

STATE OF NEVADA

Performance Audit

State Department of Agriculture
Division of Consumer Equitability

2019



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of performance audit report on the State Department of Agriculture, Division of Consumer Equitability issued on February 18, 2020.

Legislative Auditor report # LA20-08.

Background

The State Department of Agriculture (Department) was established in 1915 to promote a business climate that is fair, economically viable, and encourages environmental stewardship that serves to protect food, fiber, and human health and safety through effective service and education. Governance and policy setting is overseen by the Board of Agriculture, which is comprised of 11 members representing various aspects of agricultural and related industries. The Department has five divisions, which include Administration, Consumer Equitability, Plant Industry, Animal Industry, and Food and Nutrition. As of August 2019, the Department had 180 approved, full-time positions.

The purpose of the Division of Consumer Equitability (Division) is to license, test, and deem correct all commercially used weighing and measuring devices in the State.

Additionally, the Division is responsible for sampling motor fuels for chemical analysis; maintaining a metrology lab which houses the state standards for mass, length, and volume; inspecting the advertising and labeling of motor fuel dispensers; and inspecting packaged goods to determine whether the stated amounts, sizes, and prices are correct.

Purpose of Audit

The purpose of the audit was to evaluate policies, procedures, and controls for inspections, complaints, and billings related to the weights and measures program. The scope of the audit focused on the Division's regulatory and financial processes over weighing and measuring devices for fiscal year 2019.

Audit Recommendations

This audit report contains seven recommendations to enhance the Department's regulatory processes in the Consumer Equitability Division.

The Department accepted the seven recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on May 12, 2020. In addition, the 6-month report on the status of audit recommendations is due on November 12, 2020.

Division of Consumer Equitability

State Department of Agriculture

Summary

The Division of Consumer Equitability within the State Department of Agriculture does not have effective policies, procedures, or controls related to oversight of weighing and measuring devices. Specifically, the Division did not always perform inspections in a timely manner or take enforcement action for devices found to be out of tolerance. Additionally, invoicing was not consistent or compliant with regulation, and sanctions were not applied to locations that failed to pay. Finally, policies and procedures need to be developed for Division processes. The lack of effective policies, procedures, and controls leaves consumers vulnerable to deficient weighing and measuring devices.

Key Findings

Overall, about 9% of all locations with weighing and measuring devices were operating without assurance that these devices were within acceptable tolerance levels. Inspections protect the public from overpaying for product not received, most notably for motor vehicle fuel. As part of our audit, we tested 85 locations and found:

- Seven inspections (8%) were not performed timely. Specifically, two locations had not been inspected in the past 24 months and five locations received inspections late.
- Of 12 locations that required a follow-up inspection due to irregularities identified during a routine inspection, 3 locations (25%) never received a follow-up inspection and 2 follow-up inspections (22%) were performed late. (page 5)

The Division did not place a device out-of-service when found to be out of tolerance, and there is no enforcement action taken when these devices are prematurely placed back into service. Regulations require authorization from the Division, or a registered service agent, before previously malfunctioning devices may be used by consumers. (page 6)

Invoices were not always generated when required. Five of eight complaints (63%) were not invoiced the fee for a follow-up inspection. Per NAC 581.210, the Division is to charge for the retest of a malfunctioning device. Invoicing issues result from manual processes and lack of supervisory oversight and review. (page 7)

The Division did not always apply late fees timely to invoices in accordance with regulation. In one instance, we found late fees were not applied until nearly a year after fees were due. (page 7)

The Division has the authority to assess civil penalties and remove devices from service for any violation of NRS 581; however, the Division has not developed enforcement methods to entice payment of annual fees that remain unpaid. By allowing devices to remain in service when fees remain habitually unpaid, the Division promotes inequity among regulated entities.

Furthermore, the perceived authority of the Division is eroded when entities do not comply with regulations and increasing enforcement actions are not imposed. (page 8)

Significant improvements to operations can be realized by developing and implementing policies and procedures for key processes. The Division had limited, if any, documented policies and procedures for program functions. Limitations include the inspection, complaint, and invoicing processes. Policies and procedures help retain institutional knowledge, ensure consistency, and provide clear expectations for staff and management. (page 9)

An updated system, or implementation of electronic inspection software, can help the Division perform regulatory duties more efficiently and effectively. The current system houses location and device information, but has limited functionality and is not readily accessible by inspectors. Inspectors currently operate using a paper-based record keeping system. This outdated system has resulted in inspections being overlooked, and untimely and inaccurate information being input into the system. (page 9)

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This report contains the findings, conclusions, and recommendations from our performance audit of the State Department of Agriculture, Division of Consumer Equitability. 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 seven recommendations to improve oversight of weighing and measuring devices. 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,

Daniel L. Crossman, CPA
Legislative Auditor

November 4, 2019
Carson City, Nevada

Division of Consumer Equitability

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Introduction

Background

The State Department of Agriculture (Department) was established in 1915 to promote a business climate that is fair, economically viable and encourages environmental stewardship that serves to protect food, fiber, and human health and safety through effective service and education. The Department is responsible for encouraging, advancing and protecting the livestock and agricultural industries of the State and encouraging sound agricultural resource management. Governance and policy setting is overseen by the Board of Agriculture, which is comprised of 11 members representing various aspects of agricultural and related industries. Research, public outreach, food and nutrition services, and general regulation are handled through the following five divisions:

- Administration
- Animal Industry
- Consumer Equitability
- Food and Nutrition
- Plant Industry

The Department has three offices located in Sparks, Las Vegas, and Elko. Administrative offices are located in Sparks.

Budget and Staffing

The Department was approved for 180 full-time positions in fiscal year 2019. As of August 2019, there were 152 filled positions. The Department receives a majority of its funding from federal grants, with additional funding coming from fees and assessments, transfers, and appropriations. Exhibit 1 shows the revenues and expenditures in fiscal year 2019 by division.

Revenues and Expenditures By Division Fiscal Year 2019

Exhibit 1

Revenues	Administration	Animal Industry	Consumer Equitability	Food and Nutrition	Plant Industry	Totals
Beginning Cash	\$ 156,218	\$ 255,919	\$ 1,101,318	\$ 2,394,095	\$ 3,322,218	\$ 7,229,768
Appropriations	40,000	2,550,934	-	430,817	610,582	3,632,333
Fees and Assessments	11,489	1,146,197	969,945	1,247,367	3,156,394	6,531,392
Federal Grants	5,000	92,548	-	168,204,999	1,717,466	170,020,013
Transfers	2,389,985	278,805	1,523,804	-	44,311	4,236,905
Other ⁽¹⁾	45,233	74,495	29,693	18,045,956	214,307	18,409,684
Total Revenues	\$2,647,925	\$4,398,898	\$3,624,760	\$190,323,234	\$9,065,278	\$210,060,095
Expenditures						
Personnel Services	\$1,812,075	\$1,631,972	\$1,655,663	\$ 2,892,840	\$2,540,380	\$ 10,532,930
Travel	32,738	33,632	43,685	27,917	22,854	160,826
Operating	118,430	588,899	221,986	116,117	225,086	1,270,518
Equipment	-	75,953	255,527	60,804	61,417	453,701
Food and Nutrition	-	-	-	183,167,768	-	183,167,768
Transfer to Administration	-	479,244	523,994	24,000	645,862	1,673,100
Other ⁽²⁾	504,877	792,037	77,515	1,517,382	1,715,419	4,607,230
Total Expenditures	\$2,468,120	\$3,601,737	\$2,778,370	\$187,806,828	\$5,211,018	\$201,866,073
Differences	\$ 179,805	\$ 797,161	\$ 846,390	\$ 2,516,406	\$3,854,260	\$ 8,194,022
Less: Reversions to General Fund	-	122,770	-	98,237	61,499	282,506
Balance Forward to 2020	\$ 179,805	\$ 674,391	\$ 846,390	\$ 2,418,169	\$3,792,761	\$ 7,911,516

Source: State accounting system.

⁽¹⁾ Other revenue sources include treasurer's interest distributions, events and conferences, and book and pamphlet sales.⁽²⁾ Other expenditures include information systems, uniforms, buildings and grounds maintenance, and utilities.

Division of Consumer Equitability

The purpose of the Division of Consumer Equitability (Division) is to license, test, and deem correct all commercially used weighing and measuring devices in the state. Additionally, the Division is responsible for sampling motor fuels for chemical analysis; maintaining a metrology lab which houses the state standards for mass, length, and volume; inspecting the advertising and labeling of motor fuel dispensers; and inspecting packaged goods to determine whether the stated amounts, sizes, and prices are correct. Primary responsibilities for the Division's weights and measures program include:

- Inspect all commercial weighing and measuring devices throughout the State. Devices include supermarket scales, gas pumps, truck scales, liquefied petroleum gas meters, and livestock scales.

- Regulate petroleum quality, product advertising, and labeling.
- Investigate consumer complaints for gasoline sales and shortage of weights, measures, or counts.
- License, audit, and inspect a business/person, referred to as a Public Weighmaster, which uses truck and platform scales to perform weighing for the public.
- Register weighing and measuring device sales and repair personnel.
- Monitor package quality control. Conduct routine surveillance of prepackaged consumer products.

In order to ensure the public is safeguarded, weighing and measuring devices are inspected to determine compliance with national tolerances. The Division was responsible for 4,590 locations with more than 33,500 devices in fiscal year 2019. Exhibit 2 shows inspections by county for July 1, 2018, through May 22, 2019.

Inspections By County July 2018 – May 2019

Exhibit 2

County	Total Inspections	Percent of Inspections
Clark	2,719	61%
Washoe	687	15%
Elko	176	4%
Lyon	154	3%
Carson	152	3%
Remaining Counties	612	14%
Totals	4,500	100%

Source: Division database.

The Division receives and investigates complaints from consumers or businesses regarding suspected non-compliance. In fiscal year 2019, the Division received 130 complaints. Typically the Division strives to initiate investigations within 7 days; although, fuel dispenser complaints are investigated more

quickly. Exhibit 3 shows the number and type of complaints received for fiscal year 2019.

**Complaints By Type
Fiscal Year 2019**

Exhibit 3

Type	Total Complaints	Percent of Complaints
Fuel	89	69%
Pricing	20	15%
Scale	7	5%
Other ⁽¹⁾	14	11%
Totals	130	100%

Source: Division records.

⁽¹⁾ Other includes packaging and uncategorized complaints.

**Scope and
Objective**

The scope of our audit focused on the Division’s regulatory and financial processes over weighing and measuring devices for fiscal year 2019 and inspection information from prior years. The objective of our audit was to:

- Evaluate policies, procedures, and controls for inspections, complaints, and billings related to the weights and measures 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 Nevada Revised Statute (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.

Oversight of Weighing and Measuring Devices Needs Strengthening

The Division of Consumer Equitability (Division) within the State Department of Agriculture does not have effective policies, procedures, or controls related to oversight of weighing and measuring devices. Specifically, the Division did not always perform inspections in a timely manner or take enforcement action for devices found to be out of tolerance. Additionally, invoicing was not consistent or compliant with regulation, and sanctions were not applied to locations that failed to pay. Finally, policies and procedures need to be developed for Division processes. The lack of effective policies, procedures, and controls leaves consumers vulnerable to deficient weighing and measuring devices.

Enhancements Will Improve Inspection Oversight

Locations with active devices did not always receive timely inspections to ensure devices operated within accepted tolerance levels. More than 400 locations, with over 3,200 weighing and measuring devices did not have an inspection in a 24-month period. In addition, the Division did not always ensure malfunctioning devices were placed or remained out-of-service. Regulation and enforcement activities suffer because procedures are not documented and manual functions limit monitoring and oversight.

Periodic and Follow-Up Inspections Were Not Conducted Timely

Overall, about 9% of all locations with weighing and measuring devices were operating without assurance that these devices were within acceptable tolerance levels. Inspections protect the public from overpaying for product not received, most notably for motor vehicle fuel.

As part of our audit, we tested 85 locations and found:

- Seven inspections (8%) were not performed timely. Specifically, two locations had not been inspected in the past 24 months and five locations received inspections late.
- Of 12 locations that required a follow-up inspection due to irregularities identified during a routine inspection, 3 locations (25%) never received a follow-up inspection and 2 follow-up inspections (22%) were performed late.

Guidelines for carrying out a state regulatory program indicate entities should set up a schedule for periodic inspections, and inspections should be conducted in a timely, efficient, and effective manner. Although the Division does not have a statutory mandate or formal policy for how frequently devices need to be inspected, employee performance standards state inspections are necessary every 24 months. Additionally, personnel indicated follow-up inspections for malfunctioning devices should be performed within 30 days to facilitate business operations.

The Division has not formalized or documented many of the regulatory functions over weighing and measuring devices. Also, the database used for inspection activities is antiquated and difficult to use. As a result, many procedures are performed manually, and monitoring and oversight are dependent upon staff memory. Establishing and documenting policies and procedures provides staff with clear expectations, direction, and helps ensure consistency in operations.

Enforcement Action Not Always Taken

The Division did not place a device out-of-service when found to be out of tolerance. Additionally, no enforcement action is taken when devices are prematurely placed back into service.

Regulations require authorization from the Division, or a registered service agent, before previously malfunctioning devices may be used by consumers.

Complaints are made by consumers or businesses who suspect irregularities in device performance. Complaints are investigated

by Division personnel who confirm whether devices are malfunctioning. Of 35 complaints reviewed, we found 1 device should have been placed out-of-service by the Division for noncompliance but was not. In addition, two businesses improperly placed previously malfunctioning devices back into service without proper authorization from the Division or authorized repair personnel.

The Division has not established penalties or sanctions for businesses who disregard state regulations. In addition, the Division has not established processes for monitoring and following-up on malfunctioning devices. These issues can lead to inconsistent regulation and leave the public exposed to higher costs.

Consistency Necessary Over Administration of Fees

Controls over fees can be strengthened to ensure consistency and equitability among regulated entities. Testing of invoices found some invoices for follow-up inspections were not generated and late fees were not always applied timely. In addition, habitually delinquent annual invoices remained unpaid without additional penalties or sanctions.

Invoicing Not Always Performed

Invoices were not always generated when required. For example, five of eight locations (63%) were not invoiced for the follow-up inspection fee resulting from a complaint. Per NAC 581.210, the Division is to charge for the retest of a malfunctioning device.

Invoicing issues result from manual processes and a lack of supervisory oversight and review. Effective internal controls would help ensure invoicing is accurate and in compliance with established state regulations.

Application of Late Fees

The Division did not always apply late fees timely to invoices. In one instance, we found late fees were not applied until nearly a year after fees were due.

These issues resulted from limited policies and procedures. Additionally, Division personnel indicated late fee errors were due to system limitations and manual processes. The current system

does not automatically apply late fees to past due accounts, requiring staff to initiate the sequence instead.

The Division's programs are largely funded by fees from regulated entities. Late fees serve as a deterrent for payment delinquency. Not assessing late fees timely, or at all, reduces compliance, creates inequity, and may compromise regulatory activities if funding is insufficient.

Unpaid Invoices Create Inequity

The Division has the authority to assess civil penalties and remove devices from service for any violation of NRS 581; however, the Division has not developed enforcement methods to entice payment of annual fees that remain unpaid. By allowing devices to remain in service when fees remain habitually unpaid, the Division promotes inequity among regulated entities. Furthermore, the perceived authority of the Division is eroded when entities do not comply with regulations and increasing enforcement actions are not imposed.

Regulatory activities are funded through annual fees which cover inspection and complaint activities. These fees range from \$11 to \$250 per device per year. Some businesses with regulated devices have not paid annual fees for several years. For example, we found one location with unpaid fees for fiscal years 2017, 2018, and 2019. This business continued to operate normally and receive inspections. Without additional sanctions, there is little incentive for businesses, who consistently disregard fee notices, to remit payment.

Policies, Procedures, and Controls Essential to Operations

Significant improvements to operations can be realized by developing and implementing policies and procedures for key processes. Policies and procedures help retain institutional knowledge, ensure consistency, and provide clear expectations for staff and management.

The Division had limited, if any, documented policies or procedures for program functions. Limitations included:

- Inspection processes, including the frequency of inspections and follow-up activities, are not detailed or documented.
- Complaint resolution timelines and follow-up processes are lacking. Other complaint handling processes are not detailed in written procedures, including recording complaints and resolutions.
- No formalized processes exist regarding invoices and the application of late fees.

NRS 353A.020 requires each agency to develop written procedures to carry out a system of internal accounting and administrative control. This includes a system of practices to be followed in the performance of the duties and functions of the agency. A lack of written and clearly defined policies and procedures leaves the Division susceptible to inconsistent and noncompliant work.

System Updates May Help Efficiency

Although the Division has an electronic database that houses location and device information, it has limited functionality and is not readily accessible by inspectors. Inspectors currently operate using a paper-based record keeping system. This results in documents getting lost, inspection information not being input into the system timely or accurately, inspectors not having access to necessary information, and follow-up inspections being overlooked.

An updated system, or implementation of electronic inspection software, can help the Division perform regulatory duties more efficiently and effectively. We surveyed other states and found immediate and lasting benefits from implementing modern inspection software. Efficiencies noted included up-to-date statewide statistics on inspection statuses, improved reporting, immediate access to information amongst staff and management for decision making, improved ease of training for new inspection staff, and automatic calculations for deficiencies.

Recommendations

1. Establish controls to ensure all weighing and measuring devices receive timely inspections.
2. Create and adhere to a plan to identify and eliminate the backlog of past due inspections.
3. Establish a graduated and equitable system of sanctions.
4. Develop controls to ensure invoices are generated for follow-up inspections.
5. Implement controls to ensure late fees are applied timely in accordance with regulation.
6. Develop policies and procedures for Division operations. Enhance supervisory oversight to ensure policies and procedures are followed by staff.
7. Perform a cost-benefit analysis on enhancing the weights and measures system to gain efficiencies.

Appendix A

Audit Methodology

To gain an understanding of the State Department of Agriculture (Department), we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to its operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Department. Furthermore, we documented and assessed the Department's controls over inspections, complaints, and invoicing related to weighing and measuring devices regulated by the Division of Consumer Equitability (Division).

Our testing included data obtained from the Division's database. We assessed the reliability of this information by judgmentally selecting 20 locations throughout Nevada and verifying if they were included in the database. Additionally, we compared inspection documentation for 75 test items to data in the system. Finally, we compared five invoices to data in the system to ensure invoices were accurate. We found the data to be reliable for its intended use.

To determine if periodic inspections were conducted timely, follow-up actions for deficiencies were adequate, and invoicing was appropriate, we obtained a listing of active locations using commercial weighing and measuring devices. This list contained 4,590 active locations as of May 2019. We randomly selected 75 locations and judgmentally selected 10. Locations that had not been inspected within the prior two years were judgmentally selected. We obtained original inspection documentation and verified periodic and follow-up inspections were performed timely, deficiencies were appropriately identified, and invoicing was accurate. For the 10 judgmentally selected locations, we reviewed documentation to determine when the last inspection occurred.

To evaluate if annual invoices and late fees were proper, we obtained a list of invoices from the database. There were 2,392 invoices for fiscal year 2019. We randomly selected 25 invoices and obtained inspection documentation. We recalculated the amount invoiced by multiplying the number and type of devices listed by the appropriate fee. Additionally, we reviewed payment timeliness and late fee application, if any.

To determine if the complaint investigation process was adequate, we judgmentally selected 35 complaint forms, 10 of which were complaints resulting in a device being placed out of service. We obtained inspection documentation for the complaints and verified investigations were initiated in a timely manner. We also verified if follow-up inspections were performed and done timely, when required. Finally, we reviewed follow-up invoices and recalculated them for mathematical accuracy.

We also surveyed 11 states that are currently using an electronic database for tracking and documenting periodic inspections. We discussed the benefits and drawbacks of the systems with each state and compiled the results.

We used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objective. Based on our professional judgement, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provided sufficient and appropriate audit evidence to support the conclusions in our report. Our samples included randomly and judgmentally selected items. We did not project our results to the population due to variations in location characteristics.

Our audit work was conducted from February 2019 to August 2019. 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 objective. We

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Director of the State Department of Agriculture. On October 16, 2019, we met with Department 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 14.

Contributors to this report included:

Jordan Anderson, MBA	Yuriy Ikovlev, CPA, MBA
Deputy Legislative Auditor	Deputy Legislative Auditor

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Appendix B

Response From the State Department of Agriculture

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October 28, 2019

Mr. Daniel L. Crossman, CPA
Legislative Auditor
Legislative Counsel Bureau
401 S. Carson Street
Carson City, NV 89701

Dear Mr. Crossman:

As required by NRS 218G.230, I am submitting this written statement of explanation to the audit report for the Nevada Department of Agriculture (NDA) Division of Consumer Equitability (Division). I would like to express my gratitude to Jordan Anderson, Yuriy Ikovlev and Shannon Ryan for the professional performance of their duties related to this audit. We appreciated their cooperative nature and willingness to engage NDA personnel in thorough and productive discussion, review and analysis during the audit process.

As discussed in our meeting October 17, 2019, NDA accepts all seven recommendations in your report. Attached please find the completed "State Department of Agriculture's Response to Audit Recommendations" confirming our acceptance. We appreciate this opportunity to focus process and customer service improvement efforts already underway in of the Division of Consumer of Equitability. Following is a written statement of explanation concerning each of the recommendations in the report. Additional detail on each recommendation will be included in NDA's forthcoming plan for corrective action.

- 1. Establish controls to ensure all weighing and measuring devices receive timely inspections.**
NDA will establish controls to ensure timely inspection of devices. Initial steps have been implemented to allow field inspectors and supervisory inspectors access to inspection data through scripted system queries which allow for filtering of inspection information by date.
- 2. Create and adhere to a plan to identify and eliminate the backlog of past due inspections.**
All devices that are past due for inspection have been identified. Plans have been developed and are currently being implemented to eliminate the backlog of past due inspections, with priority being placed on completing the most delinquent inspections first. Since July 1, 2019, the Division has reduced the number of device inspections that are past due by 26 percent.
- 3. Establish a graduated and equitable system of sanctions.**
NDA will establish a graduated and equitable system of sanctions. Initial analysis by the Division has identified certain instances where administrative rulemaking needs to be completed in order to do so. In

these instances, Nevada Revised Statutes authorizes the State Scaler of Consumer Equitability (the Director) to establish a schedule of penalties by regulation, but such regulations have yet to be adopted.

4. Develop controls to ensure invoices are generated for follow-up inspections.

NDA will establish controls necessary to ensure invoices are generated for follow-up inspections. Division Certificate of Inspection forms have been revised to include fields for entry of the information necessary to ensure proper invoicing of fees specific to follow-up inspections.

5. Implement controls to ensure late fees are applied timely in accordance with regulation.

NDA will implement controls to ensure late fees are applied timely in accordance with regulation. As discussed in our October 17, 2019 meeting, revisions to NAC 581.295 which became effective July 1, 2019 (LCB File No. R172-18), resolve a previously existing conflict in the regulations pertaining to the application of late fees associated with unpaid invoices for the renewal of annual commercial weighing and measuring equipment licenses.

6. Develop policies and procedures for Division operations. Enhance supervisory oversight to ensure policies and procedures are followed by staff.

Development of policies and procedures for Division operations is currently underway. The Division has identified 128 subjects for which standard operating procedures will be created and implemented. Supervisory oversight will be enhanced to ensure staff follow established policies and procedures.

7. Perform a cost-benefit analysis on enhancing the weights and measures system to gain efficiencies.

A cost-benefit analysis on enhancing the weights and measures system is in process. Initial analysis confirms the audit report findings that other states that have implemented enhanced systems for the licensing, inspection and regulation of weighing and measuring devices realized immediate and lasting benefits from implementing modern software; NDA expects that we would experience the same benefits. Work program #C48248 to fund the costs of developing a set of written business requirements for such a system has been included on the agenda for consideration by the Interim Finance Committee at their October 24, 2019 meeting. The business requirements documentation process will assist the Division in completion of the cost-benefit analysis.

NDA appreciates the opportunity for improvement presented through this process. My team and I look forward to providing updates on our progress as we address the recommendations and fully implement our corrective action plan.

Sincerely,



Jennifer Ott
Director

cc: Jerri Conrad, NDA Deputy Director
Cadence Matijevich, Administrator, NDA Division of Consumer Equitability
Andre Urruty, NDA Fiscal Administrator

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State Department of Agriculture's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Establish controls to ensure all weighing and measuring devices receive timely inspections.....	<u>X</u>	<u> </u>
2. Create and adhere to a plan to identify and eliminate the backlog of past due inspections.....	<u>X</u>	<u> </u>
3. Establish a graduated and equitable system of sanctions.....	<u>X</u>	<u> </u>
4. Develop controls to ensure invoices are generated for follow-up inspections	<u>X</u>	<u> </u>
5. Implement controls to ensure late fees are applied timely in accordance with regulation.....	<u>X</u>	<u> </u>
6. Develop policies and procedures for Division operations. Enhance supervisory oversight to ensure policies and procedures are followed by staff.....	<u>X</u>	<u> </u>
7. Perform a cost-benefit analysis on enhancing the weights and measures system to gain efficiencies	<u>X</u>	<u> </u>
TOTALS	<u>7</u>	<u> </u>