

Audit Highlights



Highlights of performance audit report on the Hearings Division issued on January 17, 2018. Legislative Auditor report # LA18-09.

Background

The mission of the Hearings Division is to provide fair and independent dispute resolution hearings in a timely and cost-efficient manner while providing due process to all parties. The Division is committed to providing fair and impartial hearings in accordance with the highest standards of ethics, professionalism, efficiency, and accountability.

The Division is responsible for conducting all hearings in disputed workers compensation cases, Victims of Crime Program appeals, state bid award disputes, and Department of Education disciplinary disputes. In addition, the Division conducts hearings via inter-agency agreements with several state agencies.

As of November 2016, all 45 of the Division's authorized full-time equivalent positions were filled. The Division is primarily funded through transfers from the Fund for Workers Compensation and Safety Administration by the Department of Business and Industry's Division of Industrial Relations. Expenditures for fiscal year 2016 totaled almost \$4.6 million.

Purpose of Audit

The purpose of this audit was to determine if the Division has: (1) adequate controls to protect personally identifiable information and sensitive health information; and (2) adequate controls related to performance measures, accounts receivable and revenue tracking, and employee performance evaluations. The scope of our audit focused on activities in certain areas from fiscal year 2014 through 2016.

Audit Recommendations

This audit report contains two recommendations to improve the protection of sensitive information and seven recommendations to improve controls over performance measures, accounts receivable and revenue tracking, and employee evaluations.

The Hearings Division accepted the nine recommendations.

Recommendation Status

The Hearings Division's 60-day plan for corrective action is due on April 12, 2018. In addition, the six-month report on the status of audit recommendations is due on October 12, 2018.

Hearings Division

Department of Administration

Summary

The Division's controls related to the protection of personally identifiable information and sensitive health information need improvement. The Division collects Social Security numbers unnecessarily from applicants for workers compensation employer representative licensure and maintains that information on its hearings management system. Additionally, the Division has not worked with the Department of Administration's Enterprise Information Technology Services (EITS) to review the security of its server.

The Division's controls related to certain financial and administrative practices need strengthening. Specifically, the Division's policies and procedures for performance measures, including data collection, calculation, and supervisory review, are too vague. In addition, there is currently no process to ensure hearings conducted under agreements with some agencies are properly billed and collected. The Division's controls do not ensure that revenues are sufficiently reviewed and reconciled to the state's accounting system. Finally, the Division did not evaluate employee performance as required by state law.

Key Findings

The Division collects and maintains nonessential personal information in hardcopy format, including Social Security numbers. Furthermore, the Division stored unencrypted Social Security information of 435 workers compensation employer representative licensees on its hearings information management system. This information is accessible to six Division employees who do not need the information to carry out their assigned duties. (page 4)

The Division has not adequately protected information in its hearings case management information system. This information is critical for the Division to meet its mission to provide hearings in a timely and cost-efficient manner. The Division uses its own server for its hearings management system. Although EITS set up and installed the server, Division staff stated the security settings for the server have not been reviewed by EITS. A security review of the Division's server will help reduce the risk of a third-party security breach. (page 5)

Due to the Division's lack of supporting records, we could not determine the accuracy of its three performance measures. Furthermore, the Division's policies and procedures are not sufficient and are not followed. In addition, descriptions of the measures in the Executive Budget are not clear or accurate. The Division can provide better information to decision makers by improving its performance measures. (page 6)

The Division does not have an adequate process to ensure it bills and collects amounts due for conducting hearings for state agencies. We found problems with 13 of 50 (26%) of the cases tested: 9 cases were not billed and 4 cases totaling \$995 were billed but not collected. These problems occurred because the Division does not have adequate policies and procedures to help ensure all appropriate services are billed and collected. (page 10)

The Division's revenue collection practices need improvement. For example, the Division did not deposit revenue timely. Staff deposited 19 of 29 receipts tested an average of 4 days late. Also, management did not reconcile check logs with the state's accounting system on a monthly basis to verify all receipts were deposited and recorded correctly. In addition, the Division does not have procedures regarding revenue collection for the workers compensation representative licensing process, which has led to different practices between the Las Vegas and the Carson City offices. (page 11)

The Division did not evaluate employees' performance as required by state law. We examined 32 employee records for evidence of required probationary period evaluations and for evidence of required annual evaluations. In fiscal years 2015 to 2016 there were 69 employee evaluations due, but 56 evaluations were not conducted by the Division. Also, 7 of the 13 evaluations conducted were past due by more than 30 days. Without the required evaluations, management does not have documentation to ensure that promoted employees are fulfilling their new duties satisfactorily, to terminate employees who are not performing adequately, or to acknowledge those employees whose performance exceeds standards. (page 12)