

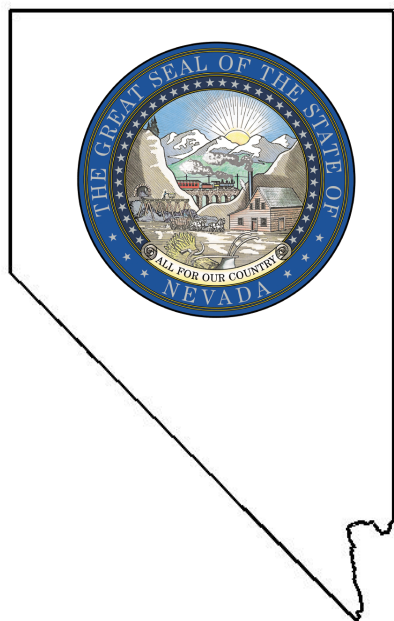
# STATE OF NEVADA

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## Performance Audit

Department of Health and Human Services  
Use of Certain Assessments Paid by Counties

2014



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on the Use of Certain Assessments Paid by Counties issued on October 6, 2014. Legislative Auditor Report # LA14-19.

## Background

During the 2013 Legislative Session, concerns were expressed regarding the Department of Health and Human Services' use of certain county assessments, many of which were enacted in 2011. As a result, Assembly Bill 255 was passed. Assembly Bill 255 requires the Legislative Auditor to audit the Department's use of assessments paid by counties pursuant to Nevada Revised Statutes 62B.150, 62B.165, 432B.326, and 439.4905.

The Department of Health and Human Services collects several county assessments. During the 2011 Legislative Session, the funding source for several programs or services shifted from the state General Fund to county assessments. These programs or services directly benefit the residents of the counties impacted.

Assembly Bill 255 specified the following five assessments administered by the Division of Public and Behavioral Health and the Division of Child and Family Services to be audited: Community Health Services, Consumer Health Protection, Rural Child Welfare, Youth Alternative Placement, and Youth Parole Bureau. From July 1, 2011, to December 31, 2013, the Department collected over \$20.6 million in county assessments.

## Purpose of Audit

The purpose of this audit was to evaluate the Department's calculation and collection of assessments, and use of assessments paid by counties for the operation of regional facilities for the detention of children, activities of the Youth Parole Bureau, child protective services in rural counties, and health services provided in the counties. Our audit focused on assessment revenues and related expenditures for the 30-month period ending December 31, 2013.

## Audit Recommendations

This audit report contains six recommendations to improve controls over assessment calculations and communication with counties.

The Department accepted the six recommendations.

## Recommendation Status

The Department's 60-day plan for corrective action is due on January 6, 2015. In addition, the six-month report on the status of audit recommendations is due on July 6, 2015.

# Use of Certain Assessments Paid by Counties

## Department of Health and Human Services

### Summary

The Department of Health and Human Services' use of certain assessments paid by counties complied with state law; however, stronger controls are needed over the calculation of assessments. We reviewed the assessment calculations for fiscal years 2012 through 2014 and found assessment calculations were not supported by adequate underlying records. Policies and procedures also lacked sufficient guidance regarding the calculation of certain health assessments. In addition, certain youth assessments were not calculated in compliance with state law. In contrast, we reviewed 144 county payments totaling over \$12 million and found the Department of Health and Human Services collected and deposited assessment revenues in accordance with state requirements.

The Department used county assessment revenues as statutorily intended. We tested 225 expenditures totaling over \$3.7 million and found transactions were properly approved, mathematically accurate, and properly recorded. Costs also related to the services being provided. Although assessment revenues were used as intended, communication with the counties about the use of assessment revenues and services provided can be improved.

### Key Findings

Assessment calculations cannot be considered reliable unless they are supported by adequate underlying records. None of the five county assessments we audited were supported by sufficient underlying records. Either the documents provided did not support the amounts assessed or supporting documents could not be provided. Management indicated employee turnover led to supporting documents no longer being available. In addition, current policies and procedures do not provide adequate guidance to assist staff with developing and providing adequate support for assessment calculations. (page 5)

Written policies and procedures have not been developed for the health assessments. As a result, staff could not explain the differences we found in the number of food establishments used in the calculation of the Consumer Health Protection assessment. The support for the number of food establishments used in the assessment calculation was not retained. Although staff provided similar documentation to support the calculation, the number of food establishments indicated on this documentation did not match the number used in the assessment calculation. The difference between the number of food establishments on the documents was small, less than 1%; however, the difference did affect the distribution of the assessment between counties. Additionally, staff could not explain how the base contract amounts were calculated for the Community Health Services assessment. (page 9)

The calculation of certain youth assessments did not comply with state law. Incorrect student enrollment data was used in the calculation of the Youth Alternative Placement and Youth Parole Bureau assessments. As a result, counties were not assessed the proper amounts in fiscal years 2012 to 2014. State law requires the total number of pupils in the State in the preceding school year be used for the calculation of the Youth Alternative Placement assessment; however, we found the fiscal year 2012 assessment only included students enrolled in grades 7 through 12, and the fiscal years 2013 and 2014 assessments did not use student enrollment data from the preceding school year. We recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Elko County being under assessed by \$9,182, and Washoe County being over assessed by \$13,414. In addition, state law requires the total number of pupils in grades 7 through 12 in public schools in the State for the preceding school year be used for the calculation of the Youth Parole Bureau assessment; however, we found the fiscal years 2012 through 2014 assessments incorrectly included private school students, and the fiscal year 2014 assessment did not use student enrollment data from the preceding school year. We recalculated the correct assessment amounts and determined the largest differences for fiscal years 2012 through 2014 combined were Clark County being under assessed by \$29,549, and Washoe County being over assessed by \$45,154. (page 10)

Better communication with counties is needed regarding the use of assessment revenues and services provided. We surveyed 10 counties regarding concerns they may have relating to these assessments, and several counties did not feel they had enough information to answer our questions. Counties stated that they pay their annual assessments, but receive very little or no correspondence to show how their money is being used and the services being provided to their counties. (page 23)

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

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



LEGISLATIVE COMMISSION (775) 684-6800  
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RICK COMBS, *Director*  
(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830  
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815  
DONALD O. WILLIAMS, *Research Director* (775) 684-6825

**Legislative Commission  
Legislative Building  
Carson City, Nevada**

This report contains the findings, conclusions, and recommendations from our performance audit of the use by the Department of Health and Human Services of certain assessments paid by counties to the Department. This audit was required by Chapter 198, Statutes of Nevada, 2013 (A.B. 255). The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes six recommendations to improve controls over assessment calculations and communication with counties. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA  
Legislative Auditor

September 16, 2014  
Carson City, Nevada

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# Introduction

## Background

During the 2013 Legislative Session, concerns were expressed regarding the Department of Health and Human Services' use of certain county assessments, many of which were enacted in 2011. As a result, Assembly Bill 255 was passed.<sup>1</sup> Assembly Bill 255 requires the Legislative Auditor to audit the Department's use of assessments paid by counties pursuant to Nevada Revised Statutes 62B.150, 62B.165, 432B.326, and 439.4905.<sup>2</sup>

The Department of Health and Human Services collects several county assessments. During the 2011 Legislative Session, the funding source for several programs or services shifted from the state General Fund to county assessments. These programs or services directly benefit the residents of the counties impacted.

Assembly Bill 255 specified the following five assessments administered by the Division of Public and Behavioral Health and the Division of Child and Family Services to be audited:

Community Health Services Assessment – Each county shall pay an assessment for public health services provided in the county. Assessment revenues cover administrative and clinic costs relating to the operation of community health nursing facilities. The assessment began over 14 years ago and is based on actual clinic costs.

Consumer Health Protection Assessment – Each county shall pay an assessment for environmental health services provided in the county. Assessment revenues provide financial support for inspections, which help prevent environmental health hazards and protect the public's health. The assessment began in 2011 and is based on the number of food establishments in each county.

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<sup>1</sup> See Appendix A for a copy of Assembly Bill 255.

<sup>2</sup> See Appendix B for the County Assessment Statutes.

Rural Child Welfare Assessment – Counties with a population less than 100,000 shall pay an assessment for state provided child protective services. Assessment revenues fund services relating to preventing, investigating, and treating child abuse. The assessment began in 2011 and is based on population data obtained from the United States Census Bureau or State Demographer.

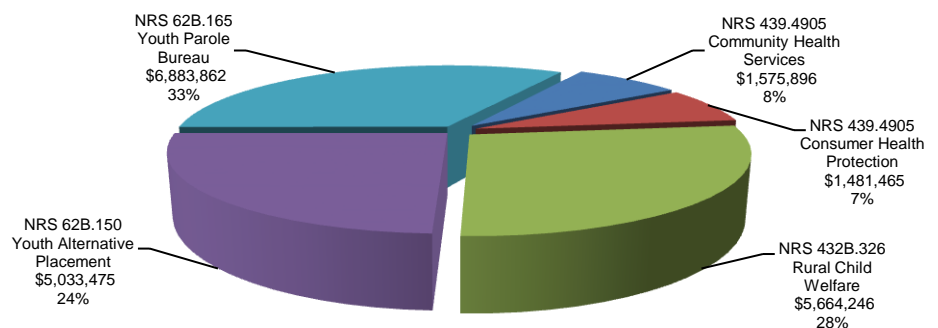
Youth Alternative Placement Assessment – Counties with a population less than 700,000 shall pay an assessment for the operation of regional facilities for the detention of children who have been adjudicated delinquent by Nevada courts. Assessment revenues provide financial support to operate the China Spring Youth Camp and Aurora Pines Girls Facility. The assessment began in 2004 and is based on total student enrollment within the State.

Youth Parole Bureau Assessment – All counties shall pay an assessment for the activities of the Youth Parole Bureau. Assessment revenues cover the costs of providing supervision and case management services to delinquent youths. The assessment began in 2011 and is based on students enrolled in grades 7 through 12 within the State.

From July 1, 2011, to December 31, 2013, the Department collected over \$20.6 million in county assessments. Exhibit 1 shows the breakdown of total revenues collected by assessment.

**County Assessment Revenues  
July 1, 2011, to December 31, 2013**

**Exhibit 1**



Source: State accounting system.

Exhibit 2 shows each assessment and amount collected per fiscal year.

**Assessment Revenues by Type  
Fiscal Years 2012 to 2014 (as of 12/31/13)**

**Exhibit 2**

Assessment	Fiscal Year			Total
	2012	2013	2014 (as of 12/31/13)	
Community Health Services	\$ 631,422	\$ 642,136	\$ 302,338	\$ 1,575,896
Consumer Health Protection	592,426	592,426	296,613	1,481,465
Rural Child Welfare	2,121,731	2,441,085	1,101,430	5,664,246
Youth Alternative Placement	1,997,618	1,997,618	1,038,239	5,033,475
Youth Parole Bureau	2,693,965	2,306,965	1,882,932	6,883,862
<b>Totals</b>	<b>\$8,037,162</b>	<b>\$7,980,230</b>	<b>\$4,621,552</b>	<b>\$20,638,944</b>

Source: State accounting system.

Note: See Appendix C for assessments paid by county.

All counties must pay each assessment unless excluded by statute due to population thresholds. Counties may also request approval from the Governor and Interim Finance Committee for an exemption to carry out certain services that would otherwise be provided by the State. Exhibit 3 shows each assessment and the exempt counties.

**Counties Exempt**

**Exhibit 3**

Assessment	Exemption Per Statute Population Threshold	Exemption Per Approval From Governor and Interim Finance Committee
Community Health Services <sup>(1)</sup>		Douglas
Consumer Health Protection		Carson City, Douglas <sup>(2)</sup>
Rural Child Welfare	Clark, Washoe	
Youth Alternative Placement	Clark	
Youth Parole Bureau		

Source: Nevada Revised Statutes and Division of Public and Behavioral Health records.

<sup>(1)</sup> The Department does not provide community health services in Carson City, Clark, and Washoe counties as these services are provided by each county.

<sup>(2)</sup> Effective January 1, 2014.

## **Scope and Objectives**

This audit was required by Chapter 198, Statutes of Nevada, 2013 (A.B. 255) and was conducted pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit focused on assessment revenues and related expenditures for the 30-month period ending December 31, 2013. Our audit objectives were to evaluate the Department's calculation and collection of assessments, and use of assessments paid by counties for:

- the operation of regional facilities for the detention of children,
- activities of the Youth Parole Bureau,
- child protective services in rural counties, and
- health services provided in the counties.



# Controls Over Calculation of Assessments Need to Be Strengthened

The Department of Health and Human Services' use of certain assessments paid by counties complied with state law; however, stronger controls are needed over the calculation of assessments. We reviewed the assessment calculations for fiscal years 2012 through 2014 and found assessment calculations were not supported by adequate underlying records. Policies and procedures also lacked sufficient guidance regarding the calculation of certain health assessments. In addition, certain youth assessments were not calculated in compliance with state law. In contrast, we reviewed 144 county payments totaling over \$12 million and found the Department of Health and Human Services collected and deposited assessment revenues in accordance with state requirements.

## **Calculations Not Supported by Adequate Underlying Records**

Assessment calculations cannot be considered reliable unless they are supported by adequate underlying records. None of the five county assessments we audited were supported by sufficient underlying records. Either the documents provided did not support the amounts assessed or supporting documents could not be provided.

The Division of Public and Behavioral Health (DPBH) administers the Community Health Services and Consumer Health Protection assessments. Documentation supporting the calculation of these two assessments was not retained.

- Community Health Services Assessment – The DPBH has established contracts with the counties in which community health nursing services are provided. Each contract includes a base contract amount for costs relating to immunizations, prevention of communicable diseases, and

other preventive services. In addition, the contracts also include an estimate for services relating to the treatment of tuberculosis (TB) and sexually transmitted diseases (STD), which is billed to each county upon occurrence. County contracts totaled over \$660,000 in fiscal year 2012 and \$630,000 in fiscal year 2013.

Our testing found documentation supporting the calculation of the base contract amounts was not retained. In addition, documentation supporting the numbers used in the calculation of the TB and STD cost estimates was also not retained. Further, we found different methodologies were used in calculating the TB and STD cost estimates. The estimates were rounded up to the nearest \$100 to \$500, depending upon staff discretion. DPBH management indicated that the supporting documentation for the contract amounts is no longer available, as the contracts have been in existence for over 14 years, and significant employee turnover has occurred.

- Consumer Health Protection Assessment – The assessment represents environmental health program costs exceeding food establishment permit fee revenues. Counties are assessed a percentage of this amount for annual food establishment inspections provided by the DPBH in their counties. The percentage equals the number of food establishments within the county divided by the total permitted food establishments in the State. During fiscal years 2012 and 2013, the assessment totaled over \$592,000 each year.

Our testing found documentation supporting the number of food establishments used in the fiscal years 2012 to 2014 assessment calculations was not retained. Prior to imposing the assessment in 2012, the DPBH provided each assessed county a report showing how the assessments were calculated. These reports were based on the number of food establishments during the fiscal year ending June 30, 2010. DPBH management indicated

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that staff assumed the calculation results stated in the county reports were sufficient.

The Division of Child and Family Services (DCFS) administers the Rural Child Welfare, Youth Alternative Placement, and Youth Parole Bureau assessments. Documentation supporting the calculation of these three assessments was not retained either.

- Rural Child Welfare Assessment – The assessment is based on the rural child welfare program’s costs for providing child protective services. The amount assessed to each county is based on the county’s percentage of population under 18 years old in the State obtained from the United States Census Bureau or State Demographer. During fiscal years 2012 and 2013, the assessment totaled over \$2 million each year.

Our testing found population data used in the fiscal years 2012 to 2014 assessment calculations were not retained. Staff downloaded population data onto electronic spreadsheets, which were then manipulated and used to calculate each county’s assessment. The source data were not maintained in their original state to ensure the data’s integrity. Since the United States Census Bureau and State Demographer only maintain current data for the population under 18 years old on their websites, it is imperative the DCFS properly maintain population data used in the calculation of this assessment.

- Youth Alternative Placement and Youth Parole Bureau Assessments – The Youth Alternative Placement assessment is a budgeted amount used for the operating costs of the youth detention facilities. The amount assessed to each county is based on the county’s percentage of total student enrollment within the State. During fiscal years 2012 and 2013, the assessment totaled over \$2 million each year.

The Youth Parole Bureau assessment covers the costs for providing youth parole services to delinquent youth. The

amount assessed to each county is based on the county's percentage of students enrolled in grades 7 through 12 in public schools within the State. During fiscal years 2012 and 2013, the assessment amounted to \$2.7 million and \$2.3 million, respectively.

Our testing found student enrollment data used in the fiscal years 2013 and 2014 assessment calculations were not retained. Staff downloaded enrollment data from the Department of Education's website onto electronic spreadsheets, which were then manipulated and used to calculate each county's assessment. The source data were not maintained in their original state to ensure the data's integrity. Since the Department of Education may revise enrollment data after the assessment is calculated, it is imperative the DCFS properly maintain student enrollment data used in the calculation of these assessments.

DCFS management indicated employee turnover led to supporting documents no longer being available. Management stated that in the future, the original source documents will be retained to support assessment calculations.

Current policies and procedures do not provide adequate guidance to assist staff with developing and providing adequate support for assessment calculations. The State Administrative Manual and General Records Retention and Disposition Schedule require agencies to retain supporting documentation for 3 fiscal years.

Without sufficient underlying records, assessment calculations cannot be considered reliable. The lack of underlying records also prevents calculations from being verified, thereby making calculations unreliable. Additionally, in the event of employee turnover, subsequent staff may not be able to recalculate and explain how the assessments were calculated.

## **Policies and Procedures Lacking**

The Division of Public and Behavioral Health (DPBH) has not developed written policies and procedures over its health assessments. As a result, staff could not explain the differences we found in the number of food establishments used in the calculation of the Consumer Health Protection assessment. The support for the number of food establishments used in the assessment calculation was not retained. Although staff provided similar documentation to support the calculation, the number of food establishments indicated on this documentation did not match the number used in the assessment calculation. The difference between the number of food establishments on the documents was small, less than 1%; however, the difference did affect the distribution of the assessment between counties. Additionally, staff could not explain how the base contract amounts were calculated for the Community Health Services assessment.

State law requires agencies to develop written policies and procedures to carry out their systems of internal accounting and administrative control. The State Administrative Manual also requires agencies to review policies and procedures annually and update them as needed.

When the assessments were established, the DPBH did not develop policies and procedures describing the calculation of these health assessments. Since Nevada Revised Statute 439.4905 authorizing these assessments does not specifically describe how the assessments are calculated, procedures are needed to help ensure assessments are calculated accurately and consistently over time. Developing procedures will also provide management greater assurance staff are properly calculating assessments, which is valuable when employee turnover occurs in key positions. In addition, procedures are needed to reflect when assessments should be revised or remain the same in subsequent years. For instance, the DPBH waived the third and fourth quarter fiscal year 2014 Consumer Health Protection assessment payments due to excess reserves. Procedures should be developed to ensure these revisions are being done accurately and with proper approvals.

**Certain  
Assessment  
Calculations  
Did Not  
Comply With  
Statutes**

DPBH management indicated it is in the process of developing policies and procedures for these assessments, which will include the process to perform the calculation, a requirement to calculate the assessment at the beginning of each biennial budget cycle, and protocols to increase or decrease the assessment to maintain a balanced budget.

The calculation of certain youth assessments did not comply with state law. Incorrect student enrollment data was used in the calculation of the Youth Alternative Placement and Youth Parole Bureau assessments. As a result, counties were not assessed the proper amounts in fiscal years 2012 to 2014.

Nevada Revised Statute 62B.150 authorizes the Division of Child and Family Services (DCFS) to collect an assessment from each county with a population less than 700,000 for the operation of regional facilities for the detention of children. The statute states:

The assessment owed by each county equals the total amount budgeted by the Legislature for the operation of the regional facility, minus any money appropriated by the Legislature for the support of the regional facility, divided by the **total number of pupils** in this State in the **preceding school year**, excluding pupils in counties whose population is 700,000 or more, and multiplied by the number of pupils in the assessed county. [emphasis added]

Our testing found the fiscal year 2012 assessment only included students enrolled in grades 7 through 12, and the fiscal years 2013 and 2014 assessments did not use student enrollment data from the preceding school year. As a result, counties were not assessed the proper amounts. For fiscal years 2012 through 2014, we recalculated the correct assessment amounts and determined the largest differences for the 3 fiscal years combined were Elko County being under assessed by \$9,182, and Washoe County being over assessed by \$13,414. Exhibit 4 shows the assessment calculation differences per county for fiscal years 2012 to 2014.

**Youth Alternative Placement  
Assessment Calculation Differences  
Fiscal Years 2012 to 2014**

**Exhibit 4**

County	Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2014		TOTAL
	Agency Assessment Calculation	LCB Audit Assessment Calculation	Agency Assessment Calculation	LCB Audit Assessment Calculation	Agency Assessment Calculation	LCB Audit Assessment Calculation	Difference Over/(Under) Assessed
Carson City	\$ 145,562	\$ 142,614	\$ 133,902	\$ 140,505	\$ 142,475	\$ 141,309	\$(2,489)
Churchill	69,265	69,235	65,933	69,584	69,765	66,968	(824)
Douglas	107,254	105,006	103,474	108,574	109,843	107,727	(736)
Elko	158,673	158,720	155,418	162,771	165,719	167,501	(9,182)
Esmeralda	530	1,073	1,066	1,108	1,155	1,177	(607)
Eureka	4,170	3,884	4,058	4,140	3,866	4,431	(361)
Humboldt	53,044	54,916	54,649	57,115	58,068	60,003	(6,273)
Lander	19,295	18,170	17,681	18,435	18,859	18,344	886
Lincoln	17,634	15,797	15,819	16,202	16,316	16,153	1,617
Lyon	138,742	138,486	135,096	139,283	141,187	137,303	(47)
Mineral	8,199	8,402	8,753	8,509	8,936	8,583	394
Nye	106,265	100,910	92,955	98,321	99,284	95,318	3,955
Pershing	10,460	11,035	10,981	11,410	11,446	11,690	(1,248)
Storey	7,881	6,923	6,716	6,764	6,945	6,965	890
Washoe	1,126,401	1,139,287	1,167,659	1,131,719	1,130,379	1,140,019	13,414
White Pine	24,243	23,160	23,458	23,178	22,742	23,494	611
<b>Totals</b>	<b>\$1,997,618</b>	<b>\$1,997,618</b>	<b>\$1,997,618</b>	<b>\$1,997,618</b>	<b>\$2,006,985</b>	<b>\$2,006,985</b>	<b>\$ 0</b>

Source: Auditor prepared from agency records and Department of Education data.

Nevada Revised Statute 62B.165 authorizes the DCFS to collect an assessment from each county for the activities of the Youth Parole Bureau. The statute states:

The assessment owed by each county equals the total amount budgeted by the Legislature for the operation of the Youth Parole Bureau, divided by the total number of pupils enrolled in grades 7 through 12 in **public schools** in this State in the **preceding school year** and multiplied by the number of pupils enrolled in grades 7 through 12 in public schools in the assessed county. [emphasis added]

Our testing found the fiscal years 2012 through 2014 assessments incorrectly included private school students, and the fiscal year 2014 assessment did not use student enrollment data from the preceding school year. As a result, counties were not assessed the proper amounts. For fiscal years 2012 through 2014, we recalculated the correct assessment amounts and determined the largest differences for the 3 fiscal years combined were Clark County being under assessed by \$29,549, and Washoe County

being over assessed by \$45,154. Exhibit 5 shows the assessment calculation differences per county for fiscal years 2012 to 2014.

**Youth Parole Bureau  
Assessment Calculation Differences  
Fiscal Years 2012 to 2014**

**Exhibit 5**

County	Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2014		TOTAL
	Agency Assessment Calculation	LCB Audit Assessment Calculation	Agency Assessment Calculation	LCB Audit Assessment Calculation	Agency Assessment Calculation	LCB Audit Assessment Calculation	Difference Over/(Under) Assessed
Carson City	\$ 54,915	\$ 54,605	\$ 45,305	\$ 43,223	\$ 49,596	\$ 48,912	\$ 3,076
Churchill	26,131	26,875	22,171	22,848	26,574	25,936	(783)
Clark	1,960,388	1,957,091	1,647,452	1,659,778	1,970,428	1,990,948	(29,549)
Douglas	40,463	41,553	34,586	36,907	42,301	44,336	(5,446)
Elko	59,861	61,731	52,116	53,779	63,123	63,685	(4,095)
Esmeralda	200	207	160	188	198	243	(80)
Eureka	1,573	1,626	1,357	1,347	1,624	1,648	(67)
Humboldt	20,011	20,687	17,527	18,165	21,273	22,132	(2,173)
Lander	7,279	7,525	6,080	6,178	7,417	7,279	(206)
Lincoln	6,653	6,877	6,125	6,182	7,415	7,430	(296)
Lyon	52,342	53,875	44,453	46,813	53,959	54,558	(4,492)
Mineral	3,093	3,197	2,460	2,550	3,024	2,933	(103)
Nye	40,090	39,610	50,731	52,799	37,408	38,198	(2,378)
Pershing	3,946	4,080	3,658	3,763	4,421	4,546	(364)
Storey	2,973	3,073	2,246	2,335	2,799	2,799	(189)
Washoe	424,946	421,943	363,203	345,299	412,633	388,386	45,154
White Pine	9,146	9,455	7,334	7,575	9,044	9,268	(774)
<b>Totals</b>	<b>\$2,714,010</b>	<b>\$2,714,010</b>	<b>\$2,306,964</b>	<b>\$2,309,729<sup>(1)</sup></b>	<b>\$2,713,237</b>	<b>\$2,713,237</b>	<b>\$ (2,765)</b>

Source: Auditor prepared from agency records and Department of Education data.

<sup>(1)</sup> Difference attributed to certain expenditures not being included in the agency's assessment calculation because amounts were paid after the state fiscal year-end.

DCFS management acknowledged the calculation errors and attributed the errors to new staff and using student enrollment data available at the time the assessment was calculated. Although we noted that the correct enrollment data may not have been available when the assessments were calculated prior to each fiscal year, the data was available at a later date and assessments could have been adjusted to reflect the correct student enrollment data to comply with state law. The DCFS already makes annual adjustments to the Youth Parole Bureau assessment to reflect expenditures processed after the state's fiscal year-end.



These errors occurred because staff did not follow written policies and procedures for properly calculating the county youth assessments. In addition, policies and procedures do not mention supervisory review of assessment calculations, which may have recognized these errors prior to the counties being assessed. After discussing the differences with management, the DCFS indicated that the counties' fiscal year 2015 assessments will be adjusted to reflect the errors noted in our audit. The adjustments will not affect the youth programs' budgets, as the errors found did not significantly affect the total amount assessed each fiscal year, just the amount allocated to each county.

### **Recommendations**

1. Enhance policies and procedures to include the retention of underlying records for both the health assessments and the county youth assessments.
2. Develop policies and procedures describing each health assessment, including calculation, methodology for calculation, supervisory review of the calculation, and when revisions are necessary.
3. Follow state law, policies, and procedures for calculating county youth assessments.
4. Revise policies and procedures to include supervisory review of county youth assessment calculations.

## Assessment Revenues Used as Intended

The Department used county assessment revenues as statutorily intended. We tested 225 expenditures totaling over \$3.7 million and found transactions were properly approved, mathematically accurate, and properly recorded. Costs also related to the services being provided. Although assessment revenues were used as intended, communication with the counties about the use of assessment revenues and services provided can be improved.

State law requires each county to pay an assessment for the costs of services provided. The use of assessment revenues and our analysis of fiscal years 2012 and 2013 costs are as follows:

Community Health Services Assessment – Assessment revenues are used to cover costs relating to the operation of community health nursing facilities. These facilities provide essential public health nursing services including adult and child immunizations; early periodic screening diagnosis and treatment examinations, including lead testing; family planning; cancer screening; and identification and treatment of communicable diseases such as tuberculosis, sexually transmitted infections, and human immunodeficiency virus. Revenues also cover the costs of state health nurses who function as school health nurses in rural districts without school nurses. In addition to assessment revenues, the community health nursing program also receives fees, and federal and state funding.

We tested 50 expenditures totaling about \$63,000 for this program and found transactions were properly approved, mathematically accurate, and properly recorded. These expenditures also related to community health nursing services provided to the counties. The Department's costs for providing these services included state employee salaries, travel, and cell phone fees; temporary contract staff salaries; motor pool fees; laboratory fees; and office

costs, such as supplies, equipment, leases, computer services, and phones. During fiscal years 2012 and 2013, county assessments amounted to over \$632,000 and \$638,000, while the costs for providing nursing services totaled over \$3.7 million and \$3.4 million, respectively. Exhibit 6 shows the assessment amounts and costs for providing these services by county.

**Community Health Services  
Assessments and Costs by County  
Fiscal Years 2012 and 2013**

**Exhibit 6**

County	Fiscal Year 2012			Fiscal Year 2013		
	Assessment	Total Costs	% of Assessment to Total Costs	Assessment	Total Costs	% of Assessment to Total Costs
Central Office <sup>(1)</sup>	\$ -	\$1,936,122	n/a	\$ -	\$1,628,442	n/a
Churchill	110,520	162,429	68.04%	110,520	211,435	52.27%
Douglas <sup>(2)</sup>	43,375	12,240	354.38%	-	-	-
Elko <sup>(3)</sup>	-	-	-	-	-	-
Esmeralda	9,576	Unavailable	n/a	9,576	Unavailable	n/a
Eureka <sup>(3)</sup>	-	-	-	-	-	-
Humboldt	110,124	181,858	60.56%	110,124	193,050	57.04%
Lander	45,612	120,316	37.91%	45,612	94,435	48.30%
Lincoln	32,160	109,301	29.42%	32,160	101,977	31.54%
Lyon	120,702	502,982	24.00%	170,820	531,434	32.14%
Mineral	23,904	143,655	16.64%	23,904	117,111	20.41%
Nye	95,004	365,991	25.96%	95,004	372,870	25.48%
Pershing	15,636	7,882	198.37%	15,636	4,312	362.60%
Storey <sup>(3)</sup>	-	-	-	-	-	-
White Pine	25,416	165,184	15.39%	25,416	172,837	14.71%
<b>Totals/Percentages</b>	<b>\$632,029</b>	<b>\$3,707,960</b>	<b>17.05%</b>	<b>\$638,772</b>	<b>\$3,427,903</b>	<b>18.63%</b>

Source: Auditor compiled from state accounting system and Community Health Services program data.

Note: Exhibit does not include Carson City, Clark, and Washoe counties, as community health services are not provided.

<sup>(1)</sup> Community Health Services central office.

<sup>(2)</sup> Douglas County was exempted from this assessment as of January 2012; therefore, assessment is for partial year.

<sup>(3)</sup> Elko, Eureka, and Storey counties have Federally Qualified Health Centers rather than Community Health Nursing Clinics. These three counties are billed per occurrence of communicable disease, such as tuberculosis, sexually transmitted infections, and human immunodeficiency virus; therefore, they have no assessment. During fiscal year 2013, Elko County was billed \$3,763 for these services.

Consumer Health Protection Assessment – Assessment revenues are used to cover the costs of conducting food establishment inspections. The Department’s environmental health program conducts these inspections, in addition to providing education and enforcement action, as part of its responsibility for safeguarding the health of Nevada residents and visitors by preventing avoidable death and disease. The program’s areas of concern included food safety, sanitary processing and disposal of sewage, unsanitary conditions that result in the spread of disease, and emergency response in time of crisis. The program is funded through a combination of fees and federal grants, with the assessment providing additional support when revenues do not cover program costs. The assessment represents program costs exceeding permit fee revenue for conducting annual food establishment inspections.

We tested 50 expenditures totaling about \$19,500 for this program and found transactions were properly approved, mathematically accurate, and properly recorded. These costs also related to environmental health services provided to the counties. The Department’s costs for providing these services included state employee salaries, travel, and cell phone fees; and office costs, such as supplies, equipment, leases, computer services, and phones. During fiscal years 2012 and 2013, county assessments amounted to over \$592,000 each year. Exhibit 7 shows the assessment amounts and number of food establishments by county.

**Exhibit 7**

**Consumer Health Protection  
Assessments and Food Establishments by County  
Fiscal Years 2012 and 2013**

County	Fiscal Year 2012 Assessment	Fiscal Year 2013 Assessment	Number of Food Establishments <sup>(1)</sup>
Carson City <sup>(2)</sup>	\$ 1,192	\$ 1,192	6
Churchill	36,936	36,936	169
Clark <sup>(2)</sup>	33,973	33,973	145
Douglas	122,790	122,790	524
Elko	102,513	102,513	437
Esmeralda	4,172	4,172	17
Eureka	5,960	5,960	28
Humboldt	42,316	42,316	180
Lander	12,516	12,516	54
Lincoln	13,112	13,112	57
Lyon	61,985	61,985	265
Mineral	9,536	9,536	42
Nye	78,673	78,673	336
Pershing	11,920	11,920	50
Storey	17,284	17,284	74
Washoe <sup>(2)</sup>	11,920	11,920	52
White Pine	25,628	25,628	110
<b>Totals</b>	<b>\$592,426</b>	<b>\$592,426</b>	<b>2,546</b>

Source: Auditor compiled from state accounting system and Consumer Health Protection program data.

- (1) Number of food establishments in fiscal year 2010, which is the number used by the Department to calculate each fiscal year's assessment.
- (2) Carson City, Clark County, and Washoe County conduct health inspections of certain restaurants in their own counties, including school kitchens. Assessment calculation includes only those types of food establishments not inspected by the counties, such as food and drug manufacturers.

Rural Child Welfare Assessment – Assessment revenues are used to cover the costs for providing child protective services related to preventing, investigating, and treating child abuse. The Department's rural child welfare program supports child protective services and other related child welfare services to the 15 rural counties in the State. Child welfare services include emergency response (child protection) and the continuum of ongoing services to families through a comprehensive case planning process that provides initial assessment and comprehensive case management services that support the child, the parents, and the caregivers. In addition to assessment revenues, the rural child welfare program also receives fees, and federal and state funding.

We tested 50 expenditures totaling about \$54,100 and found transactions were properly approved, mathematically accurate, and properly recorded. These expenditures also related to child protective services provided to the counties. The Department's costs for providing these services included state employee salaries, travel, and cell phone fees; emergency child placement costs and supplies; laboratory fees; official birth document fees; and office costs, such as supplies, leases, phones, maintenance, and utilities. During fiscal years 2012 and 2013, county assessments amounted to about \$2.4 million each year. The number of children served was 5,417 and 4,295, respectively, with the cost of providing these services totaling over \$2.6 million per fiscal year. Exhibit 8 shows the assessment amounts, children served, and costs for providing these services by county.

**Rural Child Welfare  
Assessments, Children Served, and Costs by County  
Fiscal Years 2012 and 2013**

**Exhibit 8**

Fiscal Year 2012							
County	Assessment	Children Served	Assessment per Child Served	Cost for Providing Services	Cost per Child Served	Assessment and Cost Difference	Assessment as a % of Cost
Carson City	\$ 379,035	884	\$ 429	\$ 423,529	\$ 479	\$ (44,494)	89.49%
Churchill	214,156	646	332	239,295	370	(25,139)	89.49%
Douglas	285,392	440	649	318,894	725	(33,502)	89.49%
Elko	458,516	920	498	512,341	557	(53,825)	89.49%
Esmeralda	3,966	1	3,966	4,431	4,431	(465)	89.51%
Eureka	12,137	25	485	13,561	542	(1,424)	89.50%
Humboldt	146,876	238	617	164,118	690	(17,242)	89.49%
Lander	51,615	94	549	57,674	614	(6,059)	89.49%
Lincoln	31,151	48	649	34,808	72	(3,657)	89.49%
Lyon	387,138	881	439	432,584	491	(45,446)	89.49%
Mineral	26,111	111	235	29,176	263	(3,065)	89.49%
Nye <sup>(1)</sup>	274,528	716	383	306,754	428	(32,226)	89.49%
Pershing	43,261	127	341	48,340	381	(5,079)	89.49%
Storey	23,279	38	613	26,011	685	(2,732)	89.50%
White Pine	59,098	248	238	66,036	266	(6,938)	89.49%
<b>Totals/Averages</b>	<b>\$2,396,259</b>	<b>5,417</b>	<b>\$ 442</b>	<b>\$2,677,552</b>	<b>\$ 494</b>	<b>\$(281,293)</b>	<b>89.49%</b>

Fiscal Year 2013							
County	Assessment	Children Served	Assessment per Child Served	Cost for Providing Services	Cost per Child Served	Assessment and Cost Difference	Assessment as a % of Cost
Carson City	\$ 383,553	757	\$ 507	\$ 412,913	\$ 545	\$ (29,360)	92.89%
Churchill	218,570	529	413	235,301	445	(16,731)	92.89%
Douglas	290,050	347	836	312,253	900	(22,203)	92.89%
Elko	470,949	613	768	506,999	827	(36,050)	92.89%
Esmeralda	4,022	12	335	4,330	361	(308)	92.89%
Eureka	13,148	23	572	14,155	615	(1,007)	92.89%
Humboldt	147,886	203	729	159,206	784	(11,320)	92.89%
Lander	52,200	69	757	56,196	814	(3,996)	92.89%
Lincoln	31,616	35	903	34,036	972	(2,420)	92.89%
Lyon	395,265	793	498	425,522	537	(30,257)	92.89%
Mineral	26,749	116	231	28,797	248	(2,048)	92.89%
Nye	280,240	471	595	301,691	641	(21,451)	92.89%
Pershing	43,629	93	469	46,969	505	(3,340)	92.89%
Storey	23,586	21	1,123	25,391	1,209	(1,805)	92.89%
White Pine	59,622	213	280	64,186	301	(4,564)	92.89%
<b>Totals/Averages</b>	<b>\$2,441,085</b>	<b>4,295</b>	<b>\$ 568</b>	<b>\$2,627,945</b>	<b>\$ 612</b>	<b>\$(186,860)</b>	<b>92.89%</b>

Source: Auditor compiled from state accounting system and Division of Child and Family Services data.

Note: Exhibit does not include Clark County and Washoe County, which are exempt per NRS 432B.326.

<sup>(1)</sup> Nye County's fiscal year 2012 assessment is outstanding and being disputed.

Youth Alternative Placement Assessment – Assessment revenues are used to assist with the costs for operating the China Spring Youth Camp and Aurora Pines Girls Facility located in Douglas County, which detain children who have been adjudicated delinquent by Nevada courts. The facilities help mid-level offenders between the ages of 12 and 18 develop skills, knowledge, and the experience necessary to promote health and resiliency, stop the progression of problems caused by delinquent behavior, and interpret and avoid high risk behavior patterns in an emotionally safe, comforting, challenging, and nurturing environment. The facilities also provide structure and programs to assist juvenile offenders to overcome their delinquent behavior, as well as opportunities to correct thinking errors, practice positive new social skills, and facilitate reintegration into the family and community. In addition to assessment revenues, the facilities also receive funding from the State and Douglas County.

We tested 25 expenditures totaling over \$3.6 million and found transactions were properly approved, mathematically accurate, and properly recorded. The expenditures consisted of quarterly invoices from the facilities requesting reimbursement for operating costs. During fiscal years 2012 and 2013, county assessments amounted to about \$2 million each year. During fiscal years 2012 and 2013, the number of youths committed to the facilities totaled 205 and 193 with an average length of stay of 132 and 146 days, respectively. Exhibit 9 shows the assessment amounts and youths committed by county.



**Youth Alternative Placement  
Assessments and Youths Committed by County  
Fiscal Years 2012 and 2013**

**Exhibit 9****Fiscal Year 2012**

<b>County</b>	<b>Assessment</b>	<b>Youths Committed</b>	<b>Total Days Committed</b>	<b>Average Length of Stay (days)</b>	<b>Average Assessment per Day</b>
Carson City	\$ 145,562	13	1,696	130	\$ 86
Churchill	69,265	3	304	101	228
Douglas <sup>(1)</sup>	107,254	41	5,230	128	21
Elko	158,673	15	2,103	140	75
Esmeralda	530	0	0	0	n/a
Eureka	4,170	1	147	147	28
Humboldt	53,044	4	585	146	91
Lander	19,295	1	139	139	139
Lincoln	17,634	0	0	0	n/a
Lyon	138,742	17	2,125	125	65
Mineral	8,199	2	320	160	26
Nye	106,265	19	2,786	147	38
Pershing	10,460	0	0	0	n/a
Storey	7,881	0	0	0	n/a
Washoe	1,126,401	84	11,003	131	102
White Pine	24,243	5	715	143	34
<b>Totals/Averages</b>	<b>\$1,997,618</b>	<b>205</b>	<b>27,153</b>	<b>132</b>	<b>\$ 74</b>

**Fiscal Year 2013**

<b>County</b>	<b>Assessment</b>	<b>Youths Committed</b>	<b>Total Days Committed</b>	<b>Average Length of Stay (days)</b>	<b>Average Assessment per Day</b>
Carson City	\$ 133,902	7	1,039	148	\$129
Churchill	65,933	1	157	157	420
Douglas <sup>(1)</sup>	103,474	31	4,509	145	23
Elko	155,418	19	2,979	157	52
Esmeralda	1,066	0	0	0	n/a
Eureka	4,058	0	0	0	n/a
Humboldt	54,649	5	729	146	75
Lander	17,681	3	483	161	37
Lincoln	15,819	1	200	200	79
Lyon	135,096	19	2,928	154	46
Mineral	8,753	2	333	167	26
Nye	92,955	23	3,545	154	26
Pershing	10,981	0	0	0	n/a
Storey	6,716	0	0	0	n/a
Washoe	1,167,659	74	10,015	135	117
White Pine	23,458	8	1,330	166	18
<b>Totals/Averages</b>	<b>\$1,997,618</b>	<b>193</b>	<b>28,247</b>	<b>146</b>	<b>\$ 71</b>

Source: Auditor compiled from state accounting system and data provided by Douglas County detention facilities.

Note: Exhibit does not include Clark County which is exempt per NRS 62B.150.

<sup>(1)</sup> In addition to paying the assessment, Douglas County is responsible for covering the costs of operating the facilities that are not covered by the state General Fund or assessments.

Youth Parole Bureau Assessment – Assessment revenues are used to cover the costs for providing supervision and case management services to delinquent youth committed to the Division of Child and Family Services (DCFS) youth correctional services. Caseloads consist of delinquent youth committed to state youth institutions, youth on parole from such institutions, youth referred to Nevada for parole supervision from other states through the Interstate Compact on Juveniles, youth committed to DCFS who require both correctional and mental health residential treatment, and youth under the age of 12 who are committed to DCFS for correctional care but who cannot by law be placed in an institutional setting. In addition to assessment revenues, the Bureau also receives state funding.

We tested 50 expenditures totaling about \$29,700 and found transactions were properly approved, mathematically accurate, and properly recorded. These costs also related to the youth parole services provided to the counties. The Department's costs for providing these services included state employee salaries, travel, uniforms, and equipment; youth residential placement costs; youth treatment, counseling, and evaluation costs; laboratory tests; and office costs, such as supplies, equipment, leases, and phones. During fiscal years 2012 and 2013, county assessments amounted to \$2.7 million and \$2.3 million, respectively. The average number of youths served per fiscal year was 5,495 and 5,658, respectively. Exhibit 10 shows the assessment amounts and average number of youths served by county.

**Youth Parole Bureau  
Assessments and Average Youths Served by County  
Fiscal Years 2012 and 2013**

**Exhibit 10**

County	Fiscal Year 2012			Fiscal Year 2013		
	Assessment	Average Youths Served	Assessment per Average Youths Served	Assessment	Average Youths Served	Assessment per Average Youths Served
Carson City	\$ 54,915	58	\$ 947	\$ 45,305	71	\$638
Churchill	26,131	58	451	22,171	47	472
Clark	1,960,388	3,923	500	1,647,452	3,788	435
Douglas	40,463	97	417	34,586	95	364
Elko	59,861	97	617	52,116	95	549
Esmeralda	200	0	n/a	161	0	n/a
Eureka	1,573	0	n/a	1,357	24	57
Humboldt	20,011	19	1,053	17,527	24	730
Lander	7,279	39	187	6,080	0	n/a
Lincoln	6,653	0	n/a	6,125	47	130
Lyon	52,342	155	338	44,453	142	313
Mineral	3,093	0	n/a	2,460	47	52
Nye <sup>(1)</sup>	40,090	58	691	30,686	47	653
Pershing	3,946	39	101	3,658	0	n/a
Storey	2,973	0	n/a	2,246	0	n/a
Washoe	424,946	952	446	363,203	1,207	301
White Pine	9,146	0	n/a	7,334	24	306
<b>Totals/Averages</b>	<b>\$2,714,010</b>	<b>5,495</b>	<b>\$ 494</b>	<b>\$2,286,920</b>	<b>5,658</b>	<b>\$404</b>

Source: Auditor compiled from state accounting system and Division of Child and Family Services data.

<sup>(1)</sup> Nye County did not pay \$20,045 of the fiscal year 2012 assessment. This amount was paid by the county in fiscal year 2013.

**Better  
Communication  
With Counties  
Is Needed**

Better communication with counties is needed regarding the use of assessment revenues and services provided. We surveyed 10 counties regarding concerns they may have relating to these assessments, and several counties did not feel they had enough information to answer our questions. Counties stated that they pay their annual assessments, but receive very little or no correspondence to show how their money is being used and the services being provided to their counties. To improve transparency, the Department should periodically communicate to each county the amount of assessment revenues collected, how the funds are being used, and what services are being provided with these funds.

Using a listing of county representatives obtained from the Department, we called 10 counties that paid the highest assessments in fiscal year 2014. We asked each representative a

series of questions regarding each assessment. If the county representative was not familiar with a specific assessment, we were forwarded to another individual who was. Appendix D shows a detailed summary of our survey questions and county responses.

Our survey revealed several counties with concerns regarding each type of assessment. Certain counties had concerns regarding the state services being provided, not receiving the services the county is paying for, and a lack of information regarding how assessment revenues are utilized.

Concerns Regarding the Services Provided – Over half the counties we surveyed had concerns regarding the services provided in conjunction with the Youth Parole Bureau and Rural Child Welfare assessments.

For the Youth Parole Bureau assessment, certain counties indicated they are paying for services that were previously paid for by the State. These counties indicated that they utilize their own county detention facilities, not state facilities, and for doing so were previously compensated by the State for housing delinquent youth. Other concerns included having no control over how the State is spending their assessments and limited services in the rural counties.

For the Rural Child Welfare assessment, certain counties indicated they do not fully understand the services they are paying for because county information is not included with their quarterly invoices. Counties do not understand the type and volume of child protective services they are receiving in their county.

Not Receiving the Services Paid For – Over half the counties we surveyed indicated they are not receiving the services they are paying for regarding the Youth Parole Bureau assessment. Several counties stated that they use the correctional facilities very little and this is not reflected in their assessments. These counties indicated that either they provide their own youth parole services or have had a decline in the number of youths in their county being sent to state facilities.

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Lack of Information – Most counties we surveyed indicated they do not receive any information on the services provided in the county for all assessments, except the Youth Alternative Placement assessment. The counties stated that for the Youth Alternative Placement assessment, they receive youth census, progress, and exit reports. These reports give the counties the ability to monitor the number of youths in their county that are utilizing the state's services.

For the Rural Child Welfare assessment, certain counties stated that this is one of the largest assessments, yet they receive little to no information on how the assessment revenue is being utilized. Of the five assessments reviewed in this audit, this is the only assessment with a statutory reporting requirement.

Nevada Revised Statute 432B.327 requires the Division of Child and Family Services to submit a report annually to the Governor, Legislative Commission, and assessed counties indicating the total number of children who receive child protective services and expenditures made by the Division on child protective services in each county. Although the Division provided letters demonstrating their statutory compliance, two of five county representatives said they had not received the report. The remaining three counties indicated they had received the report; however, two of the counties said the individual receiving the report was not the appropriate county official needing the report.

Department management indicated that staff periodically present assessment information at county commission meetings throughout the State; however, management recognized a different manner of communicating to counties the services provided is needed. For instance, Nevada Revised Statute 439.4905 authorizing the health assessments allows regulations to be adopted to carry out the provisions of the statute. Therefore, since the statute does not specifically describe the Community Health Services and Consumer Health Protection assessments, developing regulations to describe each health assessment, use of assessment revenue, and services provided would help improve communication with the counties and help counties better understand the assessments.

Although our survey found several concerns, some counties had positive remarks regarding the state services provided. For instance, 8 of 10 counties indicated they are receiving the services they are paying for in regards to the Youth Alternative Placement assessment, and that the services are very valuable in the rural counties. In addition, certain counties said they had a positive working relationship and enjoy their open communication with the Youth Parole Bureau.

Providing assessment information to the counties on a periodic basis is important. Without this information, counties are unaware of the services being provided to their county, the costs for providing these services, and whether they are being charged an equitable amount compared to other counties. Since some assessments are formula driven, some counties may not receive services in a particular year. However, they could receive services exceeding their assessment in future years. This information is important to communicate to the counties so that the counties' leadership feel that the counties are receiving the services for which they are paying. In addition, counties need this information to make informed decisions and determine whether or not they may want to request an exemption from some assessments for performing the services themselves.

### **Recommendations**

5. Communicate with counties the use of assessment revenues and services provided, and consider adopting regulations to assist counties with their understanding of the health assessments.
6. Review the listing of individuals receiving the Rural Child Welfare assessment's statutory report on child protective services to ensure it is being sent to the appropriate county official.

# Appendix A

## Assembly Bill 255

Assembly Bill No. 255—Assemblymen Livermore, Hickey, Hambrick; Aizley, Paul Anderson, Bustamante Adams, Ellison, Fiore, Grady, Hansen, Hardy, Kirner, Munford, Oscarson, Stewart, Wheeler and Woodbury

Joint Sponsors: Senators Jones and Settelmeyer

### CHAPTER 198

AN ACT relating to state financial administration; requiring the Legislative Auditor to conduct an audit concerning the use by the Department of Health and Human Services of certain assessments paid by counties to the Department; and providing other matters properly relating thereto.

#### Legislative Counsel's Digest:

Existing law requires each county to pay an assessment to the Health Division of the Department of Health and Human Services for the costs of services provided in that county by the Health Division or the State Health Officer. (NRS 439.4905) Additionally, existing law requires each county to pay an assessment to the Division of Child and Family Services of the Department for the activities of the Youth Parole Bureau and requires certain counties to pay an assessment to the Division for the operation of certain facilities for the detention of children. (NRS 62B.150, 62B.165) Existing law also requires each county whose population is less than 100,000 to pay an assessment to the Division of Child and Family Services for the provision of child protective services by the Division in the county. (NRS 432B.326) This bill requires the Legislative Auditor to conduct an audit concerning the use by the Department of the assessments paid by the counties. The Legislative Auditor is required to present a final report of the audit to the Audit Subcommittee of the Legislative Commission on or before January 31, 2015.

EXPLANATION — Matter in *bolded italics* is new, matter between brackets ~~(omitted material)~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** 1. The Legislative Auditor shall conduct an audit concerning the use by the Department of Health and Human Services of the assessments paid by counties pursuant to NRS 62B.150, 62B.165, 432B.326 and 439.4905. The Director of the Department shall provide such information as is requested by the Legislative Auditor to assist with the completion of the audit.

2. The Legislative Auditor shall present a final written report of the audit to the Audit Subcommittee of the Legislative Commission on or before January 31, 2015.

**Sec. 2.** This act becomes effective upon passage and approval.

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# Appendix B

## County Assessment Statutes

### **Youth Alternative Placement Assessment**

#### **NRS 62B.150 Certain counties to pay assessment for operation of regional facilities for detention of children partially supported by State.**

1. Except as otherwise provided in subsection 6, each county shall pay an assessment for the operation of each regional facility for the detention of children that is partially supported by the State of Nevada and is operated by a county whose population is less than 700,000.

2. The assessment owed by each county equals the total amount budgeted by the Legislature for the operation of the regional facility, minus any money appropriated by the Legislature for the support of the regional facility, divided by the total number of pupils in this State in the preceding school year, excluding pupils in counties whose population is 700,000 or more, and multiplied by the number of pupils in the assessed county. The Administrator of the Division of Child and Family Services shall calculate the assessment owed by each county in June of each year for the ensuing fiscal year.

3. Each county must pay the assessed amount to the Division of Child and Family Services in quarterly installments that are due the first day of the first month of each calendar quarter.

4. The Administrator of the Division of Child and Family Services shall deposit the money received pursuant to subsection 3 in a separate account in the State General Fund. The money in the account may be withdrawn only by the Administrator for the operation of regional facilities for the detention of children.

5. Revenue raised by a county to pay the assessment required pursuant to subsection 1 is not subject to the limitations on revenue imposed pursuant to chapter 354 of NRS and must not be included in the calculation of those limitations.

6. The provisions of this section do not apply to a county whose population is 700,000 or more.

7. As used in this section, “regional facility for the detention of children” or “regional facility” does not include the institution in Lyon County known as Western Nevada Regional Youth Center.

(Added to NRS by 2003, 1085; A 2011, 1139)

### **Youth Parole Bureau Assessment**

#### **NRS 62B.165 Counties to pay assessment for activities of Youth Parole Bureau; approval for county to carry out provisions relating to parole; exemption from assessment.**

1. Unless an exemption is approved pursuant to subsection 4, each county shall pay an assessment for the activities of the Youth Parole Bureau that are necessary to carry out the provisions of NRS 63.700 to 63.780, inclusive.

2. The assessment owed by each county equals the total amount budgeted by the Legislature for the operation of the Youth Parole Bureau, divided by the total number of pupils enrolled in grades 7 through 12 in public schools in this State in the preceding school year and multiplied by the number of pupils enrolled in grades 7 through 12 in public schools in the assessed county. The Administrator of the Division of Child and Family Services shall calculate the assessment owed by each county in June of each year for the ensuing fiscal year.

3. Each county must pay the assessed amount to the Division of Child and Family Services in quarterly installments that are due the first day of the first month of each calendar quarter.

4. A county may submit a proposal to the Governor for the county to carry out the provisions of NRS 63.700 to 63.780, inclusive, with respect to any child released from a state facility for the detention of children who resides within the county. If the Governor approves the proposal, the Governor must submit a recommendation to the Interim Finance Committee to exempt the county from



# Appendix B

## County Assessment Statutes (continued)

the assessment required pursuant to subsection 1. The Interim Finance Committee, upon receiving the recommendation from the Governor, shall consider the proposal and determine whether to approve the exemption. In considering whether to approve the exemption, the Interim Finance Committee shall consider, among other things, the best interests of the State, the effect of the exemption and the intent of the Legislature in requiring the assessment to be paid by each county.

(Added to NRS by 2011, 2519)

### **Rural Child Welfare Assessment**

#### **NRS 432B.326 Payment of assessment for provision of child protective services by county whose population is less than 100,000; exemption.**

1. Unless an exemption is approved pursuant to subsection 4, each county whose population is less than 100,000 shall pay an assessment each fiscal year to the Division of Child and Family Services in an amount which does not exceed the amount authorized by the Legislature for the provision of child protective services by the Division in the county during that year.

2. The Division shall provide each county whose population is less than 100,000, on or before May 1 of each year, with an estimate of the amount of the assessment. The estimate becomes the amount of the assessment unless the county is notified of a change within 2 weeks after the date on which the county contribution is approved by the Legislature. The county shall pay the assessment:

(a) In full within 30 days after the amount of the assessment becomes final; or

(b) In equal quarterly installments on or before the first day of July, October, January and April, respectively.

3. Money paid by a county pursuant to this section must be deposited by the Division with the State Treasurer, and the Division shall expend the money in accordance with the approved budget of the Division.

4. A county whose population is less than 100,000 may submit a proposal to the Governor for the county to carry out child protective services for the county. If the Governor approves the proposal, the Governor must submit a recommendation to the Interim Finance Committee to exempt the county from the assessment required pursuant to subsection 1. The Interim Finance Committee, upon receiving the recommendation from the Governor, shall consider the proposal and determine whether to approve the exemption. In considering whether to approve the exemption, the Interim Finance Committee shall consider, among other things, the best interests of the State, the effect of the exemption and the intent of the Legislature in requiring the assessment to be paid by the county.

(Added to NRS by 2011, 2523)

### **Community Health Services and Consumer Health Protection Assessments**

#### **NRS 439.4905 Payment of assessment; exemption; regulations.**

1. Unless an exemption is approved pursuant to subsection 3, each county shall pay an assessment to the Division, in an amount determined by the Division, for the costs of services provided in that county by the Division or by the Chief Medical Officer, including, without limitation, services provided pursuant to this chapter and chapters 441A, 444,446 and 583of NRS and the regulations adopted pursuant to those chapters, regardless of whether the county has a local health authority.

2. Each county shall pay the assessment to the Division in quarterly installments that are due on the first day of the first month of each calendar quarter.

## Appendix B

### County Assessment Statutes (continued)

3. A county may submit a proposal to the Governor for the county to carry out the services that would otherwise be provided by the Division or the Chief Medical Officer pursuant to this chapter and chapters 441A, 444, 446 and 583 of NRS and the regulations adopted pursuant to those chapters. If the Governor approves the proposal, the Governor shall submit a recommendation to the Interim Finance Committee to exempt the county from the assessment required pursuant to subsection 1. The Interim Finance Committee, upon receiving the recommendation from the Governor, shall consider the proposal and determine whether to approve the exemption. In considering whether to approve the exemption, the Interim Finance Committee shall consider, among other things, the best interests of the State, the effect of the exemption and the intent of the Legislature in requiring the assessment to be paid by each county.

4. An exemption that is approved by the Interim Finance Committee pursuant to subsection 3 must not become effective until at least 6 months after that approval.

5. A county that receives approval pursuant to subsection 3 to carry out the services that would otherwise be provided by the Division or the Chief Medical Officer pursuant to this chapter and chapters 441A, 444,446 and 583of NRS and the regulations adopted pursuant to those chapters shall carry out those services in the manner set forth in those chapters and regulations.

6. The Division may adopt such regulations as necessary to carry out the provisions of this section. (Added to NRS by 2011, 2505; A 2013, 3039)

# Appendix C

## Assessments Paid by Each County During Fiscal Years 2012-2014

County	Assessment					TOTAL
	Community Health Services	Consumer Health Protection	Rural Child Welfare	Youth Alternative Placement	Youth Parole Bureau	
Carson City	<i>Exempt</i> <sup>(1)</sup>	\$ 2,980 <sup>(3)</sup>	\$ 912,709	\$ 350,702	\$ 125,831	\$ 1,392,222
Churchill	258,133	92,340	517,993	170,081	61,722	1,100,269
Clark	<i>Exempt</i> <sup>(1)</sup>	84,933	<i>Exempt</i> <sup>(4)</sup>	<i>Exempt</i> <sup>(5)</sup>	5,110,292	5,195,225
Douglas	42,768 <sup>(1)</sup>	306,975 <sup>(3)</sup>	696,230	293,110	96,406	1,435,489
Elko	3,763 <sup>(2)</sup>	256,283	1,144,328	396,951	143,850	1,945,175
Esmeralda	23,940	10,430	9,743	2,174	461	46,748
Eureka	- <sup>(2)</sup>	14,900	39,485	12,094	4,554	71,033
Humboldt	275,310	105,790	357,990	136,727	48,279	924,096
Lander	114,030	31,290	151,210	55,835	20,776	373,141
Lincoln	80,001	33,182	92,057	37,532	16,522	259,294
Lyon	360,778	154,963	957,798	344,432	124,041	1,942,012
Mineral	59,996	23,836	64,223	21,420	7,079	176,554
Nye	233,727	196,683	407,983	248,862	89,783	1,177,038
Pershing	39,090	29,800	104,730	27,164	9,836	210,620
Storey	- <sup>(2)</sup>	43,210	57,152	18,070	6,659	125,091
Washoe	<i>Exempt</i> <sup>(1)</sup>	29,800	<i>Exempt</i> <sup>(4)</sup>	2,859,249	996,637	3,885,686
White Pine	84,360	64,070	150,615	59,072	21,134	379,251
<b>Totals</b>	<b>\$1,575,896</b>	<b>\$1,481,465</b>	<b>\$5,664,246</b>	<b>\$5,033,475</b>	<b>\$6,883,862</b>	<b>\$20,638,944</b>

Source: State accounting system.

Note: Fiscal year 2014 assessments only include amounts collected as of December 31, 2013.

<sup>(1)</sup> Carson City, Clark, Douglas, and Washoe counties are exempt per NRS 439.4905. Douglas County received exemption as of January 2012.

<sup>(2)</sup> Elko, Eureka, and Storey counties not exempt, but billed on a per occurrence basis for services provided by the State Community Health Services staff.

<sup>(3)</sup> Exemption approved beginning January 1, 2014, per NRS 439.4905.

<sup>(4)</sup> Exempt per NRS 432B.326, assessment does not apply to a county whose population is 100,000 or more.

<sup>(5)</sup> Exempt per NRS 62B.150, assessment does not apply to a county whose population is 700,000 or more.

# Appendix D

## Summary of County Survey

To inquire of county representatives regarding concerns they may have relating to county assessments, we surveyed 10 counties that paid the highest assessment amounts in fiscal year 2014. We called each county representative and asked a series of questions regarding each assessment, including the services provided and communication with the State. The following summarizes the counties' responses for the two assessments administered by the Division of Public and Behavioral Health and the three assessments administered by the Division of Child and Family Services. Some counties are exempt from certain assessments, therefore, the number of responses for each assessment varied from 5 to 10.

### Division of Public and Behavioral Health

Questions	Answers/ Comments	Division of Public and Behavioral Health	
		Community Health Services	Consumer Health Protection
Concerns regarding services provided?	Yes	1	2
	No	3	4
	No Comment <sup>(1)</sup>	1	3
	County Comments	<ul style="list-style-type: none"> <li>Have not been able to identify the services received; therefore, the county cannot identify what it is paying for.</li> </ul>	<ul style="list-style-type: none"> <li>Have no concerns as the services the State provides associated with the assessment are services NRS 444.330 requires the State to provide.</li> </ul>
County receiving services paying for?	Yes	2	3
	No	0	0
	No Comment <sup>(1)</sup>	3	6
	County Comments	<ul style="list-style-type: none"> <li>No additional comments made.</li> </ul>	<ul style="list-style-type: none"> <li>Unsure, have not received report of food establishment licenses/permits, investigations, etc.</li> <li>County has no jurisdiction in the areas the State is providing services.</li> </ul>
Inequalities in payment vs other counties?	Yes	0	1
	No	2	3
	No Comment <sup>(1)</sup>	3	5
	County Comments	<ul style="list-style-type: none"> <li>No additional comments made.</li> </ul>	<ul style="list-style-type: none"> <li>Issue has been and continues to be having to pay for the assessment at all. The assessment is based on services the county is not allowed to perform or would be doing itself.</li> </ul>
County receives information/report on services provided?	Yes	1	1
	No	2	4
	No Comment <sup>(1)</sup>	2	4
	County Comments	<ul style="list-style-type: none"> <li>County receives a bill and does not know what the Department is doing with its assessment.</li> <li>Would like to receive routine (at least quarterly) reports of what services are being provided, by whom, and to whom.</li> </ul>	<ul style="list-style-type: none"> <li>Have very little communication with the State on these facilities.</li> <li>Would like to see the revenues generated in the county from permits and other fees, and how many state positions are dedicated to the county.</li> <li>Would like health reports, investigations, and overall outcome, including licenses revoked and type.</li> </ul>
Other comments?	County Comments	<ul style="list-style-type: none"> <li>County has had a contract with the State for several years to provide these services and has been happy with the services provided.</li> <li>Reporting does not provide necessary information to complete a true evaluation of the costs or services provided.</li> </ul>	<ul style="list-style-type: none"> <li>County has no idea what services the State provides.</li> <li>Reporting does not provide necessary information to complete a true evaluation of the costs or services provided.</li> </ul>

Source: Auditor prepared from county survey responses.

<sup>(1)</sup> County had no comment, responded "not applicable", or answered "do not have enough information to answer".

# Appendix D

## Summary of County Survey (continued)

Division of Child and Family Services				
Questions	Answers/ Comments	Rural Child Welfare		
		Rural Child Welfare	Youth Alternative Placement	Youth Parole Bureau
Concerns regarding services provided?	Yes	6	2	6
	No	0	7	4
	No Comment <sup>(1)</sup>	2	0	0
	County Comments	<ul style="list-style-type: none"> <li>County has a poor relationship with the state's child protective services staff.</li> <li>Have concerns about the amount being assessed for services.</li> </ul>	<ul style="list-style-type: none"> <li>Program is outstanding and meets the needs of the county and its youth.</li> <li>Program is a lifesaver in the rurals.</li> <li>Would like assessment calculation to take into account the county's usage of facilities, in addition to school enrollment.</li> </ul>	<ul style="list-style-type: none"> <li>Receive professional, timely, and accurate services.</li> <li>Services are limited, in that the county has not seen a state parole officer in over a year.</li> <li>County pays the assessment, yet ends up doing the work themselves.</li> </ul>
County receiving services paying for?	Yes	0	8	4
	No	2	1	6
	No Comment <sup>(1)</sup>	6	0	0
	County Comments	<ul style="list-style-type: none"> <li>Do not receive an annual report, so not sure what county is paying for.</li> <li>Frustrated with program and the child protection services provided.</li> <li>Based upon the data received from the State, county unable to assess these services.</li> </ul>	<ul style="list-style-type: none"> <li>Cost per child is a benefit.</li> <li>Money is well spent, as prevention efforts reduce the number of youth who advance through the juvenile justice system.</li> </ul>	<ul style="list-style-type: none"> <li>Do not have a lot of youth parole cases.</li> <li>County is receiving and performing the same level of services as it was prior to paying the assessment.</li> <li>State has one parole officer for entire county area; therefore, county does not think they need to pay the assessment.</li> <li>Getting less bang for the buck compared to other counties.</li> <li>In the past, county was compensated to house/hold youth, and now they are no longer being compensated to do so.</li> </ul>
Inequalities in payment vs other counties?	Yes	0	0	2
	No	2	8	7
	No Comment <sup>(1)</sup>	6	1	1
	County Comments	<ul style="list-style-type: none"> <li>The County's District Attorney's Office provides all legal services in matters up until they proceed to termination of parental rights, and the County is not credited for these services.</li> </ul>	<ul style="list-style-type: none"> <li>No inequalities, as the calculation is based on student enrollment in each county.</li> <li>Assessment amount is reasonable and comparable.</li> </ul>	<ul style="list-style-type: none"> <li>There appears to be inequalities in what the county pays versus what the State is paying for.</li> </ul>
County receives information/report on services provided?	Yes	2	9	7
	No	5	0	2
	No Comment <sup>(1)</sup>	1	0	1
	County Comments	<ul style="list-style-type: none"> <li>Lack of reporting and accountability.</li> <li>Reporting is vague and confusing.</li> <li>Largest assessment, yet received little to no information on it.</li> <li>Would like reports on number of cases by community within county, number of open/closed cases, number of State staff being paid through assessment, and to what community they are assigned.</li> </ul>	<ul style="list-style-type: none"> <li>Program provides progress reports and communicates with county probation staff extremely well.</li> <li>Receive information via a monthly conference call.</li> <li>Receive a comprehensive report, useful in identifying number of youths served from county.</li> </ul>	<ul style="list-style-type: none"> <li>Work closely with the Youth Parole Bureau, communicate often, and share in mandated training.</li> <li>Do not receive reports; reports on the county's use of these services would be a valuable resource.</li> </ul>
Other comments?	County Comments	<ul style="list-style-type: none"> <li>Greatest frustration is there is no relationship between the county and State. Concerns could be resolved if there was a stronger partnership.</li> </ul>	<ul style="list-style-type: none"> <li>No additional comments made.</li> </ul>	<ul style="list-style-type: none"> <li>The Youth Parole Bureau is a great team, and they do great work with difficult children.</li> <li>County encourages the State to take back the assessment and funding responsibility for these services.</li> </ul>

Source: Auditor prepared from county survey responses.

<sup>(1)</sup> County had no comment, responded "not applicable", or answered "do not have enough information to answer".

# Appendix E

## Audit Methodology

To gain an understanding of the use by the Department of Health and Human Services of certain assessments paid by counties to the Department, we reviewed Assembly Bill 255 and Nevada Revised Statutes 62B.150, 62B.165, 432B.326, and 439.4905. We interviewed staff and reviewed policies and procedures, financial reports, budgets, and other information describing each county assessment. We also reviewed legislative committee minutes to identify legislative concerns regarding these assessments. Furthermore, we documented and assessed internal controls over the calculation, collection, and use of assessment revenues.

To identify county concerns regarding each assessment and use of assessment revenues, we judgmentally selected 10 counties with the highest fiscal year 2014 assessments, which included counties that had previously voiced concerns with the Department or Legislature. We then contacted the Department-provided county representative for each selected county and inquired of concerns regarding each assessment, including the services provided and communication with the State.

To evaluate the Department's calculation and collection of each assessment, we obtained the fiscal years 2012 through 2014 assessment calculations, including supporting documentation for external data used in the calculations. The calculation documentation was traced to source documents, when possible, and mathematical accuracy was verified. Next, we judgmentally selected two counties with the highest fiscal years 2012 through 2014 assessments for each assessment type resulting in a total of 144 county payments totaling over \$12 million. Since this sample of payments was judgmentally selected, the results of our testing cannot be projected to the entire population of county payments. We then verified payments were deposited, deposited timely, and

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properly recorded in accordance with Department policies and procedures, and state laws and regulations. For counties that had not paid their assessment or did not pay timely, we determined whether the Department had taken timely, appropriate collection efforts and/or appropriate action. We then concluded on the reasonableness and statutory compliance of each assessment.

To evaluate the Department's use of assessment revenues, we tested 225 randomly selected expenditures totaling over \$3.7 million. We verified that costs were related to the appropriate program, and transactions were processed in accordance with Department policies and procedures, and state laws and regulations. To do so, we downloaded the fiscal years 2012 through 2014 (as of 12/31/13) expenditure transactions from the state accounting system for each assessment. Next, we randomly selected 25 to 50 transactions based on our risk assessment as follows: 50 Community Health Services expenditures, 50 Consumer Health Protection expenditures, 50 Rural Child Welfare expenditures, 25 Youth Alternative Placement expenditures, and 50 Youth Parole Bureau expenditures, for a total of 225 expenditures. These sample sizes are not sufficient to project the results of our testing to the entire population of expenditures. We determined whether the use of assessment revenues comply with state law. We then obtained from the Department information regarding the services provided in conjunction with each assessment. We analyzed this information and compared each county's assessment to the services provided.

Our audit work was conducted from August 2013 to June 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Director of the Department of Health and Human Services. On August 25, 2014, 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 F which begins on page 37.

Contributors to this report included:

Tammy A. Goetze, CPA  
Deputy Legislative Auditor

Jane E. Bailey, MS  
Audit Supervisor

A. Lilliana Camacho-Polkow, MBA  
Deputy Legislative Auditor



# Appendix F

## Response From the Department of Health and Human Services

BRIAN SANDOVAL  
Governor



ROMAINE GILLILAND  
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIRECTOR'S OFFICE  
4126 Technology Way, Suite 100  
Carson City, Nevada 89706  
Telephone (775) 684-4000 • Fax (775) 684-4010  
<http://dhhs.nv.gov>

Paul Townsend, CAP  
Legislative Auditor  
401 S. Carson Street  
Carson City, NV 89701

Dear Mr. Townsend,

The Division of Child and Family Services has reviewed the audit report and accepts the four recommendations to improve administrative controls over assessment calculations and ensuring communication is strengthened with county officials. The Division's action plan will focus on the following:

- Enhance policies and procedures to include the retention of underlying records for county youth assessments;
- Revise policies and procedures to include supervisory review of county youth assessment calculations; and
- Review the listing of individuals receiving the rural child welfare assessment's statutory report on child protective services to ensure it is being sent to the appropriate county official.

The Division of Public and Behavior Health accepts the recommendations to improve delivery of health services. The Department will be focusing on the following:

- Drafting a policy to retain underlying records for the health assessments and incorporate language that describes the assessments, including methodology and calculations of assessments, supervisory review of the calculations and timeliness of revisions;
- Developing policies and procedures that describe each health assessment and its calculation of that assessment to include a review from program supervisors and the frequency of revisions to the calculations and assessments

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- Drafting a policy to communicate with the counties and provide information to include the services provided, the costs of these services and how they are being charged to verify that an equitable amount is charged to each county; and
- Developing policies and procedures regarding the biennial presentation to the county commissioners on the number of clients served and types of service provided for each county. Additionally Community Health Nursing will provide the service provided and the use of assessment revenues annually to each county in writing.

The Department would like thank your staff for their dedicated work and professionalism throughout this process and we appreciate the recommendations that will further strengthen the Division of Health and Human Services. Please feel free to contact the Divisions directly should you need any additional information.

Sincerely,



Romaine Gilliland  
Director

Copy:

Amber Howell, Administrator, Division of Child and Family Services  
Richard Whitley, Administrator, Division of Public and Behavioral Health

## Department of Health and Human Services' Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Enhance policies and procedures to include the retention of underlying records for both the health assessments and the county youth assessments .....	<u>X</u>	<u>          </u>
2. Develop policies and procedures describing each health assessment, including calculation, methodology for calculation, supervisory review of the calculation, and when revisions are necessary .....	<u>X</u>	<u>          </u>
3. Follow state law, policies, and procedures for calculating county youth assessments .....	<u>X</u>	<u>          </u>
4. Revise policies and procedures to include supervisory review of county youth assessment calculations .....	<u>X</u>	<u>          </u>
5. Communicate with counties the use of assessment revenues and services provided, and consider adopting regulations to assist counties with their understanding of the health assessments .....	<u>X</u>	<u>          </u>
6. Review the listing of individuals receiving the Rural Child Welfare assessment's statutory report on child protective services to ensure it is being sent to the appropriate county official .....	<u>X</u>	<u>          </u>
TOTALS	<u>6</u>	<u>0</u>