

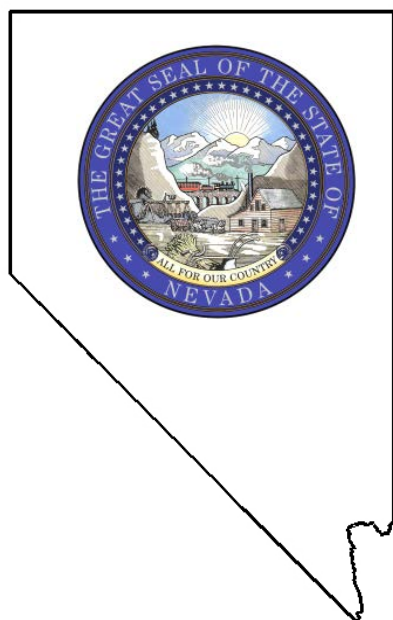
# STATE OF NEVADA

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## Performance Audit

State Department of Conservation and Natural Resources  
Division of Forestry

2018



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on Nevada's Division of Forestry issued on October 29, 2018. Legislative Auditor report # LA18-21.

## Background

Nevada's Division of Forestry (NDF) was established in 1957 within the State Department of Conservation and Natural Resources. NDF's core mission is to protect, conserve, and enhance the state's natural resources and provide protection from wildfire. To support its mission, NDF manages and coordinates all forestry, nursery, endangered plant species, and watershed resource activities on qualified public, state, and private lands.

NDF's programs include Wildland Fire Protection Program, Fire Suppression, Conservation Camps, and Forestry Nurseries.

In fiscal year 2017, NDF was primarily funded with appropriations of \$24.2 million, program revenues of \$4.7 million, and federal grants totaling \$3.1 million. As of April 2018, NDF had 160 filled positions located in its Carson City, Elko, Ely, Carlin, Las Vegas, Minden, Pioche, Tonopah, Washoe Valley, Wells, and Winnemucca offices and conservation camps. During fire season, NDF hires up to 74 additional staff on a seasonal basis. NDF is headquartered in Carson City and operates three regional offices in Elko, Las Vegas, and Washoe Valley.

## Purpose of Audit

The purpose of this audit was (1) to evaluate financial and administrative controls related to certain contracts and cooperative agreements and determine whether they comply with state laws, regulations, and other requirements; and (2) to evaluate the effectiveness of operations and administrative controls over the Nursery Program. The scope of our audit included a review of certain financial and administrative processes over the Conservation Camp Program contracts, the Wildland Fire Protection Program, and the Nursery Program operations during fiscal years 2015 through 2017.

## Audit Recommendations

This audit report contains 12 recommendations to improve administrative and financial controls over Conservation Camp Program contracts, the Wildland Fire Protection Program, and Nursery Program operations.

NDF accepted the 12 recommendations.

## Recommendation Status

NDF's 60-day plan for corrective action is due on January 29, 2019. In addition, the six-month report on the status of audit recommendations is due on July 29, 2019.

# Division of Forestry

## State Department of Conservation and Natural Resources

### Summary

Nevada's Division of Forestry (NDF) can improve controls over contract administration of Conservation Camp Program projects and Wildland Fire Protection Program (WFPP) interlocal agreements. Conservation camp projects were often completed without properly executed contracts in place. Additionally, documentation was frequently not sufficient to justify reduced-rate and non-reimbursable projects. For the WFPP, the Division should also formalize the rate setting process and document assumptions used to establish future participant rate assessments. Current rates cannot be recalculated as supporting documentation and assumptions were not maintained. Finally, administration of non-fire suppression services can be enhanced to include uniform documentation of projects requested by participants and performed by staff, and to improve tracking and communicating the value of services provided to participating jurisdictions.

NDF can improve the effectiveness of its operations and administrative controls over the Nursery Program. Improvements include restructuring its strategic plan and implementing consistent operating practices at both locations to enhance the fiscal sustainability of the program. We found sales discounts were often given without adequate documentation to determine the appropriateness of the discount. NDF's processes are also not sufficient to verify or enforce certain statutory and regulatory requirements limiting sales to conservation purposes. Finally, controls over growing agreements need significant improvement.

### Key Findings

Conservation camp projects were often completed without a properly executed agreement in place. Agreements for 17 of 56 (30.4%) projects we requested during fiscal years 2016 and 2017 could not be provided by NDF. Of the 39 conservation camp agreements received, 24 (66.6%) did not have adequate approvals. Additionally, three project agreements (7.7%) were dated and signed after work had commenced. Having a properly executed project contract prior to work commencing is important because without a contract in place, the State could be liable for injury or damages caused by conservation camp crews or could result in lost revenues to the Division. (page 7)

Non-reimbursable and reduced rate conservation camp projects were often not properly approved or did not include supporting documentation for reduced rates. Of 30 nonstandard rate agreements reviewed, 9 (30%) agreements did not include a Project Type and Rate Justification Form. Additionally, 18 of 20 (90%) nonstandard rate agreements that included a justification form did not include sufficient supporting description or details indicating how the appropriateness of the reduced rate was determined. Furthermore, none of the 20 nonstandard rate agreements with justification forms had evidence of area supervisor or Carson City office review or approval on the form. (page 8)

County representatives in participating jurisdictions indicated they are satisfied with the services provided by NDF through the WFPP, although we found oversight and management of the program can be improved. NDF should formalize and document the formula for calculating future county assessment rates. Existing rates cannot be recalculated as supporting documentation and assumptions were not maintained. Non-fire suppression projects requested by participants, and performed under the WFPP should be uniformly documented. Furthermore, when these types of projects are performed, costs associated with non-fire suppression projects should be tracked and communicated to participating jurisdictions. (page 9)

Our review of NDF's Nursery Program's strategic plan and operations identified various opportunities for improvement including maintaining a current and relevant plan with specifically defined objectives and goals. Opportunities include updating the plan to provide product pricing, operational guidance, and consistency between locations to set the direction for the nurseries' operations. Additionally, the plan should identify long-term goals and corresponding actions to solidify the Nursery Program's long-term viability. (page 14)

Nurseries' pricing practices were inconsistent and not adequately documented, even though plant pricing is required to be formalized by the State Forester and approved by the Director of the State Department of Conservation and Natural Resources. Consistent pricing, based on an evaluation of operations and cost, will help ensure prices are adequately covering the costs of operations. (page 16)

Controls over cash receipts at nurseries need to be strengthened due to limited segregation of duties. Our review of bank deposits also identified control weaknesses over revenues recorded for each nursery location, and NDF's fiscal staff do not reconcile received and recorded revenues in the nursery sales system to what is recorded in the state accounting system. Controls to compensate for lack of segregation of duties are important in ensuring funds are safeguarded. (page 18)

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This report contains the findings, conclusions, and recommendations from our performance audit of the State Department of Conservation and Natural Resources, Division of Forestry. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes 12 recommendations to improve administrative and financial controls over Conservation Camp Program contracts, the Wildland Fire Protection Program, and Nursery Program operations. 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,



Rocky Cooper, CPA  
Legislative Auditor

September 17, 2018  
Carson City, Nevada

# Division of Forestry

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# Introduction

## Background

Nevada's Division of Forestry (NDF) was established in 1957 within the State Department of Conservation and Natural Resources. NDF's core mission is to protect, conserve, and enhance the state's natural resources and provide protection from wildfire. To support its mission, NDF manages and coordinates all forestry, nursery, endangered plant species, and watershed resource activities on qualified public, state, and private lands. NDF also cooperates with other state agencies to coordinate and respond to natural disasters including floods and earthquakes.

NDF's programs include:

- Wildland Fire Protection Program: A cooperative arrangement, counties voluntarily opt-in to, which provides professional natural resource and wildland fire management services to Nevada citizens.
- Fire Suppression: Provides resources and funding for expenses incurred during fire suppression and other emergency responses necessary to protect life, property, and natural resources in the State.
- Forestry Conservation Camp Program: Coordinates, directs, and supervises forestry, conservation, and other work projects performed by inmates from the Department of Corrections. Inmates reside in Forestry conservation camps (minimum security prisons) located around the State. It provides a workforce to assist the Division in fulfilling its natural resource protection and enhancement missions.
- Forestry Nurseries: Provides technical assistance and conservation plant materials acclimated to Nevada's environmental conditions. Comprised of two nursery

facilities, one in Washoe Valley and one in Las Vegas Valley.

### Budget and Staffing

In fiscal year 2017, NDF was primarily funded with appropriations of about \$24.2 million, program revenues of \$4.7 million, and federal grant funds totaling \$3.1 million. Exhibit 1 shows NDF's revenues and expenditures related to the five operating accounts.

## Revenues and Expenditures – Operating Budget Accounts Fiscal Year 2017

Exhibit 1

Revenues	Wildland Fire Protection Program	Forestry	Fire Suppression	Conservation Camps	Forestry Nurseries	Total
Beginning Cash	\$2,359,067	\$ 2,203,448	\$ 1,859,259	\$ 31,866	\$ 630,676	\$ 7,084,316
State Appropriations	50,000	8,296,778	8,563,934	7,240,961	-	24,151,673
Wildland Fire Protection Program Fees	1,762,500	-	-	-	-	1,762,500
Program Revenues <sup>(1)</sup>	-	56,766	4,005	2,429,740	444,073	2,934,584
Reimbursements	-	456,510	2,993,979	-	342	3,450,831
Federal Funds	-	2,585,571	558,971	-	-	3,144,542
Transfers	-	847,214	-	57,101	78,535	982,850
<b>Subtotal</b>	<b>\$4,171,567</b>	<b>\$14,446,287</b>	<b>\$13,980,148</b>	<b>\$9,759,668</b>	<b>\$1,153,626</b>	<b>\$43,511,296</b>
Less: Carried forward to FY 2018	(2,975,688)	-	-	-	(718,540)	(3,694,228)
Less: Reverted to the General Fund	-	(2,958,490)	(1,898,346)	(934,730)	-	(5,791,566)
<b>Total Revenues</b>	<b>\$1,195,879</b>	<b>\$11,487,797</b>	<b>\$12,081,802</b>	<b>\$8,824,938</b>	<b>\$ 435,086</b>	<b>\$34,025,502</b>
<b>Expenditures</b>						
Personnel	\$1,087,550	\$ 5,545,053	\$ 3,144,477	\$6,216,057	\$ 196,079	\$16,189,216
Camp, Intragovernmental, and Nursery	50,000	49,754	8,584,985	993,743	221,280	9,899,762
Operating, Equipment, and Maintenance	28,362	2,887,891	-	1,063,563	9,716	3,989,532
Grants	-	2,386,332	345,468	111,812	-	2,843,612
State Assessment and Cost Allocations	5,214	475,996	6,872	279,706	7,687	775,475
Fire Related/Suppression	8,995	77,361	-	77,861	324	164,541
Other <sup>(2)</sup>	15,758	65,410	-	82,196	-	163,364
<b>Total Expenditures</b>	<b>\$1,195,879</b>	<b>\$11,487,797</b>	<b>\$12,081,802</b>	<b>\$8,824,938</b>	<b>\$ 435,086</b>	<b>\$34,025,502</b>

Source: State accounting system.

<sup>(1)</sup> Program revenues include conservation camp, nursery, forest products, seed bank, equipment rental, and rebates.

<sup>(2)</sup> Other expenditures include in-state and out-of-state travel and training.

As of April 2018, NDF had 160 filled positions located in its Carson City, Elko, Ely, Carlin, Las Vegas, Minden, Pioche, Tonopah, Washoe Valley, Wells, and Winnemucca offices and conservation camps. During fire season, NDF hires up to 74 additional staff on a seasonal basis. NDF is headquartered in Carson City and operates three regional offices in Elko, Las

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Vegas, and Washoe Valley. Additionally, NDF oversees interagency dispatch centers located in Minden and Elko that coordinate fire management activities and resource movements with other state and federal agencies. NDF also participates in dispatch centers located in Las Vegas and Winnemucca.

### **Conservation Camp Program**

The Conservation Camp Program was established in 1958. This program coordinates, directs, and supervises forestry, conservation, and other work projects performed by inmates from the Department of Corrections. These inmates reside in Forestry conservation camps (minimum security prisons) located around the State. The program's objective is to provide for the safety and wellness of the residents of the State of Nevada through responses to emergencies and non-emergencies alike.

The program provides a cost-effective workforce for conservation, labor-intensive projects, community assistance, fuels management, wildland fire suppression activities, and other emergency responses. There are currently nine conservation camps under the supervision of NDF. The nine camp locations throughout the State of Nevada are: Eastern Sierra, Humboldt, Tonopah, Carlin, Wells, Ely, Three Lakes Valley, Jean, and Pioche. There are approximately 74 inmate crews in the 9 conservation camps statewide.

The camp program's goal is to provide an affordable work force using inmate labor to support local state, federal, county, city, private, and non-profit organizations and earn project revenue. NDF is authorized to enter into agreements for the camp program to utilize inmates assigned to conservation camps in performing appropriate conservation projects within the State for any other local, state, or federal agency. In fiscal year 2017, the camps received \$7.2 million in General Fund appropriations and generated over \$2.4 million in project revenue, net of approximately \$389,000 in discounts given for reduced-rate projects. Conservation camp crews also performed non-reimbursable projects with an estimated total value of over \$1.8 million in fiscal year 2017. The camp program can undertake

reduced-rate or non-reimbursable projects when full-rate projects are not available, or in conjunction with other NDF objectives.

### **Wildland Fire Protection Program**

The Wildland Fire Protection Program (WFPP) was established during the 2013-2015 Biennium as a voluntary, interlocal cooperative arrangement between NDF and local governments to provide wildland fire management services. This program was established to replace and assist in the transition from the NDF Intergovernmental All-Risk Fire Management Program, which sunset at the end of fiscal year 2015. WFPP's services include: fire suppression; organizing, equipping, and training firefighters; and providing technical assistance with hazardous fuels reduction/modification projects. NDF will also assist in non-wildland fire emergencies, which threaten human life or property, under these agreements. The WFPP is funded through fees paid by the participating jurisdictions.

In fiscal year 2017, NDF received \$1.8 million from WFPP participating jurisdictions. As of June 30, 2017, 20 jurisdictions, in 13 of the 17 Nevada counties, have opted to participate in the WFPP. Jurisdictions enter into biennial agreements and pay annual amounts to participate in the WFPP. Exhibit 2 on page 10 shows the participating counties and related jurisdictions for WFPP in fiscal years 2018 and 2019.

### **Nursery and Seedbank Program**

The Nursery Program was first established in 1957 to provide technical assistance and conservation plant materials. The nurseries produce low cost native or adapted plant species, acclimated to Nevada's environmental conditions, for conservation purposes including: establishment of windbreaks, wildlife habitat enhancement, and rehabilitation of wildfire-damaged lands. The nurseries also offer custom growing services for conservation plants native to or adapted to the Mojave Desert, Great Basin Desert, and Sierra Nevada. The Nursery Program has two facilities, one located in Washoe Valley and the other in Las Vegas Valley. The Seedbank Program, co-located with the nursery in Washoe Valley, provides seed, equipment, and other materials to rehabilitate wildland fire and fire suppression related



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damages and assists private landowners and public agencies with conservation treatments on their lands.

The Nursery Program is designed to be self-sustaining, receiving operating funds based on the sale of conservation plant materials and forest products. In fiscal year 2017, the nurseries combined generated \$181,000 in sales revenues and the Seed Bank generated over \$187,000 in sales revenues.

## **Scope and Objectives**

The scope of our audit included a review of certain financial and administrative processes over the Conservation Camp Program contracts, the Wildland Fire Protection Program, and the Nursery Program operations during fiscal years 2015 through 2017. Our audit objectives were to:

- Evaluate financial and administrative controls related to certain contracts and cooperative agreements and determine whether they comply with state laws, regulations, and other requirements.
- Evaluate the effectiveness of operations and administrative controls over the Nursery Program.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

# Contract Administration Needs Improvement

Nevada's Division of Forestry (NDF) can improve controls over contract administration of Conservation Camp Program projects and Wildland Fire Protection Program (WFPP) interlocal agreements. Conservation camp projects were often completed without properly executed contracts in place. Additionally, documentation was frequently not sufficient to justify reduced-rate and non-reimbursable projects. For the WFPP, counties participating in the program are satisfied with the program and expressed their support for the program to continue. However, NDF should formalize the process and document assumptions used to establish future participant rate assessments. Current rates cannot be recalculated as supporting documentation and assumptions were not maintained. Finally, administration of non-fire suppression services can be enhanced to include uniform documentation of projects requested by participants and performed by staff, and to improve tracking and communicating the value of services provided to participating jurisdictions.

In our last audit of NDF issued in 2013, we issued six recommendations related to the Conservation Camp Program. While the audit follow-up process indicated our prior recommendations were fully implemented following that audit, this audit identified areas where prior recommendations were, in part, no longer fully implemented. As a result, additional enhancements to controls over conservation camp projects are recommended in this section.

## **Conservation Camp Project Contracting Process Should Be Enhanced**

Controls over conservation camp project contracting activities should be enhanced. Conservation camp projects were frequently completed by camp crews without having a properly executed agreement in place. Additionally, non-reimbursable and reduced rate conservation camp agreements were often not properly

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approved or did not include supporting documentation for reduced rates. Contracts were also not always available for billing rate verification by the Carson City office. Adequate contracting practices help protect against lost revenues and potential liabilities, and mitigate potential contract disputes.

### **Project Agreements Not Properly Executed**

Conservation camp projects were often completed without a properly executed agreement in place. NDF could not provide 17 of the 56 (30.4%) agreements from fiscal years 2016 and 2017 that we requested. Of the 39 conservation camp agreements received, 24 (66.6%) did not have adequate approvals. Although project agreements contained camp supervisor signatures, the area supervisor and/or Carson City office signature, required by policy, were not obtained. Additionally, three project agreements (7.7%) were dated and signed after work had commenced. Having a properly executed project contract prior to work commencing is important because the State could be liable for injury or damages caused by conservation camp crews or could result in lost revenues to the Division.

Conservation camp agreements are relatively simple documents that include standardized legal language and a description of the agreed-upon services. They also include a financial estimate of the cost of the project and a rate justification form discussed later in the report. Completion of the agreement does not require significant resources.

Even though NDF's policies require agreements to be in place and identify required approvals before commencing work, some conservation camp staff were not aware that a contract is needed for all project types, including non-reimbursable and one-day projects. Consequently, management needs to enhance its oversight to ensure contracts are properly executed consistent with existing policies and procedures. This matter was addressed and had a recommendation in our previous audit of NDF issued in 2013.

### **Project and Rate Justification Forms Need Approvals**

Non-reimbursable and reduced rate conservation camp projects were often not properly approved or did not include supporting documentation for reduced rates. Of 30 nonstandard rate agreements reviewed, 9 (30%) agreements (4 non-reimbursable and 5 reduced rate projects) did not include a Project Type and Rate Justification Form. This form is required to document justification for reduced rate and non-reimbursable services. One agreement was a long-term agreement that predated the justification form. Additionally, 18 of 20 (90%) nonstandard rate agreements that included a justification form did not include sufficient supporting description or details indicating how the appropriateness of the reduced rate was determined. Furthermore, none of the 20 nonstandard rate agreements with justification forms had evidence of area supervisor or Carson City office review or approval on the form.

These deficiencies occurred due to incomplete policies and procedures and insufficient management oversight over these project agreements. Nonstandard rate projects are negotiated and billed at less than standard rates as determined by NDF and the recipients' ability to pay. If nonstandard rate projects are not adequately reviewed and approved, potential revenues could be lost.

NDF management indicated project discounts were verbally approved by appropriate camp program management, but there was no record of the approval. NDF project guidelines require a justification form be submitted with each nonstandard rate project contract, but do not contain requirements for calculating nonstandard rates or the type of documentation needed to support rates given. In response to this finding, NDF management promptly informed staff all new agreements will require signatures by camp program management, in addition to the camp supervisor's signature. This matter also had a recommendation in our previous audit of NDF.

Of approximately 522 projects performed in fiscal years 2016 and 2017, 39.1% were reduced rate and 32.4% were non-reimbursed. For fiscal years 2016 and 2017, NDF estimated the value of non-

reimbursed projects at \$1.2 million, excluding training crews and crew work done at NDF facilities. The non-reimbursed projects include contractually obligated work at the Carlin conservation camp. During the same period, the total value of discounts provided by NDF on reduced rate projects was approximately \$1.5 million. Considering the significance of the discounted services, non-reimbursed and reduced rate projects need documented review by camp program management to determine if the discount is appropriate and whether the project meets the stated goals of the camp program. Furthermore, considering the Legislature has mandated the camp system generate revenue, the program risks generating insufficient revenues when rates for nonstandard rate projects are not adequately controlled.

#### **Invoice Rates Could Not Always Be Verified**

Contracts were not always available on the NDF shared computer drive at the Carson City Office. As a result, some invoiced rates could not be verified for accuracy by NDF billing staff. Our review of 27 project billings revealed invoices were generally processed properly and mathematically accurate. However, 2 of 27 (7.4%) invoices were billed incorrectly and 3 (11.1%) were billed using an expired contract's rate. When agreements are not saved on a shared drive location, the billing staff cannot verify invoiced rates or that a valid agreement exists. If invoices are not billed correctly, revenues could be lost. This matter was also addressed and had a recommendation in our previous audit of NDF.

### **Wildland Fire Protection Program Oversight Can Be Improved**

County representatives in participating jurisdictions indicated they are satisfied with the services provided by NDF through the WFPP, although we found oversight and management of the program can be improved. NDF should formalize and document the formula for calculating future county assessment rates. Existing rates cannot be recalculated as supporting documentation and assumptions were not maintained. Non-fire suppression projects requested by participants and performed under the WFPP should be uniformly documented. Furthermore, when these types of projects are performed, costs associated with non-fire suppression projects should be tracked and communicated to participating jurisdictions.

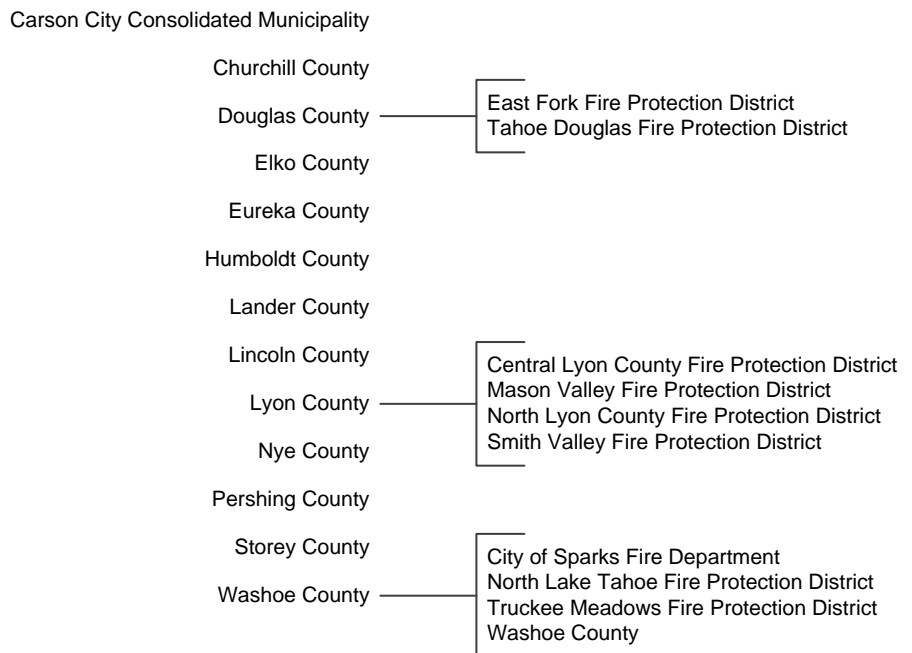
### Jurisdictions Satisfied With WFPP Services

Participating jurisdictions are satisfied with the services provided by NDF under the WFPP. We surveyed 13 of 20 participating jurisdictions regarding services provided under the WFPP and all expressed their support of the program. Jurisdictions cited the program as a necessity, including those that had not yet utilized the wildland fire suppression services. They also cited the program's value and need for the WFPP to continue for the future.

Exhibit 2 details the participating jurisdictions in the WFPP for fiscal years 2018 and 2019.

### Wildland Fire Protection Program Participating Jurisdictions Fiscal Years 2018 through 2019

### Exhibit 2



Source: Auditor prepared from NDF records.

### Assessment Cost Calculation Process Being Developed

NDF management indicated it is currently working to formalize and document a formula for calculating future assessment rates. The new assessment calculation will be driven by historical fire costs for participating jurisdictions as well as other factors to be defined as the process is developed. Management also indicated

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it has been working with other similar programs to identify best practices that could be adapted to and incorporated into the program based on the state's unique needs.

The WFPP was first created and implemented in fiscal year 2014. When the assessments were initially created, management indicated they were determined based on fire experience, which included response and resource capacity, experience and professional judgment of senior fire staff, and general cost estimates. Because supporting documentation for the original rate assessments and related methodologies was not maintained, we were unable to recalculate and verify the accuracy or reasonableness of the rates. Documenting and formalizing the assessment setting process will help ensure equitable and supportable rates are established in the future based on consistent and approved criteria.

While participating jurisdictions are happy with the services provided, some must justify re-signing the agreement to stakeholders biennially. Documentation of the assessment formula is fundamental. In the event jurisdictions request assessment explanations to support re-signing the interlocal agreements, NDF should be able to recalculate and provide supporting documentation to explain how the assessments were established.

### **Oversight and Communication Enhancements Needed**

NDF can improve WFPP project oversight and communication with participating jurisdictions. Jurisdictions noted they do not receive reports of resources or services actually provided to them under the WFPP. Communication with participating counties and jurisdictions could be improved to provide participants with a record of services provided and associated values.

The WFPP includes assistance with training and technical assistance with hazardous fuels reduction projects, in addition to fire suppression services. NDF assists with and completes these non-fire suppression projects, although oversight can be improved. This should include uniform documentation of projects requested by participating jurisdictions and performed by NDF

staff including tracking costs and estimated values for projects completed.

Project oversight is also not consistent or uniform. NDF Regional Fire Management Officers document jurisdictions' requests for services, but there is no consistency throughout the regions. This information is also not centrally reported. Although some tracking of certain projects does occur for federal partners for grants, the costs associated with non-fire suppression projects are not communicated to management for WFPP tracking.

Tracking and reporting may not occur because NDF does not have processes in place to ensure WFPP non-fire suppression projects and related costs are communicated to fiscal staff. If adequate information was captured and communicated to fiscal staff and management, a cost/benefit analysis for participants could be prepared. This is pertinent considering participants must justify the cost of participation with stakeholders in their respective local governments. This information may also be useful in helping encourage nonparticipating jurisdictions to understand the value of participation.

### **Recommendations**

1. Develop controls to ensure compliance with existing policies and procedures requiring a project agreement be executed and properly approved, prior to project commencement, and submitted to the Carson City office.
2. Enhance current policies and procedures over nonstandard rate projects to include documenting the rationale used to determine and calculate a nonstandard rate, and to require documentation and review of appropriate management approval of all nonstandard rate projects.
3. Formalize and document Wildland Fire Protection Program assumptions and processes for calculating future assessment rates charged to counties.
4. Develop written policies and procedures over the Wildland Fire Protection Program to standardize documentation of



oversight and activity requests for non-fire suppression activities from participants.

5. Develop a process to communicate with jurisdictions the Wildland Fire Protection Program resources and services provided on their behalf.

# Significant Opportunities Exist to Improve Nursery Operations

NDF can improve the effectiveness of its operations and administrative controls over the Nursery Program. Improvements include restructuring its strategic plan and implementing consistent operating practices at both locations to enhance the fiscal sustainability of the program. We found sales discounts were often given without adequate documentation to determine the appropriateness of the discount. NDF's processes are also not sufficient to verify or enforce certain statutory and regulatory requirements limiting sales to conservation purposes. Finally, controls over growing agreements need significant improvement.

## **Strategic Planning Needed to Strengthen Program**

Our review of NDF's Nursery Program's strategic plan and operations identified various opportunities for improvement including maintaining a current and relevant plan with specifically defined objectives and goals. Opportunities include updating the plan to provide product pricing, operational guidance, and consistency between locations to set the direction for the nurseries' operations. Additionally, the plan should identify long-term goals and corresponding actions to solidify the Nursery Program's long-term viability.

### **Strategic Plan Needs Updating**

NDF's strategic planning documents that address the Nursery Program are outdated and underutilized in the nurseries' operations. Developed in 2005, the primary strategic plan contains information that is no longer applicable and goals and objectives that are not followed or implemented. A strategic plan is a critical component of a successful program, especially considering the program is self-funded.

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Management indicated it is taking steps to improve the strategic planning process, including developing a plant material program strategic plan. This plan will include goals and strategies related to product pricing, plant production, and program marketing. A successful strategic plan enhances decision-making by improving internal communication and identifying long-term goals and factors affecting the agency. Without fundamental strategic planning components, NDF may have difficulty determining and communicating what it hopes to accomplish, and how it will accomplish its mission and goals in the upcoming years.

### **Evaluate Operating Practices to Increase Efficiency**

An analysis of operational practices, including evaluating the effectiveness of the hours and days nurseries are open to the public, could improve effectiveness in the Nursery Program. Nursery management indicated daily operations are left up to each nursery manager. Although NDF management indicated its future strategic plan may include increased focus on contracts with commercial customers, the resources dedicated to walk-in customers may be better allocated based on updated objectives for the nurseries.

The days nurseries are open to the public are not consistent between the Washoe and Las Vegas locations. The Las Vegas Nursery is open from Monday to Thursday year-round, and open on a few select Fridays and Saturdays. In comparison, the Washoe Nursery is open Thursday to Saturday, May through October.

Our analysis indicates the Washoe Nursery location may be providing better opportunities for the general public and private landowners to access the nursery. The Washoe Nursery's sales on Saturdays yielded 39% of its sales transactions in fiscal years 2015 through 2017. In contrast, the Las Vegas Nursery was only open for 11 Saturdays during the same period, but still recorded 28% of its sales transactions on those 11 days. This suggests an opportunity for additional sales may exist on Saturdays when more individuals may be able to visit the nursery.

## **Pricing Practices Not Consistent**

Nurseries' pricing practices were inconsistent and not adequately documented, even though plant pricing is required to be formalized by the State Forester and approved by the Director of the State Department of Conservation and Natural Resources (Department). Consistent pricing, based on an evaluation of operations and cost, will help ensure prices are adequately covering the costs of operations.

Our review of sales recorded in the nursery sales system for fiscal years 2015 through 2017 identified the following:

- The Las Vegas Nursery charged 2 or more prices for 65% of the 248 unique variety and sizes of plants sold during that period.
- The Washoe Nursery charged 2 or more prices for 38% of the 310 unique variety and sizes of plants sold over the same 3 fiscal years.
- Over half of the 40 discounts tested at both nurseries did not have approvals documented for the discounts given.
- Three of seven voided transactions reviewed, of 49 total voids, did not contain approvals or explanations for voided transactions.

In practice, most discounts are given by the nursery managers at their discretion. While discounting slow selling or under-performing flora is a common best practice, there is not sufficient documentation of approval or explanation for the discount amount. The existing fee schedule also did not contain any provisions for such discounts. Furthermore, neither nursery location maintains records of special pricing dates or discount amounts for plants.

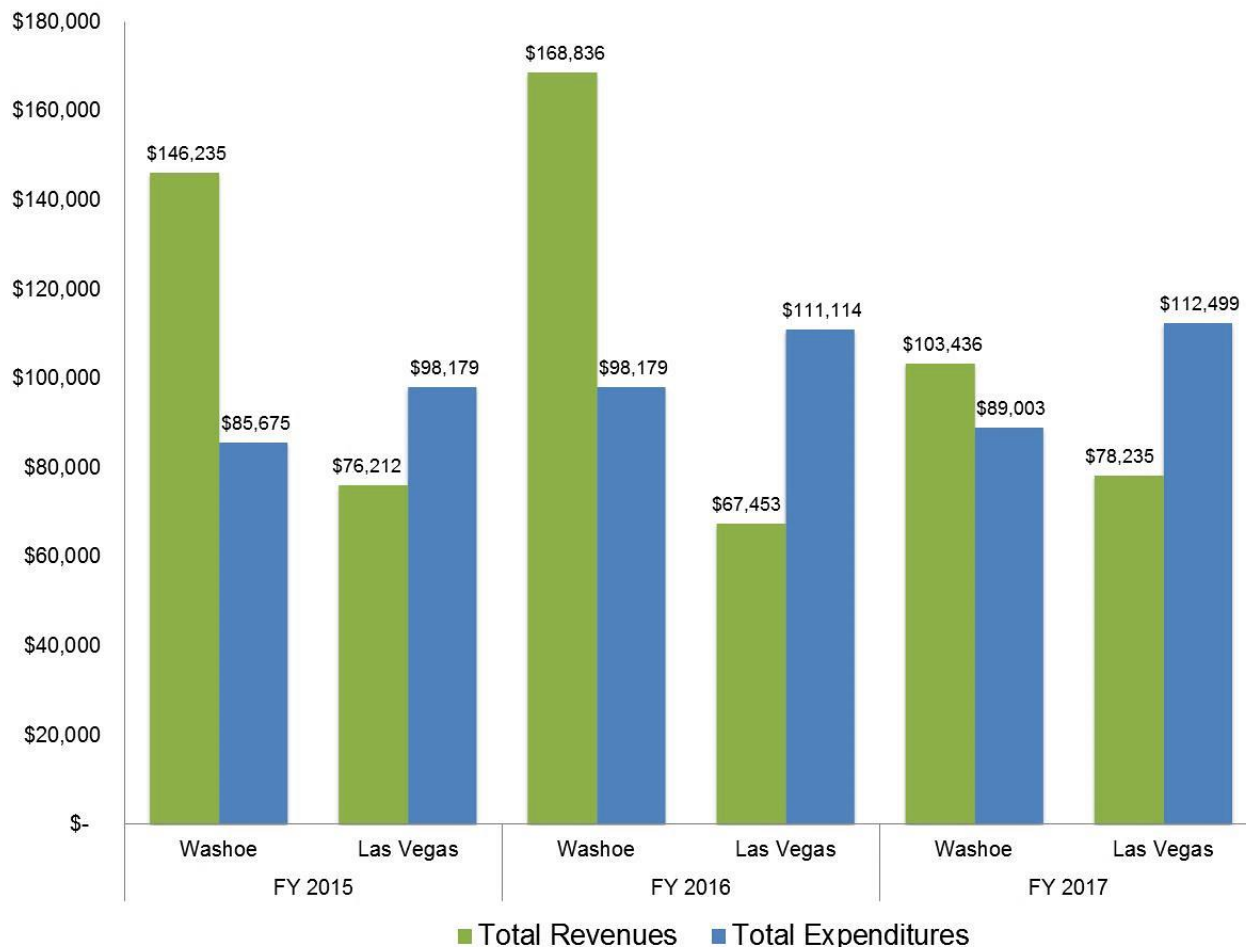
The plant pricing structure was last updated in 2013, but NDF did not maintain evidence that the pricing changes were approved by the Department's Director, as required by NRS 528.105. Since 2013, no review has been performed to determine if the current pricing and sales levels are sufficient to cover each location's expenditures. If revenues are lost from unwarranted discounts, the program could suffer losses and no longer be a viable source

of native and adaptive plants needed for conservation purposes. Further, if sales revenues do not cover the program costs for producing each size and species of plant, the program may not be sustainable.

Exhibit 3 compares the revenues and expenditures for the Washoe and Las Vegas nursery locations by fiscal year for 2015, 2016, and 2017.

**Nursery Program Revenues and Expenditures by Location  
Fiscal Years 2015 through 2017**

**Exhibit 3**



Source: Auditor prepared from nursery sales data and the state accounting system.

Note: Las Vegas Nursery expenditures include a \$20,670 annual repayment to the General Fund for the cost of renovating the nursery.

**Enhanced  
Compensating  
Controls Can  
Ensure  
Revenues Are  
Recorded and  
Safeguarded**

Controls over cash receipts at nurseries need to be strengthened due to limited segregation of duties. Because of minimal staffing at the nurseries, the same person is frequently receiving and logging the revenue into the sales system, and preparing the bank deposits. Our review of bank deposits also identified control weaknesses over revenues recorded for each nursery location. In addition, NDF's fiscal staff do not reconcile received and recorded revenues in the nursery sales system to what is recorded in the state accounting system. Controls to compensate for lack of segregation of duties are important in ensuring funds are safeguarded.

Although our review of the nurseries' deposits over a 3-year period identified only 6 deposits totaling about \$7,600 that did not agree to state accounting records, reconciliations of deposit records to the state accounting system need to be completed. We found the six deposits were miscoded in the state accounting system or were not recorded in the sales system. Without compensating internal controls addressing the lack of segregation of duties at each nursery location, NDF lacks assurance that all revenue received has been deposited and recorded correctly. Moreover, loss or theft of funds could occur and go undetected without proper compensating controls in place. NDF collected and deposited approximately \$640,000 in sales revenue for both nursery locations over the last 3 fiscal years.

Four of twenty deposits tested were not deposited within the timeframe required by NRS 353.250. The four deposits totaled about \$40,000 and were made, on average, only 3 days late. However, the revenue collection process at the nurseries lacks separation of duties and more than 10% (\$4,200) of the \$40,000 was cash. As such, timely deposits help reduce the risk of loss or theft especially when compensating controls, such as reconciliations, do not occur.

**Physical  
Addresses Not  
Always Collected  
for Sales**

Order forms used for walk-in customer plant sales are not consistently filled out entirely, including signatures or physical addresses of customers needed to determine eligibility. Nursery staff should ensure and require private landowner customers to fill out order forms prior to a sales transaction. There are currently

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no policies or procedures in place that require this, but management indicated it is developing policies and procedures specific to the Nursery Program.

Our review of 30 order forms in one nursery location identified the following:

- Thirteen (43%) did not contain a physical address on the order form or in the sales system.
- Twenty-three (77%) did not identify the qualifying reason for purchasing plants, defined in statute, on the order form.
- Twelve (40%) did not have the customer's signature present on the order form.

A physical address is needed to verify compliance with Nevada Administrative Code's (NAC's) criteria requiring private sales only to those residing outside city limits and on over an acre of land. Sale of plant material also should only be made for conservation purposes as defined in statute and regulation for sales made directly to private landowners. Management indicated nursery staff do not verify addresses but rely upon customers to certify their eligibility through a signature, although signatures were frequently not required as noted above.

Not all nursery sales were in compliance with applicable regulations. For those sales records where an address was included, we used geographic mapping software to identify sales to addresses that may not be in compliance with the regulatory requirements. Our analysis of all sales recorded in the sales system during fiscal years 2015 through 2017 identified the following:

- Of 2,337 Washoe customers in the nursery sales system, 1,159 were unique, valid, and complete Nevada physical addresses. Of those, 211 (18%) addresses were potentially unqualified addresses as they fell within the city limits or in Carson City's designated urban area.

- Of 497 Las Vegas customers, 251 were unique, valid, and complete addresses. Of those, 158 (63%) were within Las Vegas city limits and potentially disqualifying.

Some of the potentially disqualifying purchases could have been made by commercial entities and thus eligible regardless of their location. However, NDF's records, including the order forms, did not include enough information to determine whether purchases were to private individuals or commercial entities. While verifying the address for every sales transaction may not be practical, ensuring necessary information on the application is filled out before a sale is necessary to be able to verify compliance.

## **Nursery Contracting Process Could Be Improved**

NDF's Nursery Program needs to improve its contracting processes. Contracts and growing agreements (agreements) were not always maintained or properly signed. If agreements are not properly and fully executed with proper approvals, it could expose NDF to potential liabilities, price disputes, over production, and unsellable plants.

Enhanced policies and procedures are needed to address areas for improvements noted in our testing as follows:

- Signatures were not consistently obtained for agreements. We reviewed 14 agreements, totaling almost \$371,000; of those, 5 did not contain appropriate NDF approval, and 7 did not contain customer signatures. There are also no policies or procedures in place to guide staff how these contracts should be executed and information maintained.
- A complete and accurate historical list of growing agreements did not exist at either nursery. Although a spreadsheet of current agreements was maintained, a process has not been established to consistently record past agreements.
- Nonstandard, discounted prices were given in 10 agreements we reviewed, and the agreements did not include supporting documentation for the rates charged. The discounts provided were generally consistent with



volume discounts described by nursery management. However, this practice is not documented in policies and procedures. While providing volume discounts may be a good business practice, procedures are needed to document guidelines for consistent pricing practices. Established procedures would help ensure equitable pricing for volume discounts and may encourage volume purchases to help increase sales.

- Contract deposit requirements are not consistent and were only required in 5 of the 14 agreements we reviewed. Per the Nursery Manager, deposits are only required during certain circumstances, including difficult to grow plant species. While explanations by staff are reasonable and logical for when a deposit is required, developing policies and procedures detailing the judgmental factors that should be considered when determining whether to require a deposit would help protect NDF against growing unsellable products.

Developing policies and procedures to address these areas will help clearly define terms and deliverables, and safeguard the nursery against potential liabilities and undue plant production costs on unsellable plants.

### **Recommendations**

6. Update and restructure the Nursery Program's strategic plan to include updated objectives and related strategies, and ways to increase customer base and revenue.
7. Evaluate and update the pricing structure of flora, consistent with NRS 528.105, to optimize revenues and to ensure the long-term sustainability of the program.
8. Develop written policies and procedures over recording nursery sales to include documentation of circumstances and timeframes under which discounts or voids are applicable and appropriate.
9. Establish a process and develop policies and procedures to compare and reconcile sales recorded in the nursery sales

system to deposit amounts recorded in the state accounting system for each nursery location.

10. Improve efforts to ensure statutory and regulatory requirements for sales to private parties are adhered to by requiring customers' physical addresses before processing sales, and requiring customers' signatures on the forms to acknowledge proper use of conservation materials.
11. Develop written policies and procedures for records maintenance that ensure information related to nursery contracts is historically accurate and contracts are easily retrievable.
12. Develop written policies and procedures over nursery contracts and growing agreements to define circumstances under which deposits are required and associated deposit percentages, to ensure proper approvals are obtained prior to contract and growing agreement commencement, and to ensure equitable pricing practices are followed for volume discounts.

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# Appendix A

## Audit Methodology

To gain an understanding of Nevada's Division of Forestry (NDF), we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to NDF's operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing NDF's operations. Furthermore, we documented and assessed internal controls relating to the Conservation Camp Program, the Wildland Fire Protection Program (WFPP), and the Nursery Program.

To evaluate NDF's administrative controls over conservation camp contracts, we obtained a listing of all non-reimbursable, reduced-rate, and full-rate projects performed by the nine camps (about 522 projects in fiscal years 2016 and 2017). We verified the completeness and accuracy of each list by comparing 20 randomly selected projects to agency files. We judgmentally selected 45 projects from the lists that resulted in 56 total cooperative agreements, based on the largest project amount and cooperator. We verified agreements were valid for the invoice period selected, or the months noted on the list.

Then we tested agreements for appropriate approval obtained prior to the project start date and if supporting documentation of a nonstandard rate was present. We verified invoiced amounts matched the contract rate and contained proper approval. Additionally, we verified with management whether approvals were not needed or obtained for non-reimbursable and reduced-rate projects.

To identify how WFPP assessment amounts were established, we held discussions with NDF management regarding the methodology for the cost calculation, and confirmed with management our understanding of the undocumented

assessment rates and supporting documentation. Next, we inquired of staff if and how costs and requests have been tracked for WFPP participants, and requested a policy discussing WFPP oversight and documentation of project requests. We also asked if WFPP project information is communicated to WFPP fiscal staff to identify services and costs provided to WFPP participating and non-participating jurisdictions.

To obtain counties' opinions regarding the WFPP, we contacted all 17 participating WFPP county jurisdictions. We contacted the contract-listed jurisdiction representative and inquired with those 13 representatives that responded, regarding their requests of contract services, and their satisfaction or concerns with contract fulfillment.

To review administrative controls over the Nursery Program, we held discussions with management to determine who approves nursery staff schedules and hours of operation. To analyze sales data, we visited both locations and obtained a download from their sales software program. We verified the accuracy of 41 of 3,140 listings by comparing sales transactions to agency files. Using verified data, we analyzed sales data to find which days sales occurred. We also requested and reviewed the strategic plans in place for the Nursery Program.

To evaluate nursery financial operations and controls, we utilized verified data to determine the frequency of inconsistent pricing of plants for each location. Then, we judgmentally selected 40 of 558 item types sold for \$0.00 and items sold for multiple prices, and requested supporting documents for the sales discounts. We discussed each transaction with nursery staff to determine whether supporting documentation or approval existed for these transactions.

To determine whether fees were collected and deposited in accordance with state laws, we obtained revenue reports for fiscal years 2015 through 2017. We verified completeness of reports by comparing data to agency files. We judgmentally selected 20 of 238 transactions that had large cash amounts. We obtained

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supporting documentation, and reviewed each for accuracy, timely deposit, and whether it reconciled to the state accounting system.

To review Nursery Program sales' compliance with Nevada Administrative Code sales limitations, we examined 30 randomly selected Las Vegas Nursery's order forms to verify forms were entirely filled out, including physical addresses. Additionally, using sales lists downloaded previously, we sorted and filtered lists to find complete physical addresses for customers at both nurseries. Then, utilizing ArcGIS geographic mapping software, we checked if the addresses fell outside the city limits of each incorporated city.

To evaluate NDF's administrative controls over nursery contracts, cooperative agreements, and growing agreements (agreements), we judgmentally selected the 10 largest agreement amounts, ensuring it included 5 different customers for testing from 27 total agreements. We verified appropriate approvals were obtained, contract amounts had supporting documentation, and whether required deposits were received timely. To identify who is responsible for contract procurement, we held discussions with nursery management and staff.

For our sample design, we used non-statistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Sample sizes were judgmental and determined based on knowledge of the population and ensuring appropriate coverage. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that non-statistical sampling provides sufficient and appropriate audit evidence to support the conclusions in our report. Since our audit sampling included judgmental selection, we did not project our results to the population.

Our audit work was conducted from April 2017 to January 2018. 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 State Forester Firewarden of the Division of Forestry. On August 29, 2018, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 27.

Contributors to this report included:

A. Lilliana Camacho-Polkow, MBA  
Deputy Legislative Auditor

Katrina Humlick, MAcc  
Deputy Legislative Auditor

Daniel L. Crossman, CPA  
Chief Deputy Legislative Auditor

# Appendix B

## Response From the Division of Forestry

BRADLEY CROWELL, *Director*  
Department of Conservation and Natural Resources

BRIAN SANDOVAL  
*Governor*

KACEY KC  
*State Forester/Firewarden*



STATE OF NEVADA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
**NEVADA DIVISION OF FORESTRY**  
2478 Fairview Drive  
Carson City, Nevada 89701  
Phone (775) 684-2500 Fax (775) 684-2570

September 10, 2018

Mr. Rocky Cooper, CPA  
Legislative Auditor  
Legislative Council Bureau  
401 S. Carson Street  
Carson City, NV 89701

Dear Mr. Cooper:

As required by NRS 218G.230, I am submitting this written statement of explanation to the audit report for the Nevada Division of Forestry (NDF). I would first like to compliment the professionalism and cooperative nature of your staff, Lilliana Camacho-Polkow, Katrina Humlick, and Daniel Crossman. This allowed for productive discussion, thorough review and analyses, and constructive recommendations.

The NDF accepts all twelve recommendations included in the report as discussed in our meeting August 29, 2018. Find attached the completed "Division of Forestry's Response to Audit Recommendations" confirming acceptance. Over the past year, the NDF has focused on reviewing and updating policies and procedures, grounding itself in its mission and statutory responsibilities, training staff to the highest industry standards, and working collaboratively with all partners in natural resource management and wildland fire response. As a result of this focus, NDF has already begun implementing actions pertaining to several of the recommendations. Following is a written statement of explanation concerning each of the findings contained in the final report. More detail will be added to the corrective action plan in the months to come.

**1. Develop controls to ensure compliance with existing policies and procedures requiring a project agreement be executed and properly approved, prior to project commencement, and submitted to the Carson City office.**

NDF will develop new controls to monitor adherence to and compliance with policies and procedures for executing and implementing project agreements. NDF will also review and revise all policies and procedures to ensure all agreements are properly executed.

**2. Enhance current policies and procedures over nonstandard rate projects to include documenting the rationale used to determine and calculate a nonstandard rate, and to require documentation and review of appropriate management approval of all nonstandard rate projects.**

NDF will revise policies and procedures over nonstandard rate projects to standardize decision-making on qualifying projects and ensure appropriate management approval. Procedures for

calculating nonstandard rates will be developed and implemented on all projects qualifying for said rate.

**3. Formalize and document Wildland Fire Protection Program assumptions and processes for calculation future assessment rates charged to counties.**

NDF will formalize and document the assumptions and process for calculating the assessment rates for WFPP partners. NDF is currently compiling historical fire expense data that will be used as part of the process. NDF is pursuing software upgrades that should enhance NDF's ability to accurately and timely recover fire cost data and streamline the assessment calculation.

**4. Develop written policies and procedures over the Wildland Fire Protection Program to standardize documentation of oversight and activity requests for non-fire suppression activities from participants.**

NDF will develop policies and procedures to address standardizing decision-making on documenting non-fire requests for assistance, responding to non-fire requests for assistance, and tracking non-fire assistance provided to WFPP partners.

**5. Develop a process to communicate with jurisdictions the Wildland Fire Protection Program resources and services provided on their behalf.**

NDF will develop a process to regularly communicate with WFPP partners the resources and services provided them, as well as the value of all assistance provided.

**6. Update and restructure the Nursery Program's strategic plan it include updated objectives and related strategies, and ways to increase customer base and revenue.**

NDF completed an updated strategic plan for the nursery and seed bank program, collectively the Plant Material Program, in July, 2018. The plan contains updated objectives and identifies opportunities for increasing the Plant Material Program's customer base and revenue.

**7. Evaluate and update the pricing structure of flora, consistent with NRS 528.105, to optimize revenues and to ensure the long-term sustainability of the program.**

The 2018 updated Plant Material Program Strategic Plan contains a strategy for evaluating and updating the pricing schedule for plant materials, which will be implemented.

**8. Develop written policies and procedures over recording nursery sales to include documentation of circumstances and timeframes under which discounts or voids are applicable and appropriate.**

NDF will develop policies and procedures for setting discounts and voiding sales.

**9. Establish a process and develop policies and procedures to compare and reconcile sales recorded in the nursery sales system to deposit amounts recorded in the state accounting system for each nursery location.**

NDF will develop policies and procedures, and establish a process that provides better controls to compensate for limited segregation of duties and provides for better reconciliation of nursery sales and bank deposits.

**10. Improve efforts to ensure statutory and regulatory requirements for sales to private parties are adhered to by requiring customers' physical addresses before processing sales,**



**and requiring customers' signatures on the forms to acknowledge proper use of conservations materials.**

NDF will modify nursery sales forms to require customers' physical addresses and signatures acknowledging appropriate use for plants purchased.

**11. Develop written policies and procedures for records maintenance that ensure information related to nursery contracts is historically accurate and contracts are easily retrievable.**

NDF will develop written policies and procedures to establish a system for records maintenance that ensures contract storage and retrieval.

**12. Develop written policies and procedures over nursery contracts and growing agreements to define circumstances under which deposits are required and associated deposit percentages, to ensure proper approvals are obtained prior to contract and growing agreement commencement, and to ensure equitable pricing practices are followed for volume discounts.**

NDF will develop written policies and procedures that define how growing contracts are structured, accounting for required deposit amounts, proper approvals and establishing a policy for providing volume discounts for purchases.

Again, NDF appreciates the professionalism and cooperative nature of your staff, and is in agreement with the twelve recommendations provided through this audit. I look forward to continuing this cooperative relationship as we address the recommendations and fully implement the corrective action plan.

Sincerely,



Kacey KC  
State Forester Firewarden

cc: Bradley Crowell, Director DCNR  
Dominique Etchegoyhen, Deputy Director DCNR  
Rich Sharp, Camp Program Manager NDF  
Ryan Shane, Resource Program Manager NDF  
Ron Bollier, Fire Program Manager NDF

## Division of Forestry's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Develop controls to ensure compliance with existing policies and procedures requiring a project agreement be executed and properly approved, prior to project commencement, and submitted to the Carson City office.....	<u>    X    </u>	<u>          </u>
2. Enhance current policies and procedures over nonstandard rate projects to include documenting the rationale used to determine and calculate a nonstandard rate, and to require documentation and review of appropriate management approval of all nonstandard rate projects.....	<u>    X    </u>	<u>          </u>
3. Formalize and document Wildland Fire Protection Program assumptions and processes for calculating future assessment rates charged to counties .....	<u>    X    </u>	<u>          </u>
4. Develop written policies and procedures over the Wildland Fire Protection Program to standardize documentation of oversight and activity requests for non-fire suppression activities from participants .....	<u>    X    </u>	<u>          </u>
5. Develop a process to communicate with jurisdictions the Wildland Fire Protection Program resources and services provided on their behalf .....	<u>    X    </u>	<u>          </u>
6. Update and restructure the Nursery Program's strategic plan to include updated objectives and related strategies, and ways to increase customer base and revenue.....	<u>    X    </u>	<u>          </u>
7. Evaluate and update the pricing structure of flora, consistent with NRS 528.105, to optimize revenues and to ensure the long-term sustainability of the program.....	<u>    X    </u>	<u>          </u>
8. Develop written policies and procedures over recording nursery sales to include documentation of circumstances and timeframes under which discounts or voids are applicable and appropriate .....	<u>    X    </u>	<u>          </u>
9. Establish a process and develop policies and procedures to compare and reconcile sales recorded in the nursery sales system to deposit amounts recorded in the state accounting system for each nursery location .....	<u>    X    </u>	<u>          </u>
10. Improve efforts to ensure statutory and regulatory requirements for sales to private parties are adhered to by requiring customers' physical addresses before processing sales, and requiring customers' signatures on the forms to acknowledge proper use of conservation materials .....	<u>    X    </u>	<u>          </u>

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Division of Forestry's Response to Audit Recommendations  
(continued)

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
11. Develop written policies and procedures for records maintenance that ensure information related to nursery contracts is historically accurate and contracts are easily retrievable .....	<u>  X  </u>	<u>      </u>
12. Develop written policies and procedures over nursery contracts and growing agreements to define circumstances under which deposits are required and associated deposit percentages, to ensure proper approvals are obtained prior to contract and growing agreement commencement, and to ensure equitable pricing practices are followed for volume discounts .....	<u>  X  </u>	<u>      </u>
TOTALS	<u>  12  </u>	<u>      </u>