

Audit Highlights



Highlights of Legislative Auditor report on the Division of Mental Health and Developmental Services, Substance Abuse Prevention and Treatment Agency (SAPTA) issued on April 17, 2012. Report # LA12-15.

Background

SAPTA's mission is to reduce the impact of substance abuse in Nevada by identifying and responding to the alcohol and drug concerns of Nevadans, and providing regulatory oversight and funding for community-based public and nonprofit organizations to facilitate a continuum of care through quality education, prevention, and treatment services.

In fiscal year 2011, SAPTA had 29.5 legislatively approved FTE's. The legislatively approved budget for FY's 2012 and 2013 reduced the number of FTE's to 23. There were 20 positions filled as of January 2012. SAPTA is funded primarily with federal grants and General Fund appropriations.

SAPTA expenditures were about \$25.5 million in FY 2011. SAPTA does not provide prevention and treatment services directly. Instead, it awards grant funds to community-based public and nonprofit organizations which develop programs to provide prevention and treatment services to the public. In fiscal year 2011, SAPTA paid these organizations (coalitions and treatment providers) about \$22.6 million.

Purpose of Audit

The purpose of this audit was to determine if SAPTA provided adequate fiscal oversight of subrecipients awarded federal and state grants for the prevention and treatment of substance abuse. Our audit focused on SAPTA's activities in fiscal years 2010 and 2011, but included fiscal year 2012 and prior years in some instances.

Audit Recommendations

This audit report contains nine recommendations to help ensure grant subrecipients comply with audit requirements that provide assurance funds are spent for intended purposes. In addition, the report contains seven recommendations to improve fiscal monitoring performed by SAPTA personnel to provide additional assurance about subrecipients' use of grant funds.

The Agency accepted the 16 recommendations.

Recommendation Status

The Agency's 60-day plan for corrective action is due on July 12, 2012. In addition, the six-month report on the status of audit recommendations is due on January 14, 2013.

Substance Abuse Prevention and Treatment Agency

Department of Health and Human Services

Summary

SAPTA has not provided adequate fiscal oversight of subrecipients awarded grants for the prevention and treatment of substance abuse. In fiscal years 2010 and 2011, these subrecipients received over \$46 million to provide prevention and treatment services to Nevada citizens. Without adequate fiscal oversight, there is undue risk that subrecipients will not use grant funds for intended purposes.

We found SAPTA needs to improve its oversight of subrecipients to ensure audit requirements are met. Independent audits are one of the primary means SAPTA uses to ensure subrecipients spend grant funds for their intended purposes. SAPTA accepted audit reports on subrecipients that did not include procedures to determine whether funds were spent in accordance with grant requirements. In addition, some reports were not submitted timely. Furthermore, SAPTA did not always verify subrecipients corrected problems noted in audit reports. In one instance, SAPTA continued to fund a subrecipient despite no audit report submissions for 3 years. SAPTA subsequently cut off funding and notified federal and state authorities of concerns the subrecipient misused funds.

We also found SAPTA's direct fiscal monitoring of subrecipients was inadequate. The agency visits subrecipients periodically to determine whether they comply with grant requirements. The fiscal monitoring visits, along with audits, are the primary means to provide fiscal oversight of subrecipients. Problems noted included untimely monitoring visits of subrecipients, not documenting steps performed on visits, and untimely follow-up on problems found at subrecipients.

Key Findings

We examined the last two years' audit reports on the 5 coalitions and 10 treatment providers that were awarded the most funds from SAPTA in fiscal years 2010 and 2011. The 15 subrecipients were awarded nearly \$34 million in those years, which was 73% of the total awarded by SAPTA. Eight of 30 (27%) audit reports did not examine whether funds were used for the grants' intended purposes or indicate compliance with other grant requirements. (page 6)

Subrecipients submitted audit reports late in over half of the reports we tested. In 11 of 16 (69%) late reports, SAPTA did not follow up after the audit report was late, or waited more than 30 days to contact them. Furthermore, SAPTA imposed sanctions on only one subrecipient, and only after the subrecipient did not submit audit reports for 3 consecutive years. (page 8)

For 9 of the 14 (64%) audit reports that reported findings, the subrecipients did not comply with SAPTA's requirement to submit corrective action for audit findings. Further, SAPTA did not request the subrecipients provide documentation of corrective action for 7 of the 9 reports. (page 9)

SAPTA did not detect that a subrecipient provided forged audit reports for several years. Forged reports were submitted for fiscal years 2007 through 2010. Due to concerns upon reviewing the photocopied reports, we contacted personnel at the CPA firm whose name was on the forged reports and verified that the firm did not prepare them. As required by NRS 218G.140(2), we reported this information to the Governor, each legislator, and the Attorney General. (page 11)

None of the five coalitions tested had timely fiscal monitoring visits. Monitoring visits were late from 6 months to over 3 years, and averaged 20 months past due. Half of the 10 treatment providers had untimely fiscal monitoring site visits. Of these, SAPTA was unable to provide documentation when its largest treatment provider was last subject to a fiscal monitoring site visit. This provider received nearly \$7.1 million in fiscal years 2010 and 2011. (page 16)

Documentation of procedures performed on monitoring visits was not sufficient to verify that staff properly performed important steps. Two of five fiscal monitoring forms for coalitions, and four of nine treatment providers, had insufficient documentation to support conclusions the reviewer reached. (page 17)

Three of the subrecipients' fiscal monitoring forms we tested reported problems that required follow-up. Follow-up to make sure the coalitions took timely, appropriate corrective action was insufficient in all cases. For example, a monitoring visit in April 2011 noted significant concerns about a subrecipient's use of funds, yet SAPTA continued making payments through September 2011. (page 19)