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We have completed an audit of the Manufactured Housing Division. This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the Division's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Manufactured Housing Division for their assistance during the audit.

Respectfully presented,

Paul V. Townsend, CPA
Legislative Auditor

April 7, 2003
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
MANUFACTURED HOUSING DIVISION

AUDIT REPORT

Table of Contents

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY MANUFACTURED HOUSING DIVISION

Background

The Manufactured Housing Division of the Department of Business and Industry was created in 1979. The Division is primarily responsible for administering and enforcing manufactured housing laws and regulations. In addition, the Division provides lot rent subsidies to low-income owners of manufactured homes; investigates and resolves landlord, tenant, and consumer complaints; makes court-ordered payments to consumers who have won judgments against licensees; and provides training to licensees. The Division administers four budget accounts in two funds and is supported by fees. The Division had revenues of $1.6 million and expenditures of $1.8 million in fiscal year 2002.

Purpose

The purpose of this audit was to evaluate the Division's financial and administrative practices, including whether activities were carried out in accordance with applicable laws and policies. Our audit included a review of the Division's financial and administrative activities for the fiscal year ended June 30, 2002.

Results in Brief

The Division needs to improve its financial and administrative practices to ensure it maintains adequate reserves in its four budget accounts. Reserves in two of the Division's four budget accounts were at critically low levels at the end of fiscal year 2002. This occurred because the Division's growth in expenditures outpaced its growth of revenues. Furthermore, not all costs were appropriately allocated between the Division's four budget accounts. Low reserves increase the risk that the Division will not have the money to provide services, such as provision of lot rent subsidies, to all qualified persons.

Principal Findings

- The Division has not developed an adequate method for allocating costs between budget accounts. Even though some costs are allocated, the Division has not ensured that programs funded by specific sources are not subsidizing other programs funded by different sources. Because costs are not accurately allocated between the Division's four budget accounts, financial information that should be used to analyze fee levels is not accurate. (page 8)

- The Division's expenditures have increased at a faster rate than its revenues over the past 10 years, leaving its reserve balances critically low in two of its four budget accounts. Revenues for all the Division's budget accounts increased almost 8% from fiscal year 1998 through 2002; expenditures increased almost 27% during the same period. The Division should ensure timely action is taken to allow it to pay its bills and avoid making extreme cuts in services when reserves become depleted. (page 9)

- The Division has not developed a methodology for evaluating and adjusting its fees and expenditures. Even though reserves began declining in fiscal year 1999, the Division did not increase fees until October 2001. In the 3 years from fiscal year 1999 through 2001, the reserve in the Division's main operating account decreased by more than 80%. The Division has not established procedures to periodically evaluate its fee levels to determine if changes are necessary. In addition, no management reports are prepared to provide Division management with analyses regarding the status of the rates of growth of revenues and expenditures. (page 9)

- The Division has not established a methodology for determining appropriate fee levels for services. Therefore, it has no assurance that fees cover the cost of providing a particular service or group of services. For example, we estimated that titling services revenue was $61,000 less than the cost of providing the services during fiscal year 2002. (page 10)

- The Division has not followed regulations for the lot rent subsidy program. Under this program, each approved applicant should receive an equal percentage of his base rent up to $100 per month. The Division determined there would not be sufficient funds in the account to pay each approved applicant a subsidy during fiscal year 2002. However, instead of reducing the amount of assistance distributed to each approved applicant, the Division put newly approved applicants on a waiting list. During fiscal year 2002, approximately 375 applicants received payments totaling over $370,000. However, there were 49 approved applicants on a waiting list in January 2002, who were not receiving payments. (page 11)

- The Division did not set aside funds for education purposes as required by state law. NRS 489.4971 requires any balance in the Account for Education and Recovery Relating to Manufactured Housing over $500,000 at the end of a fiscal year be set aside and used for education relating to manufactured homes, mobile homes, travel trailers, or commercial coaches. Division management told us the Division does not track unspent funds for future training use. Furthermore, the Division reduced the number of training courses provided during fiscal year 2002 because of concern over the decline in the budget account's reserve balance. (page 12)

- The Division has not established an effective system of internal control as required by NRS 353A. The Division does not have written procedures for functions such as purchasing, inventory, approving overtime, and contracting. As a result, the Division had problems in these areas. For example, the Division did not comply with certain personnel laws and regulations, contractors were allowed to work under contracts that expired up to 8 years earlier, and duties were poorly segregated. (page 13)

Recommendations

This report contains six recommendations to improve the Division's financial and administrative practices. Specifically, the Division should develop policies and procedures for allocating costs between programs, analyzing and tracking program expenditures and revenues, and setting fees. In addition, the Division should ensure state laws and regulations are followed, and appropriate internal control systems are established. (page 26)

Agency Response

This agency, in its response to our report, accepted all six recommendations. (page 24)

Introduction

Background

The Manufactured Housing Division of the Department of Business and Industry was created in 1979. The Division is primarily responsible for administering and enforcing manufactured housing laws and regulations. The Division is supported by fees and is authorized by statute to charge fees for services such as titling, licensing, and inspecting. These fees are set in the Nevada Administrative Code. The Division's duties include:

- Inspecting manufactured and mobile home installations.
- Issuing mobile home Certificates of Ownership.
- Approving plans for modular housing and mobile home park construction.
- Licensing manufacturers, dealers, salesmen, installers, and servicemen of manufactured housing.

In addition to these duties, the Division administers the Fund for Low-Income Owners of Manufactured Homes. Qualified tenants of mobile home parks may receive a percentage of their lot rent, up to $100 per month. The subsidies are paid directly to the mobile home parks. Funding for this program comes from a mobile home park fee of $12 per space per year paid by the mobile home parks. This fee is set by statute.

The Division also investigates and resolves disputes between landlords and tenants. The Division's Account for Regulating Manufactured Home Parks supports these activities. The account is maintained by an annual fee assessed on each mobile home lot within a park. NRS 118B.185 limits this fee to $5 per lot per year.

The Division also administers the Account for Education and Recovery Relating to Manufactured Housing. Court-ordered payments to consumers who have won judgments against licensees are paid from this account. The Division also uses the account to provide training for licensees. Funding comes from a surcharge established in statute on certain licenses.

During fiscal year 2002, the Division had 22 authorized positions, 20 of which were filled. Division employees were located in Carson City, Elko, and Las Vegas. At the beginning of fiscal year 2003, the Division closed its Elko office and reduced the number of employees to 17.

The Division's four budget accounts had revenue of $1.6 million in fiscal year 2002. During that year, the Division's expenditures totaled $1.8 million. Exhibit 1 shows the Division's revenues, expenditures, and account balances for its four budget accounts during fiscal year 2002. Appendix C provides additional information on these four budget accounts.

Exhibit 1

Revenues, Expenditures, and Account Balances
Fiscal Year 2002

Fund and Budget Account	Beginning Balance	Revenues	Expenditures	Ending Balance
Manufactured Housing Fund				
Manufactured Housing	$ 97,161	$ 979,572	$1,072,416	$ 4,317
Regulation of Manufactured Home Parks	122,997	161,708	88,097	196,608
Education and Recovery	593,214	94,400	197,044	490,570
Fund for Low-Income Owners of Manufactured Homes				
Lot Rent Subsidy	124,233	390,680	485,864	29,049
Total - All Funds and Budget Accounts	$937,605	$1,626,360	$1,843,421	$720,544

Source: State accounting system

Scope and Objective

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission and was made pursuant to the provisions of NRS 218.737 to 218.893. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included a review of the Division's financial and administrative activities for the fiscal year ended June 30, 2002. The objective of our audit was to evaluate the Division's financial and administrative practices, including whether activities were carried out in accordance with applicable laws and policies.

Findings and Recommendations

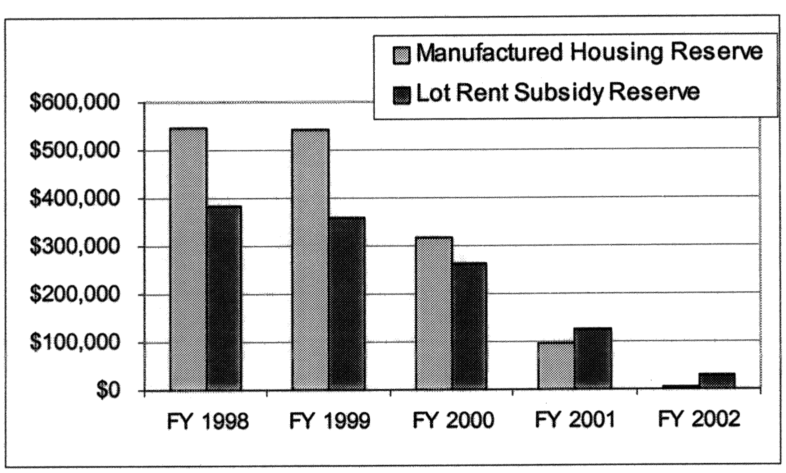
The Division needs to improve its financial and administrative practices to ensure it maintains adequate reserves in its four budget accounts. Reserves in two of the Division's four budget accounts were at critically low levels at the end of fiscal year 2002. This occurred because the Division's growth in expenditures outpaced its growth of revenues. Furthermore, not all costs were appropriately allocated between the Division's four budget accounts. Low reserves increase the risk that the Division will not have the money to provide services, such as provision of lot rent subsidies, to all qualified persons.

Division's Financial Reserves Have Declined

The Division did not ensure that its costs were in line with expected revenues during fiscal year 2002. This resulted in depleting reserves in two of the Division's budget accounts. These two budget accounts were the Manufactured Housing Account and the Lot Rent Subsidy Account. Exhibit 2 shows the Division's reserves at the end of the past 5 fiscal years for the Manufactured Housing and Lot Rent Subsidy Accounts.

Exhibit 2

Reserve Balances at Fiscal Year End
Manufactured Housing and Lot Rent Subsidy Accounts
Fiscal Years 1998-2002



Source: State Accounting System

The Division's problems matching revenues with expenses were caused, in part, by not properly allocating some costs between the Division's budget accounts. Therefore, budget accounts did not accurately reflect the Division's cost of administering some programs, increasing the difficulty of matching program costs with revenues. Inaccurate cost allocations also resulted in increased reserves in some budget accounts and reduced reserves in other budget accounts.

In addition, from fiscal year 1998 to 2002, the Division's total revenues increased by about 8%. During the same time period, the Division's total expenditures increased by nearly 27%.

Costs Not Properly Allocated Between Budget Accounts

The Division has not developed an adequate method for allocating its costs among its four budget accounts. Payroll, operating, information services, and other costs are split among these budget accounts. Even though some costs are allocated, some programs funded by specific sources are subsidizing other programs funded by different sources.

We estimated the amounts not correctly allocated between the Division's four budget accounts in fiscal year 2002. These estimates ranged from costs being overstated by more than $20,000, to costs that were understated by more than $18,000. Misallocated costs included indirect and administrative costs, such as cost recoveries and web site charges. They also included personnel costs associated with employees who spent time working on more than one program.

Because costs are not accurately allocated between the four budget accounts, financial information that should be used to analyze fee levels is not accurate. In addition, financial information presented in the Division's financial reports for individual budget accounts and funds will not be accurate. The following examples illustrate some of the problems we found.

- Two staff positions and related overhead expenses were paid from the lot rent subsidy budget account. One of the two staff spent about 25% of her time on the general administration of the Division. However, the Division did not allocate expenses associated with administration to the appropriate budget account.
- Web site expenses totaling over $8,100 for fiscal year 2002 were charged entirely to the Education and Recovery Account. The Division's web site includes information

on all Division programs. In addition, most activity on the site was attributed to titles and licenses. Title and license fees and related expenses are accounted for in the Division's Manufactured Housing Account.

- State cost recovery expenses totaling $55,797 in fiscal year 2002 were allocated between just two of the Division's four budget accounts. State Purchasing and Business and Industry assessments were allocated between all four budget accounts.

As of July 5, 2002, there was a negative fiscal year 2002 balance of almost $7,600 in the Division's main budget account. To correct this deficit, the Division transferred a portion of one employee's personnel costs to a different budget account, reflecting that a portion of his work was related to the Manufactured Home Parks Account. While this transfer was warranted, it is important that the Division properly allocate costs for all employees throughout the year. These allocations should be based on an established methodology and an analysis of employees' duties and responsibilities. In addition, allocations should be applied consistently and routinely to all budget accounts.

Expenditures Outpaced Revenues

The Division's expenditures have increased at a faster rate than its revenues over the past 10 years, leaving its reserve balances critically low in two of its four budget accounts. A third budget account had significantly lower reserves than just 4 years ago. (See Appendix C.) Although revenue has increased in recent years, the increases have not been enough to match the Division's expenditures.

Some of the factors that have contributed to this situation include:

- Not establishing methodologies for evaluating and adjusting fees.
- Not reducing expenditures and service levels timely to match revenues and demand for services.

The Division should ensure timely action is taken in order to allow it to pay its bills and avoid making extreme cuts in services when reserves become depleted.

Changes in Fee And Expenditure Levels Not Timely

The Division has not evaluated and adjusted its fees and expenditures in a timely manner. Our 1994 report recommended the Division determine if fees were appropriate because of falling reserve balances. The Division increased its fees in 1995, and its reserves increased through fiscal year 1998. Even though reserves began declining again in fiscal year 1999, the Division did not increase fees again until October 2001. In just 3 years, from fiscal year 1999 to 2001, the reserve in the Division's main operating account decreased by more than 80%. Even with the fee increase in 2001, the Division's reserve continued to decline. At the beginning of fiscal year 2003, the Division closed its Elko office and reduced its number of employees by three.

The Division has not established procedures to periodically evaluate its fee levels to determine if changes are necessary. In addition, no management reports are prepared to provide Division management with analyses regarding the status of the rates of growth of revenues and expenditures for its budget accounts. These analyses can provide management with information on the ratio of administrative costs to program costs and the efficiency of the Division's services.

Since Division fees are established either by statute or regulation, fees cannot be adjusted quickly. Therefore, Division management needs timely information to determine if fees need to be changed in order to maintain appropriate levels of service.

<u>No Established Methodology to Determine Appropriate Fee Levels</u>

The Division has not established a methodology for determining appropriate fee levels for services. Therefore, it has no assurance that fees cover the cost of providing a particular service or group of services. For example, estimated fiscal year 2002 expenses for payroll, overhead, and administration for title services were $402,000. During the same period, title fees and other related revenue were about $341,000, leaving an estimated shortfall for titling services of $61,000.

In the absence of appropriate management information on program and overhead costs, the Division was not able to base its 1995 and 2001 fee increases on an evaluation of program costs. Instead, the Division multiplied its activity measures, such as number of titles, inspections, and licenses, by increased fee amounts to estimate whether the increased fees would cover estimated expenditures. Division management explained that the increased fees were established after considering industry projections and other states' fee levels. However, this approach does not ensure fees cover the costs of providing services.

Recommendations

1. Develop policies and procedures to appropriately allocate costs between programs and budget accounts.
2. Develop procedures to periodically analyze and track program expenditures and revenues to identify potential funding shortfalls or surpluses.
3. Establish a methodology for determining appropriate fee levels for services based on expected activity levels and cost of each service or group of services.

Laws and Regulations Not Followed

The Division did not always perform its financial and administrative practices in accordance with applicable laws and policies. For example, it did not comply with a regulation governing distribution of lot rent subsidies when funding is insufficient. In addition, the Division did not comply with a statutory requirement to set aside funds for education in the education and recovery budget.

Lot Rent Subsidy Program Requirements Not Followed

The Division has not followed regulations relating to the Fund for Low-Income Owners of Manufactured Homes. The Division did not reduce the amount of assistance distributed to each approved applicant during fiscal year 2002 so that each approved applicant received an equal percentage of his base rent. Under this program, qualified tenants of mobile home parks should receive a percentage of their lot rent, up to $100 per month. This program is funded by a fee of $12 per space per year, paid by the mobile home parks.

State law allows the Division the flexibility of choosing how it will handle a shortfall in the Fund. NRS 118B.217(2) states that, "If the division determines that the amount of money in the fund is not sufficient to provide assistance to each person … the division shall determine which of those eligible persons will receive assistance from the fund." In 1995, the Division clarified its determination in NAC 118B, which states:

> If the money in the trust fund is not sufficient to make all of the monthly deposits of assistance which have been approved by the administrator,

> the administrator will reduce the amount of assistance distributed to each approved applicant so that each approved applicant will receive an equal percentage of his base rent, not to exceed $100 per month, and make those deposits in the bank accounts of the mobile home parks where the applicants reside.

During fiscal year 2002, the Division determined there would not be sufficient funds to pay a subsidy to each approved applicant at the percentage of base rent being used to calculate the payments. However, instead of reducing the amount of assistance distributed to each approved applicant as required by NAC 118B, the Division put newly approved applicants on a waiting list. The Division continued to pay subsidies to those who were receiving subsidies at the beginning of the year. However, approved applicants on the waiting list received no subsidy payments during the fiscal year.

While the Division's practice in fiscal year 2002 was consistent with state law, it was not consistent with regulation. During fiscal year 2002, approximately 375 applicants received payments totaling over $370,000. However, there were 49 approved applicants on a waiting list in January 2002, who were not receiving payments.

<u>Education Funds Not Properly Set Aside</u>

The Division did not set aside funds for education purposes as required by state law. NRS 489.4971 sets fees for the issuance or renewal of licenses for dealers, manufacturers, servicemen, rebuilders, installers, salesmen, and responsible managing employees. The fees must be deposited in the Education and Recovery Account. The statute requires that any balance in the account over $500,000 at the end of any fiscal year be set aside and used for education relating to manufactured homes, mobile homes, travel trailers, or commercial coaches.

The Division carried forward more than $593,000 from fiscal year 2001 into fiscal year 2002. Statutes required $93,000 of this to be set aside for use on education. During fiscal years 1993-2002, the Division carried forward amounts exceeding $500,000 each year. However, Division management told us the Division did not track unspent funds for future training use. Furthermore, the Division reduced the number of training courses provided during fiscal year 2002 because of concern over the decline in the budget account's reserve balance.

Recommendations

4. Ensure lot rent subsidy distributions are consistent with state laws and regulations.
5. Develop procedures to account for and track funds to be spent on appropriate education programs for licensees.

System of Internal Control Not Established

The Division has not established an effective system of internal control as required by NRS 353A. The Division does not have written procedures for functions such as purchasing, inventory, approving overtime, and contracting. According to staff, the Division relies on statewide regulations, such as the State Administrative Manual, in lieu of developing its own procedures.

As a result, the Division had problems with certain processes and controls related to segregation of duties, contract monitoring, management information, and compliance with laws and regulations.

- **Segregation of duties is poor. For example, one employee is responsible for approving lot rent subsidy applications, authorizing payments, and reconciling payment records. Key duties and responsibilities should be divided or segregated among different people to reduce the risk of error or fraud. No one individual should control all key aspects of a transaction.**
- **Contract terms were not followed and were not clear for one contract payment reviewed. A training contract specified a rate of $22,910 for two 5-day seminars provided per year, or $2,291 for each day. The contractor provided one 1-day seminar in fiscal year 2002, which was teleconferenced to a second location. The contractor billed, and the Division paid, $4,500 for this seminar. The contract did not include a different billing rate for teleconferenced courses. The Division's files did not contain evidence the contract was amended or a different rate was negotiated for teleconferenced seminars.**
- **The Division allowed inspection contractors to work under expired contracts. Although the contractors were paid through customer fees, not direct payments, the Division did not have binding agreements with contractors providing essential services to the public. These contracts have been expired between 6 and 8 years.**

- **The Division did not always pay bills timely. For example, the Division paid $226 in late charges during fiscal year 2002 on Diners Club charges for travel.**

Furthermore, the Division did not comply with state laws and regulations over personnel activities. In addition, the Division did not comply with regulations governing use of overtime and compensatory time.

- **Performance evaluations were not completed for 12 of 20 employees reviewed. The evaluations were due during fiscal year 2002 and include evaluations for both permanent and probationary employees. Evaluations are required by NRS 284.340.**
- **Work performance standards had not been completed for 2 of 20 positions reviewed. State law requires agencies to develop employee work performance standards.**
- **Three employees were allowed to accrue over 120 hours of compensatory time without having a written agreement with the Division, as required by NAC 284.250. During fiscal year 2002, these three employees exceeded the compensatory time limit by a combined total of 142 hours.**
- **Ten of the Division's 20 classified employees worked overtime in fiscal year 2002, without evidence the overtime was approved in advance, as required by NAC 248.242.**

Establishing a strong system of internal controls will help the Division operate more efficiently and assist management in making decisions necessary to ensure the Division continues to operate during periods of declining resources. For example, accurate records of the number of inspections conducted, which is a Division performance indicator, would provide management with information needed to assign staff efficiently and estimate fee levels necessary to cover costs. Employee performance standards and evaluations would assist management with ensuring employees are doing their jobs properly and personnel costs are properly allocated between programs. Monitoring and controlling employee overtime could help the Division reduce expenses and provide information necessary to make informed decisions on efficient use of staff resources.

Recommendation

6. Develop written policies and procedures to adopt an internal control system and conduct periodic reviews of the internal control system, as required by NRS 353A.

Appendices

Appendix A

Audit Methodology

To gain an understanding of the Manufactured Housing Division, we interviewed agency staff and reviewed statutes, regulations, policies, and procedures significant to the Division's financial and administrative practices. We also reviewed financial reports and minutes of legislative committee meetings. Furthermore, we documented and assessed the Division's internal controls.

To accomplish our audit objective, we tested 20 revenue transactions to determine whether funds had been collected and deposited in accordance with statutory requirements. We selected additional revenue transactions to ensure they were recorded in the correct fiscal year. We also tested receipt books the Division issued over a 2-month period to determine whether voided receipts were properly documented and whether the correct copies of the receipt forms were retained with deposit records. We verified that funds carried forward in the Division's budget accounts were computed correctly. In addition, we compared the Division's monthly revenue summaries with the Division's deposit records.

For expenditures, we judgmentally selected 20 transactions and tested to ensure proper approval and compliance with laws and regulations. We also tested 30 transactions for recording the proper fiscal year. We judgmentally selected 15 travel expenditures, testing each for compliance with travel regulations. In addition, we tested 10 contracts for required approvals and compliance with laws, regulations, and contract terms.

We tested employee payroll and personnel records for all employees to determine compliance with regulations governing the accumulation and use of overtime and compensatory time. We also tested whether classified employees had required performance standards and evaluations. We examined records for 14 employees to verify that merit increases received proper approval. Additionally, we tested five employees' time records for recording accuracy.

To evaluate compliance with laws and regulations applicable to the education and recovery budget account, we reviewed state financial records to determine the amount the Division carried forward. We then estimated the amount spent on education and determined whether education expenditures were properly allocated between budget accounts. We also tested license fees and verified fees were correctly assessed, collected, and deposited.

We also analyzed the Division's cost allocation. By reviewing accounting records, performance standards, and position descriptions, we estimated the percentage of time spent on each program and the corresponding personnel costs. We determined the difference between our estimates and the Division's actual cost allocation.

To test compliance with laws and regulations related to the Fund for Low-Income Owners of Manufactured Homes, we reviewed a judgmental sample of 30 approved subsidy applicants. We determined whether they were receiving subsidy payments in accordance with NAC 118B.410.

We also evaluated whether the Division had adopted regulations required by statute and the extent to which the Division implemented recommendations from our 1994 audit.

Our audit work was conducted from July to December 2002 in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Business and Industry and the Administrator of the Manufactured Housing Division. On March 27, 2003, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix D, which begins on page 24.

Contributors to this report include:

Eric Wormhoudt Deputy Legislative Auditor	Jane Bailey Audit Supervisor
Gary Kulikowski, CPA Deputy Legislative Auditor	Stephen M. Wood, CPA Chief Deputy Legislative Auditor

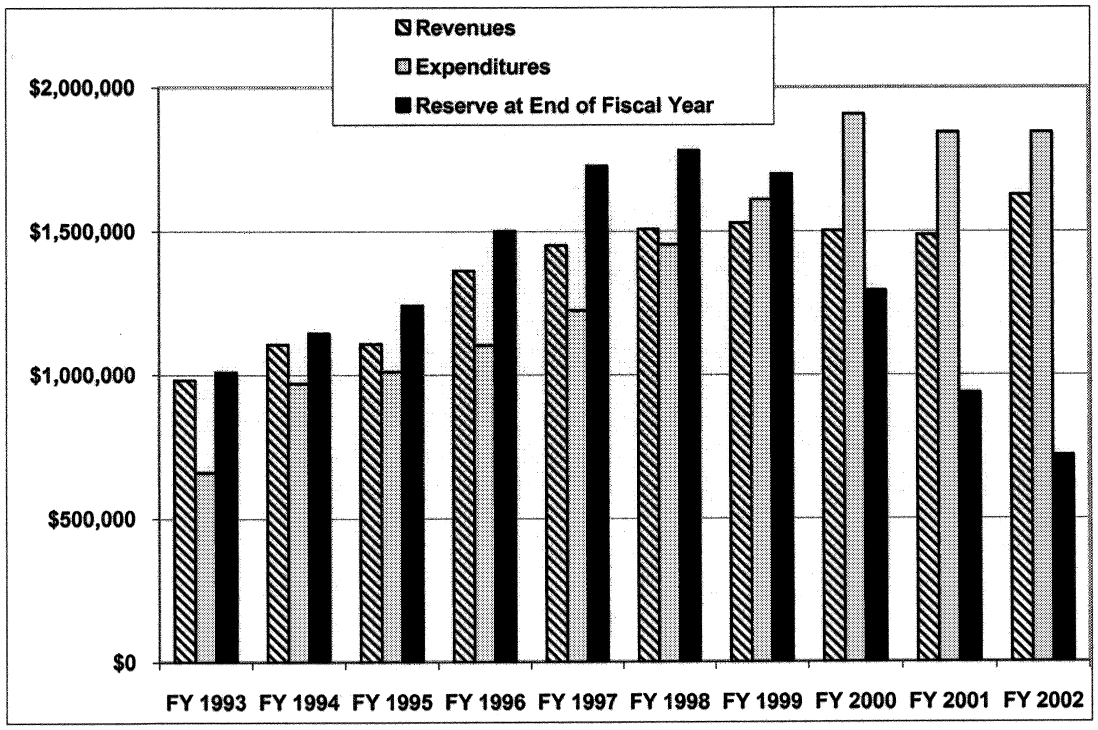
Appendix B
Prior Audit Recommendations

Our 1994 audit of the Manufactured Housing Division contained three recommendations. As part of our audit, we assessed the Division's implementation of all three recommendations. One of these recommendations has been fully implemented, one has been partially implemented, and one has not been implemented.

The recommendations that have not been fully implemented related to recording expenditures by type and determining if fees are appropriate. These recommendations have been modified and repeated in the current audit.

Appendix C. 1

Manufactured Housing – Total All Funds and Budget Accounts Revenues, Expenditures, and Account Reserves Fiscal Years 1993 Through 2002

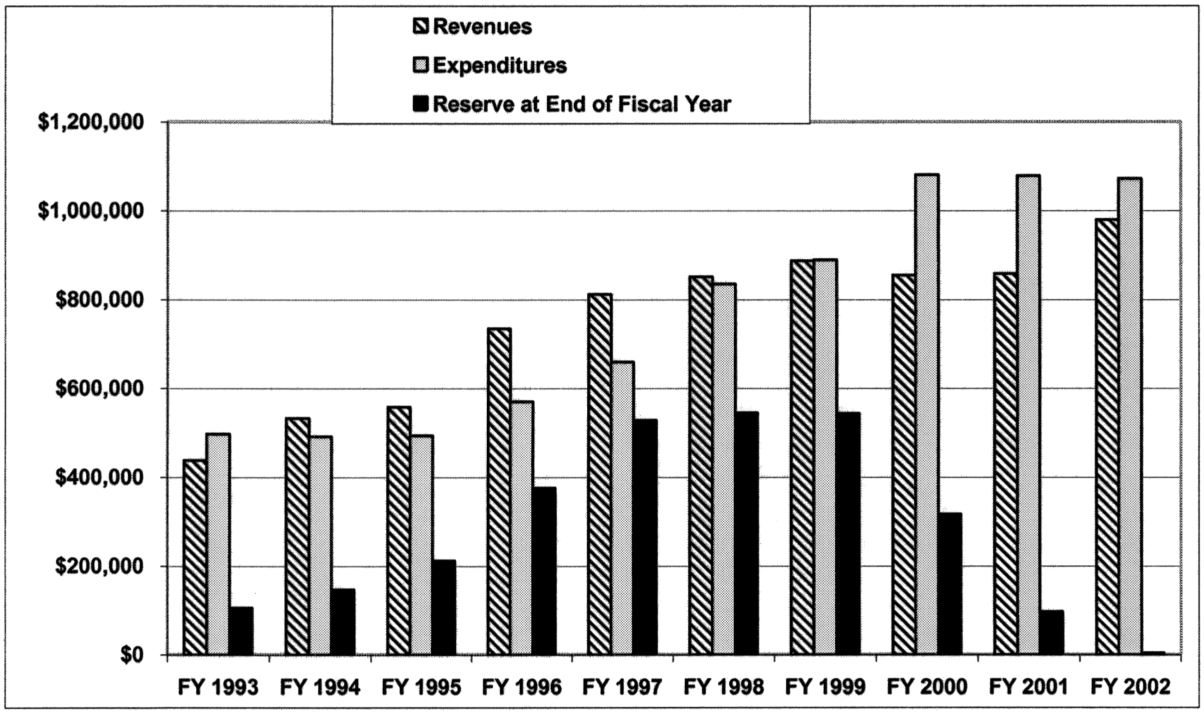


	Revenues	Expenditures	Reserve at End of Fiscal Year
FY 1993	$ 980,602	$ 660,069	$1,009,449
FY 1994	$1,105,530	$ 970,300	$1,144,679
FY 1995	$1,108,134	$1,010,922	$1,241,891
FY 1996	$1,362,271	$1,103,963	$1,500,199
FY 1997	$1,450,472	$1,224,024	$1,726,647
FY 1998	$1,507,685	$1,454,071	$1,780,261
FY 1999	$1,528,382	$1,609,433	$1,699,210
FY 2000	$1,502,073	$1,907,239	$1,294,044
FY 2001	$1,487,518	$1,843,957	$ 937,605
FY 2002	$1,626,360	$1,843,421	$ 720,544

Source: State Accounting System

Appendix C. 2

Manufactured Housing Fund
Manufactured Housing Budget Account
Revenues, Expenditures, and Account Reserves
Fiscal Years 1993 Through 2002

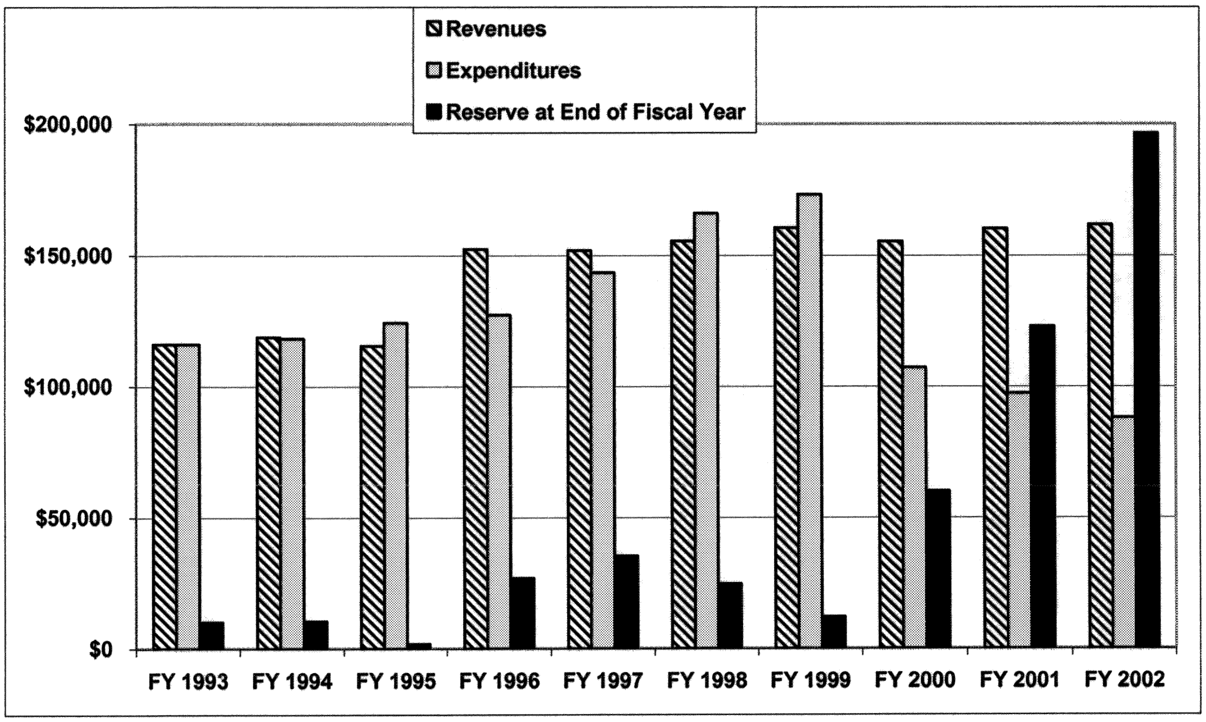


	Revenues	Expenditures	Reserve at End of Fiscal Year
FY 1993	$438,334	$ 497,223	$106,064
FY 1994	$533,143	$ 491,739	$147,468
FY 1995	$558,161	$ 493,510	$212,119
FY 1996	$734,927	$ 570,655	$376,391
FY 1997	$812,492	$ 660,049	$528,834
FY 1998	$851,222	$ 835,035	$545,021
FY 1999	$887,723	$ 889,342	$543,402
FY 2000	$854,605	$1,080,707	$317,300
FY 2001	$858,321	$1,078,460	$97,161
FY 2002	$979,572	$1,072,416	$4,317

Source: State Accounting System

Appendix C. 3

Manufactured Housing Fund
Account for Regulating Manufactured Home Parks
Revenues, Expenditures, and Account Reserves
Fiscal Years 1993 Through 2002

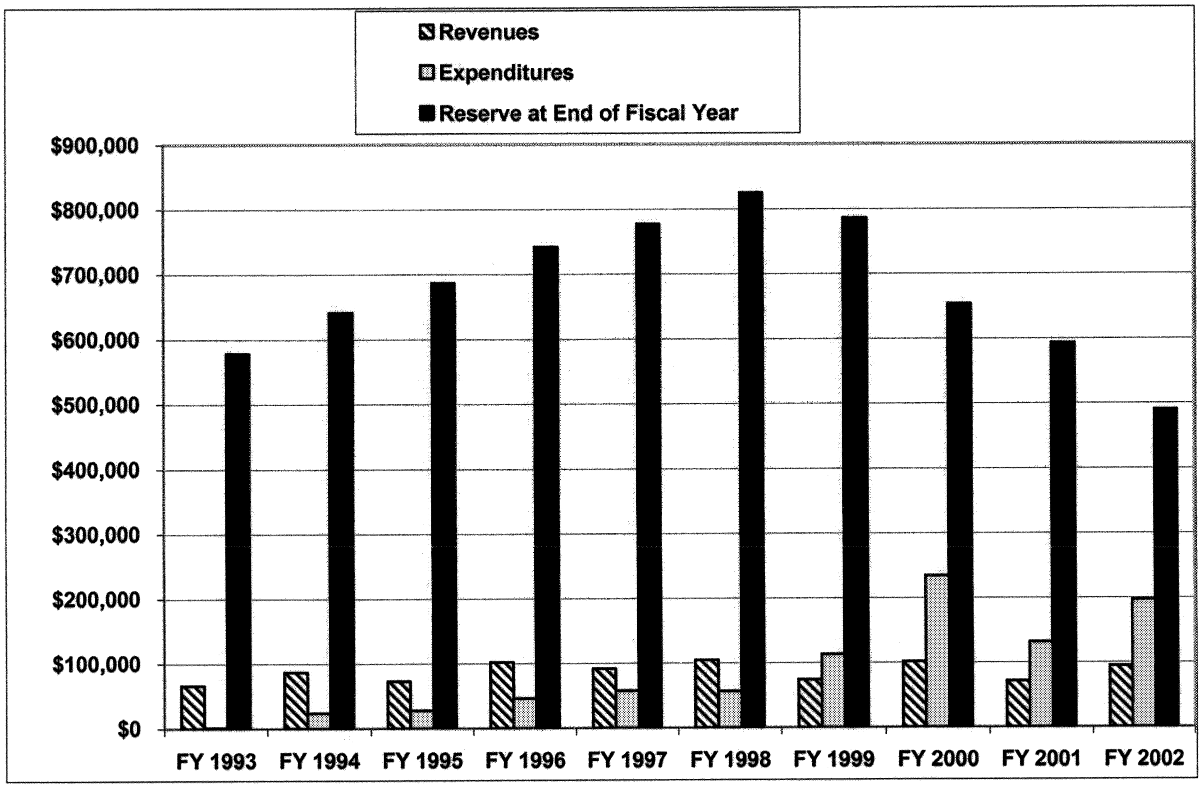


	Revenues	Expenditures	Reserve at End of Fiscal Year
FY 1993	$116,132	$116,097	$10,115
FY 1994	$118,811	$118,363	$10,563
FY 1995	$115,565	$124,340	$1,788
FY 1996	$152,426	$127,346	$26,868
FY 1997	$151,986	$143,518	$35,336
FY 1998	$155,481	$166,071	$24,746
FY 1999	$160,495	$173,192	$12,049
FY 2000	$155,385	$107,268	$60,166
FY 2001	$160,233	$ 97,402	$122,997
FY 2002	$161,708	$ 88,097	$196,608

Source: State Accounting System

Appendix C. 4

Manufactured Housing Fund
Account for Education and Recovery Relating to Manufactured Housing
Revenues, Expenditures, and Account Reserves
Fiscal Years 1993 Through 2002

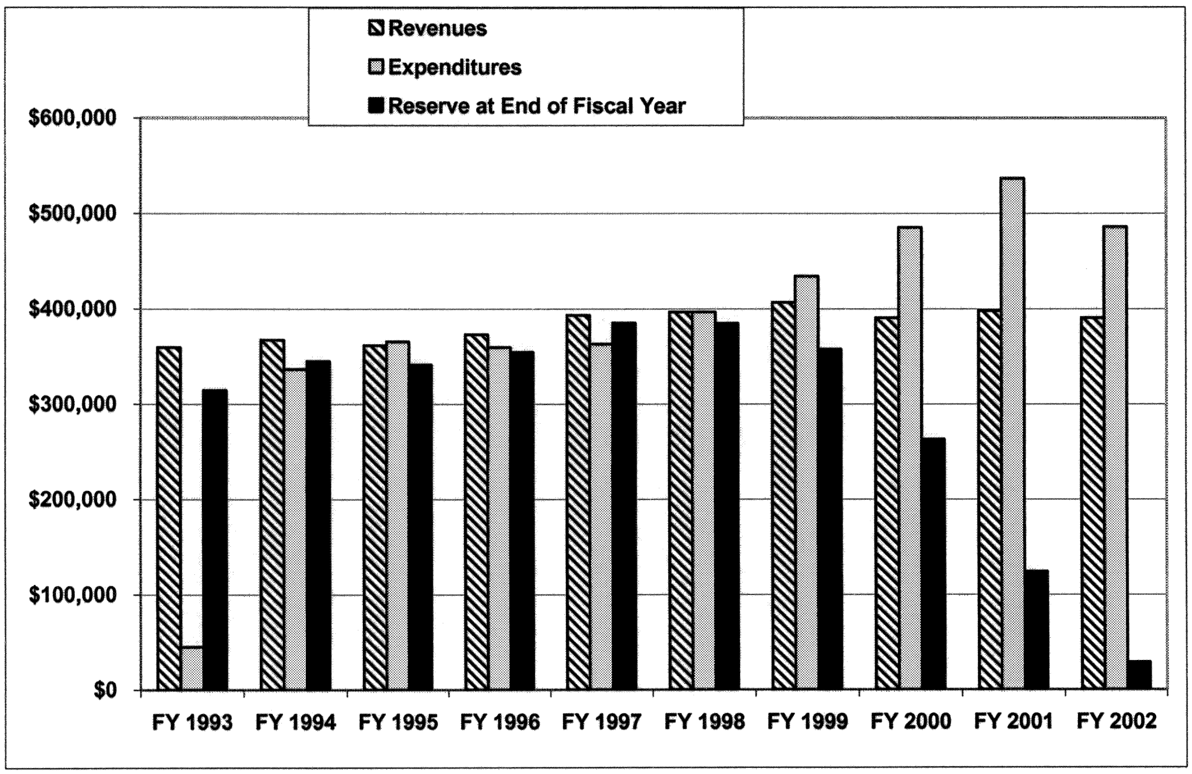


	Revenues	Expenditures	Reserve at End of Fiscal Year
FY 1993	$ 66,420	$ 1,531	$578,773
FY 1994	$ 86,400	$ 23,625	$641,548
FY 1995	$ 72,650	$ 27,569	$686,629
FY 1996	$101,965	$ 46,242	$742,352
FY 1997	$ 92,625	$ 57,623	$777,354
FY 1998	$104,375	$ 56,239	$825,490
FY 1999	$ 73,575	$112,782	$786,283
FY 2000	$101,425	$234,105	$653,603
FY 2001	$ 71,050	$131,439	$593,214
FY 2002	$ 94,400	$197,044	$490,570

Source: State Accounting System

Appendix C. 5

Fund for Low-Income Owners of Manufactured Homes
Lot Rent Subsidy Budget Account
Revenues, Expenditures, and Account Reserves
Fiscal Years 1993 Through 2002



	Revenues	Expenditures	Reserve at End of Fiscal Year
FY 1993	$359,716	$ 45,218	$314,498
FY 1994	$367,177	$336,573	$345,102
FY 1995	$361,757	$365,503	$341,356
FY 1996	$372,952	$359,720	$354,588
FY 1997	$393,369	$362,833	$385,124
FY 1998	$396,607	$396,726	$385,005
FY 1999	$406,588	$434,118	$357,475
FY 2000	$390,658	$485,158	$262,975
FY 2001	$397,914	$536,656	$124,233
FY 2002	$390,680	$485,864	$29,049

Source: State Accounting System

Appendix D

Response From the Manufactured Housing Division

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
MANUFACTURED HOUSING DIVISION
2501 E. Sahara Avenue, Suite 204
Las Vegas, Nevada 89104
(702) 486-4135 • Fax (702) 486-4309

KENNY C. GUINN
Governor

RENEE DIAMOND
Administrator

April 3, 2003

Paul V. Townsend, CPA, Auditor
Legislative Counsel Bureau Audit Division
401 S. Carson Street
Carson City NV 89701-4747

Dear Mr. Townsend:

Thank you for meeting with me to discuss the Audit Report for the Manufactured Housing Division. I would like to commend the professionalism of the auditors involved and appreciate the constructive suggestions in the report.

The Division accepts the 6 Recommendations contained in the Audit Report and we will make corrections as follows:

- Develop a policy and procedure on cost recovery and fees that will address the issues in Recommendations 1, 2 and 3.
- Recommendation 4 will require that the Division clarify regulations relating to the Lot Rent Subsidy Program so that the regulations will match the statutory requirements in NRS 118B.217. Adding a definition to permit a "waiting list" of applicants will be necessary and NAC 118B.410 will be amended to give the Administrator statutorily consistent discretion regarding the subsidy recipients and a waiting list. This will be done with the support and assistance of the Division Deputy Attorney General.
- Recommendation 5 will require that the Division ask the Budget Division to create a new account to segregate any balance over the statutory $500,000 threshold to be accounted for separately and spent on appropriate education programs for licensees. There are education program costs funded by the base $500,000 that will continue as an additional transfer from the recovery account to the new education account. The Division does not believe that funds below the $500,000 threshold is restricted only to recovery and will continue to use these funds to support statutory education as contemplated in the title of NRS 489.4971.

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- Recommendation 6 will require new Internal Control procedures that are more individualized to the agency rather than the current use of the State Administrative Manual and this task will be undertaken by the Division in the near future.
  Work performance standards for all employees have been completed and performance evaluations are now being conducted to statutory requirements and schedules.
  Overtime Policy has been written and Compensatory Time agreements have been completed for all Division Personnel.

I am attaching the Division Response to Audit Recommendations. Thank you for the opportunity to comment on the Recommendations and findings in the Audit Report.

Yours truly,

Renee Diamond

Renee Diamond
Administrator

Cc Sydney Wickliffe, Director Department of Business & Industry
Bill Maier, Administrative Services Officer B & I

Manufactured Housing Division
Response to Audit Recommendations

Recommendation Number		Accepted	Rejected
1	Develop policies and procedures to appropriately allocate costs between programs and budget accounts	X	
2	Develop procedures to periodically analyze and track program expenditures and revenues to identify potential funding shortfalls or surpluses	X	
3	Establish a methodology for determining appropriate fee levels for services based on expected activity levels and cost of each service or group of services	X	
4	Ensure lot rent subsidy distributions are consistent with state laws and regulations	X	
5	Develop procedures to account for and track funds to be spent on appropriate education programs for licensees	X	
6	Develop written policies and procedures to adopt an internal control system and conduct periodic reviews of the internal control system, as required by NRS 353A	X	
	TOTALS	6	0