the risk sensitive data will be accessed by disreputable individuals.

The Division does not actively manage MMIS user accounts. Specifically, the Division does not ensure MMIS access is still needed for non-Division state employees. In addition, the Division does not ensure that user accounts of former state employees and its fiscal agent are disabled timely. Finally, the Division does not ensure documentation used to authorize user MMIS access is complete or reviewed periodically. Accounts still valid after a user leaves an enterprise make it easier for an external or internal threat actor to gain unauthorized access to enterprise data using valid user credentials.

- The Division did not verify or document background investigations were performed for non-Division state employees and Division IT contractors that were granted access to MMIS. For 84 non-Division employees, the Division did not verify background checks were performed. In addition, we randomly selected 7 of the Division's 13 IT contractors for testing. For four of seven (57%) contractors tested, the Division had no record a background investigation was conducted.
- Fiscal agent staff were given MMIS access before proper authorization. We identified 2 of 10 (20%) fiscal agent user accounts that were enabled in the system prior to the background investigation process being initiated and authorized by the Division.
- For all newly hired Division employees in fiscal year 2021, access was granted to MMIS prior to completing a preliminary or fingerprint background investigation. A preliminary background investigation consists of a national records check that provides detailed background information based on someone's name and Social Security number and can be performed before a more thorough fingerprint background check.
- The Division does not have a process to actively manage non-Division state employee user accounts and ensure system access is still needed. For 11 of 79 (14%) non-Division state employee MMIS user accounts tested, the employee had never logged into MMIS since being given access. Three accounts have remained enabled for over 2 years without any login activity. In addition, nine other employees have not logged into MMIS since before June 2021. One employee has not logged into the system for

- over 2.5 years. Instead of actively managing user accounts, the Division relies on other state agencies and the fiscal agent to notify them when access is no longer needed.
- During our testing of user accounts, we identified four non-Division state employees that ended state employment before June 30, 2021, while their user accounts remained active for months after they terminated employment with the State. In addition to state employees, we tested accounts of all seven fiscal agent users who were identified as terminated. One account was disabled the same day of termination while six remained enabled for several days to several months.
 - The Division did not properly document system access authorization or documentation was inaccurate on the MMIS security access request forms. For 23 non-fiscal agent system access forms tested, we observed for some forms supervisor or information security officer approval was not documented, user roles were not documented, or approved user roles did not agree to user roles assigned in the system. In addition, the Division could not provide system access request forms for three users.
 - The Division's MMIS enhancement process is effective in ensuring changes to the system are prioritized and completed. A documented change management plan is utilized and monitored. In addition, the Division monitors hours charged to individual projects. Proper management of this process helps ensure changes to the MMIS meet the needs of stakeholders and align with available resources.

PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY – ADDENDUM (SERVERS, OPERATING SYSTEM AND DATABASE APPLICATION SOFTWARE)

An addendum to report LA20-13 was necessary because security vulnerabilities existed in certain information systems within the Public Employees' Benefits Program (PEBP). Providing details regarding those vulnerabilities, at the time we made the original report public, would have unnecessarily exposed those information security weaknesses. Since the agency has performed sufficient corrective actions, we are issuing this addendum as a supplement to our original report.

Many of the PEBP servers had critical security vulnerabilities due to outdated and unsupported software. PEBP did not ensure that operating systems and database application software were upgraded to supported versions in a timely manner. Knowing key dates in a software asset lifecycle plan ensures an organization makes informed decisions about when to upgrade or make other changes to its software. Without proper software upgrade planning, PEBP compromises security, performance, and overall efficiency.

Controls over virus protection for PEBP's servers were deficient. The server, which automates antivirus deployment, was not updating 9 of the 22 Windows servers. Four did not have the antivirus client software installed and five did not have current antivirus updates. In addition, the system administrator was not routinely verifying antivirus updates were successfully installed and did not have documentation of procedures for administering the server. State security standards state each agency shall update virus protection software and definition files as new releases and updates become available.

Some of the agency's Linux servers were not adequately maintained. Of the nine Linux servers at PEBP, we determined only three were running a current distribution of Linux. However, the system administrator could not identify the distribution or version of the remaining Linux servers. Through discussions with staff as well as our observations, we determined the system administrator had not maintained adequate password documentation nor sufficient server documentation to ensure server maintenance was occurring.

REVIEWS REQUIRED BY NEVADA REVISED STATUTES

NRS 218G.570 – 218G.585

GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN – INSPECTIONS, DECEMBER 2020

In 12 of 15 children's facilities inspected, we did not note anything that caused us to question the health, safety, welfare, or protection of the rights of the children. However, at two of the facilities, Kiddos Nevada and 3 Angels Care, we observed conditions that caused us to question whether the facilities adequately protected the health, safety, and welfare of the children in their care. Based on our observations, we contacted the facilities' licensing agency. The licensing agency initiated corrective action, resulting in management at one facility closing its home. At the remaining facility, Specialized Alternatives for Families and Youth of Nevada, Inc., we observed conditions that caused us to question the safety and welfare of the children in its care. The licensing agency initiated corrective action, after we communicated our concerns to them.

Kiddos Nevada

- We noted health, safety, and welfare issues. For example, health issues observed included incomplete medication records and required documentation was missing. Safety issues observed included unsecured laundry detergent pods in a child's bedroom. Welfare issues observed included: the children's bathroom was filthy including the sink and floors; children's bedrooms contained beds without sheets or a bedframe, and there were piles of children's clothing on the floors, behind doors, and in bins; one child's bedroom smelled of human waste; and there was a pile of children's clothing on the garage floor.
- Facility management did not meet minimum foster care standards outlined in the Nevada Administrative Code (NAC) including: reasonable housekeeping standards; clean living spaces, bedrooms, and bathrooms which are free of trash and safety hazards; beds with sheets and bedframes; maintenance of medical records; and securing of laundry products. Facility management voluntarily closed the home after considering its licensing agency's quality of care concerns and our visit.

3 Angels Care

- At one of two 3 Angels Care foster homes, we noted health, safety, and welfare issues. For example, health issues observed included unsecured medication, incomplete medication documentation, and inaccessible records. Safety issues observed included an unsecured canister of Lysol spray, air freshener, a pair of scissors in a child's

bedroom, and unsecured tools outside the home. Welfare issues observed included filth and piles of clothing throughout the home, so it was difficult to decipher clean from dirty laundry. In addition, the children's bedrooms had clothing on the floor, in laundry baskets, and bins alongside trash. Also, the children's bathroom was dirty, there was no towel rack, the trash can was overflowing, and there were clothes and toilet paper behind the door. Further, the kitchen floor was sticky.

- Management did not ensure its foster parents met minimum foster care standards outlined in NAC, including: reasonable housekeeping standards and separating clean and dirty clothing; clean living spaces, bedrooms, and bathrooms which are free from trash and safety hazards; maintenance of medical records and securing of medication; and securing cleaning products, tools, and equipment.

Specialized Alternatives for Families and Youth of Nevada, Inc.

- At one of three foster homes observed, we noted safety and welfare issues. For example, safety issues observed included unsecure laundry detergent. Welfare issues observed included: the hallway between the children's bedrooms had toys and litter; the children's bathroom had clothes, a towel, and trash on the floor; and the kitchen had dishes covering the entire countertop and dirty cookware on the stove.
- Management did not ensure its foster parents met minimum foster care standards outlined in NAC, including: reasonable housekeeping standards; clean living spaces, bedrooms, and bathrooms; or securing of laundry products.

GOVERNMENTAL AND PRIVATE FACILITIES FOR CHILDREN - SURVEYS, OBSERVATIONS, AND INSPECTIONS, DECEMBER 2021

In 15 of the 20 children's facilities surveyed, observed, and inspected, we did not note anything 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 observed conditions 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.

P6 Family Services, LLC

- We noted health, safety, and welfare issues at two foster homes operated by P6 Family Services, LLC. Health issues included unsecured, incomplete, and inaccurate medication records. Safety issues included unsecured cleaning chemicals and fire escape routes were not posted. Welfare issues included: human feces in a child's bedding and on bedroom walls; mold in a children's bathroom; carpets were heavily stained; walls, baseboards, and children's bedrooms were in need of deep cleaning; and an occupied child's bedroom did not contain a bed. After our visit, Washoe County Human Services Agency closed one of P6's two homes.

Tahoe House Family Services

- We noted health, safety, and welfare issues at the Tahoe House Family Services' home. Health issues included incomplete and inaccurate medication records, and required medical documentation was missing. Safety issues included: unsecured tools and chemicals; fire escape routes were not posted; and an employee's file lacked required records. Welfare issues included a child's file did not contain evidence to support whether treatment services were provided, and a bed did not have clean sheets or coverings. Other issues included no evidence to support whether significant events, including alcohol consumed by a child in the home, were communicated to the facility's licensing agency; and policies and procedures were weak and not consistent with management's understanding. After our visit, the Division of Child and Family Services revoked the license it issued to facility management.

3 Angels Care

- We noted health, safety, and welfare issues at three foster homes operated by 3 Angels Care. Health issues included unsecured and incomplete medication records, and two unsecured prescription pills on the carpet of a child's bedroom. Safety issues included unsecured tools and laundry supplies. Welfare issues included: worn and stained carpets; children's bathrooms were dirty; and children's bedrooms contained partially eaten food, garbage, pillows without pillowcases, and disorganized piles of clothing. After our visit, the agency's licensing agency issued a corrective action plan to one of three homes observed.

Eagle Quest

- At three of four Eagle Quest homes, we noted health, safety, and welfare issues. Health issues included incomplete medication records. Safety issues included unsecured tools, cleaning chemicals, and alcohol. Welfare issues included: unsecured and incomplete records; walls, baseboards, and children's bathrooms in need of cleaning; worn carpets; and doors and cabinets in need of repair and replacement. After our visit, the agency's licensing agency and facility management confirmed our concerns were addressed immediately.

180 Community Wellness Centers, LLC

- We noted health, safety, and welfare issues at one home operated by 180 Community Wellness Centers, LLC. Health issues included: unsecured and incomplete medication records, unsecured medication, and incomplete medication policies. Safety issues included unsecured tools and cleaning chemicals. Welfare issues included the children's bathroom was dirty and in need of deep cleaning. After our visit, the agency's licensing agency confirmed our concerns were addressed.

Conclusion:

- Facility and agency management at all five facilities listed above did not ensure their foster parents met one or more of the following minimum foster care standards outlined in Nevada Administrative Code 424: reasonable housekeeping standards; clean living spaces, bedrooms, and bathrooms free from trash and hazards; maintaining medical records, treatment planning, and personnel records; securing medications, medical records, tools, chemicals, laundry products, and alcohol; providing beds, sheets, and coverings; plans for responding to disasters and other emergencies; maintaining laundry equipment; care and treatment of children; notifying and reporting to the licensing agency; and reviewing and updating policies and procedures.

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, 2021, and June 30, 2022. Money count reports are filed with the Secretary of State and presented to the Audit Subcommittee. The 2022 money count report is anticipated to be filed with the Secretary of State in early 2023.

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, 2021, and December 31, 2022, are:

DEPARTMENT OF BUSINESS AND INDUSTRY, DIVISION OF INSURANCE

DEPARTMENT OF BUSINESS AND INDUSTRY, OFFICE OF THE NEVADA ATTORNEY FOR INJURED WORKERS

DEPARTMENT OF CORRECTIONS, USE OF FORCE

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION, EMPLOYMENT SECURITY DIVISION

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DELIVERY OF TREATMENT SERVICES FOR CHILDREN WITH AUTISM

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF CHILD AND FAMILY SERVICES, ASSESSMENT AND SAFETY OF CHILD PLACEMENTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF CHILD AND FAMILY SERVICES, MANAGEMENT OF MALTREATMENT REPORTS AND CHILD HEALTH

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF HEALTH CARE FINANCING AND POLICY, INFORMATION SECURITY

DEPARTMENT OF VETERANS SERVICES

NEVADA STATE BOARD OF MEDICAL EXAMINERS

PUBLIC EMPLOYEES' BENEFITS PROGRAM, INFORMATION SECURITY — ADDENDUM (SERVERS, OPERATING SYSTEM AND DATABASE APPLICATION SOFTWARE)

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, the Legislature, in 1981, 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, 2021, federal financial assistance expenditures totaled about \$13.98 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
Aging and Disability Services Division	1	0	0%
Department of Education	6	0	0%
Department of Employment, Training and Rehabilitation	6	1	17%
Division of Child and Family Services	2	1	50%
Division of Emergency Management	1	0	0%
Division of Health Care Financing and Policy	4	2	50%
Division of Public and Behavioral Health	5	1	20%
Division of Welfare and Supportive Services	9	4	44%
Housing Division	7	0	0%
Office of the Governor, Office of Finance	2	0	0%
State Department of Agriculture	4	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

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.

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 2021. We are pleased to report the office received a pass rating 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

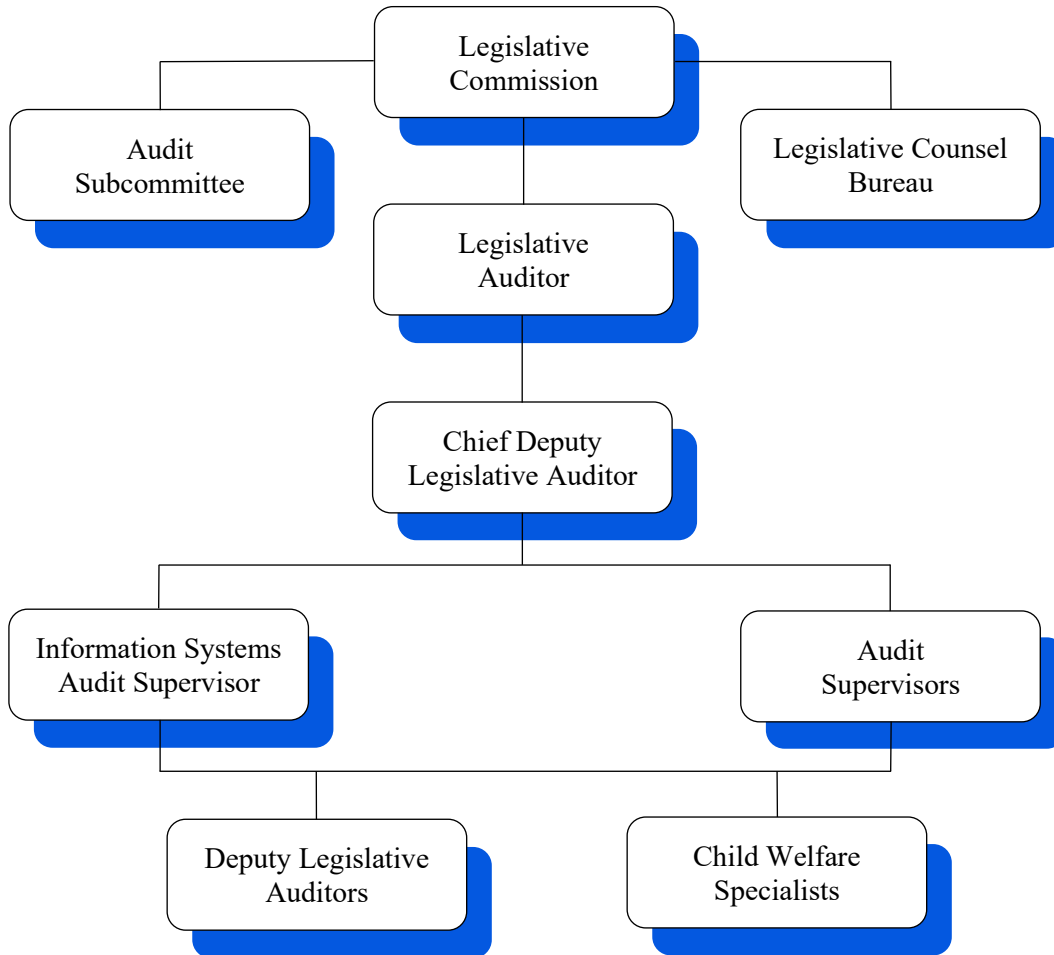
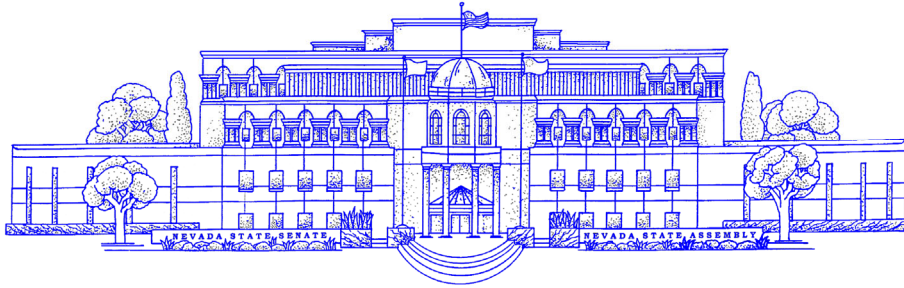
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APPENDIX A

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)

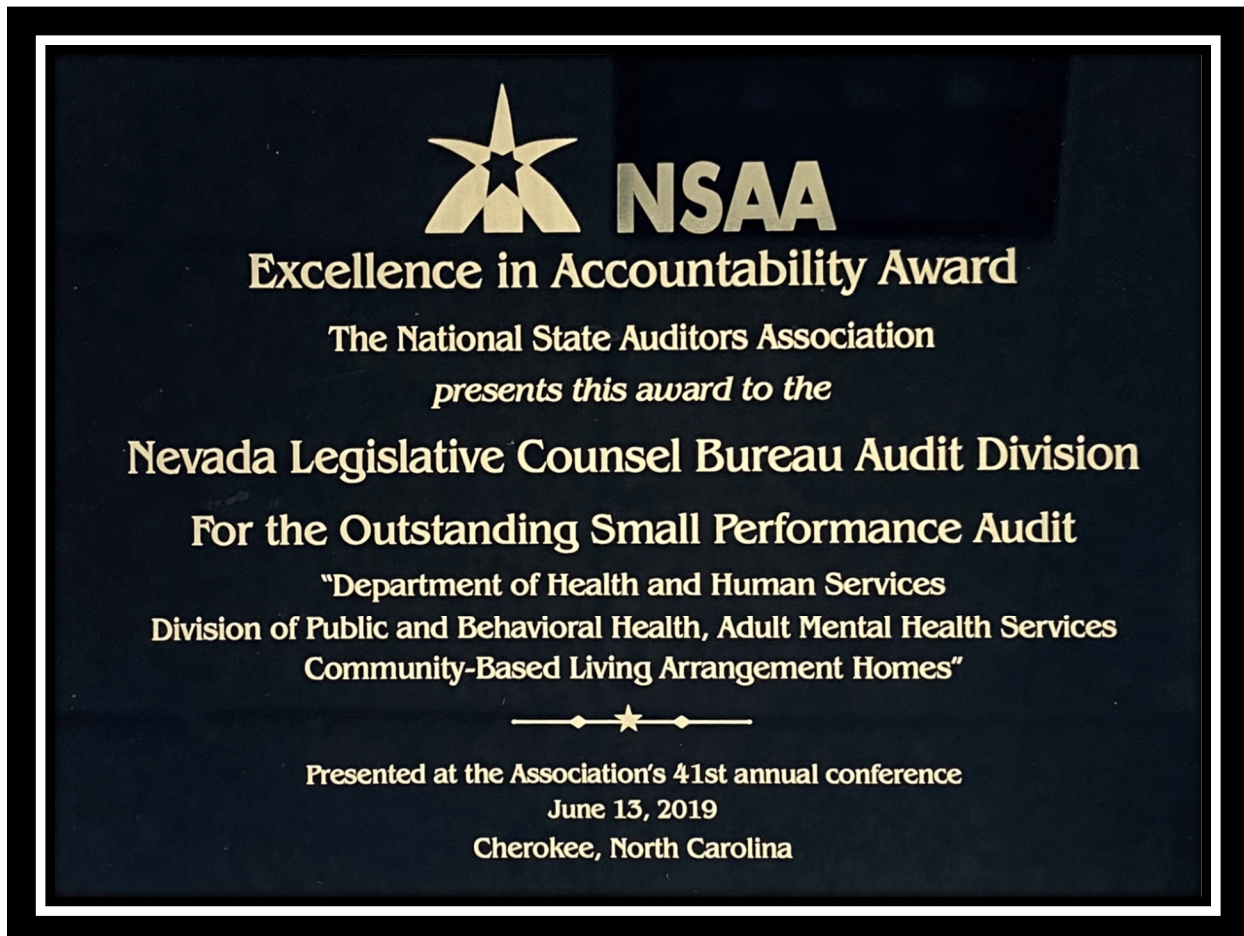
AUDIT DIVISION STAFF

DANIEL L. CROSSMAN, CPA	LEGISLATIVE AUDITOR
SHANNON RIEDEL, CPA	CHIEF DEPUTY LEGISLATIVE AUDITOR
EUGENE ALLARA, CPA	AUDIT SUPERVISOR
TAMMY A. GOETZE, CPA	AUDIT SUPERVISOR
JENNIFER M. OTTO, MPA	AUDIT SUPERVISOR
TODD C. PETERSON, MPA	AUDIT SUPERVISOR
SHIRLEE EITEL-BINGHAM, CISA	INFORMATION SECURITY AUDIT SUPERVISOR
CHRISTOPHER GRAY, MPA	DEPUTY LEGISLATIVE AUDITOR, INFORMATION SECURITY
ADAM PROHOROFF, CIA, CISA, CPA	DEPUTY LEGISLATIVE AUDITOR, INFORMATION SECURITY
AMANDA BARLOW, MPA	DEPUTY LEGISLATIVE AUDITOR
MARIA BEVERS, MBA	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, MS, CCM	DEPUTY LEGISLATIVE AUDITOR
ZACKARY FOURGIS, MBA	DEPUTY LEGISLATIVE AUDITOR
BAILIE HALL, BS	DEPUTY LEGISLATIVE AUDITOR
LAURA HARWOOD, MBA	DEPUTY LEGISLATIVE AUDITOR
SCOTT JONES, CIA, PhD	DEPUTY LEGISLATIVE AUDITOR
MICHELLE KIEHNE, MBA	DEPUTY LEGISLATIVE AUDITOR
LORI KROBOTH, MBA	DEPUTY LEGISLATIVE AUDITOR
DAMEON A. MEEKS, MBA, CCM	DEPUTY LEGISLATIVE AUDITOR
KAREN MORENO, MBA	DEPUTY LEGISLATIVE AUDITOR
JAMES T. THORNE, MPA, CCM	DEPUTY LEGISLATIVE AUDITOR
HAILEY CORNELIA, MSW	CHILD WELFARE SPECIALIST
MONICA CYPHER, LSW	CHILD WELFARE SPECIALIST
DEBORAH ANDERSON, BS	AUDIT SECRETARY

APPENDIX A

AUDIT DIVISION (CONTINUED)

EXCELLENCE IN ACCOUNTABILITY AWARD



APPENDIX B

SCHEDULE OF REPORTS RELEASED 2021–2022

NUMBER	REPORT
20-13A	Public Employees' Benefits Program, Information Security — Addendum (Servers, Operating System and Database Application Software)
22-01	Department of Business and Industry, Office of the Nevada Attorney for Injured Workers
22-02	Report on Count of Money in the State Treasury, June 30, 2020
22-03	Governmental and Private Facilities for Children — Inspections, December 2020
22-04	Department of Health and Human Services, Delivery of Treatment Services for Children With Autism
22-05	Department of Employment, Training and Rehabilitation, Employment Security Division
22-06	Department of Business and Industry, Division of Insurance
22-07	Department of Veterans Services
22-08	Department of Health and Human Services, Division of Child and Family Services, Management of Maltreatment Reports and Child Health
22-09	Report on Count of Money in the State Treasury, June 30, 2021
22-10	Governmental and Private Facilities for Children - Surveys, Observations, and Inspections, December 2021
22-11	Department of Corrections, Use of Force
22-12	Department of Health and Human Services, Division of Health Care Financing and Policy, Information Security
22-13	Nevada State Board of Medical Examiners
22-14	Department of Health and Human Services, Division of Child and Family Services, Assessment and Safety of Child Placements

APPENDIX C

2022–2024 BASIC 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
GRANT SAWYER STATE OFFICE BUILDING
555 E. WASHINGTON AVENUE, SUITE 4400
LAS VEGAS, NEVADA 89101
(702) 486-2800

September 27, 2022

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 2023 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, program, 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,

Daniel L. Crossman, CPA
Legislative Auditor

DC:da
Enclosures

APPENDIX C

2022–2024 BASIC AUDIT PROGRAM (CONTINUED)

**Legislative Counsel Bureau
Audit Division
Audits in Progress
As of September 27, 2022**

Schedule 1

- Department of Administration
 - Enterprise Information Technology Services
 - State Public Works Division
- Colorado River Commission of Nevada
- Department of Employment, Training and Rehabilitation, Rehabilitation Division
- Office of the Governor, Office of Economic Development
- Department of Health and Human Services, Division of Health Care Financing and Policy
- Department of Motor Vehicles
- Nevada System of Higher Education (Assembly Bill 416, 2021 Legislative Session)
- Public Utilities Commission of Nevada

APPENDIX C

2022–2024 BASIC AUDIT PROGRAM (CONTINUED)

**Legislative Counsel Bureau
Audit Division
Proposed Audits
September 2022 Through December 2024**

Schedule 2

- Multi-Agency Audits (*Individual agencies to be determined through a risk assessment process for each.*)
 - Information Security
 - Opioid Crisis Response
 - Work from Home / Telework Practices
- Office of the Attorney General
- Department of Administration
 - Purchasing Division
 - Division of Human Resource Management
 - Mail Services Division
- Department of Business and Industry
 - Office of Labor Commissioner
 - Taxicab Authority
- Department of Education
- Department of Employment, Training and Rehabilitation, Employment Security Division
- Department of Health and Human Services
 - Division of Health Care Financing and Policy
 - Division of Public and Behavioral Health
- Department of Indigent Defense Services
- Public Employees' Retirement System
- Department of Public Safety, Division of Parole and Probation
- Silver State Health Insurance Exchange
- Office of the State Controller
- Department of Taxation
- Department of Tourism and Cultural Affairs, Division of Tourism
- Department of Transportation
- Department of Wildlife

APPENDIX D

EXTERNAL QUALITY CONTROL REVIEW



Headquarters Office
449 Lewis Hargett Circle, Suite 290
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www.nasact.org

Washington Office
The Hall of the States
444 N. Capitol Street, NW, Suite 422
Washington, DC 20001
P (202) 624-5451, F (202) 624-5473

PEER REVIEW REPORT

October 1, 2021

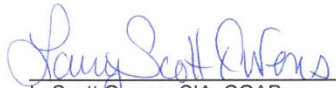
Mr. Daniel L. Crossman, CPA
Legislative Auditor
State of Nevada
401 S. Carson Street
Carson City, NV 89701


We have reviewed the system of quality control of State of Nevada's Legislative Counsel Bureau-Audit Division (the office) in effect for the period January 1, 2020 through June 30, 2021. A system of quality control encompasses the office'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 office. Our responsibility is to express an opinion on the design of the system and the office'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 office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office'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 State of Nevada's Legislative Counsel Bureau-Audit Division in effect for the period January 1, 2020 through June 30, 2021 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 State of Nevada Legislative Counsel Bureau Audit Division has received a peer review rating of *pass*.**


L. Scott Owens, CIA, CGAP
Concurring Reviewer
External Peer Review Team
National State Auditors Association


Richard Q. Cummings, CFE
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.
- 218H.400 Reports by registrant; audit or investigation.

APPENDIX E**STATUTORY CITATIONS – LEGISLATIVE AUDITOR** (CONTINUED)NRS

- 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.
- 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.

APPENDIX E

STATUTORY CITATIONS – LEGISLATIVE AUDITOR (CONTINUED)

NRS

- 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.
- 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)