

# Audit Highlights



Highlights of performance audit report on the Nevada Office of the Western Interstate Commission for Higher Education issued on February 18, 2020.

Legislative Auditor report # LA20-10.

## Background

The Office of the Governor, Nevada Office of the Western Interstate Commission for Higher Education (Office) is responsible for identifying critical gaps in the statewide health care workforce. In response, the Office provides financial assistance, reduced tuition, and preferential admission to Nevada students at participating schools. Participants must return to Nevada for 2 to 4 years to meet workforce shortages. Many remain in Nevada and continue providing needed services after they meet contractual requirements. The Office expands access to health care throughout Nevada and generates additional employment opportunities.

The Office is located in Carson City. The Office has two permanent positions: a Director and an Accounting Technician.

The Office has two budget accounts with total expenditures of \$1.48 million in fiscal year 2019.

## Purpose of Audit

The purpose of the audit was to evaluate if program controls and processes ensure participants met contractual obligations and if controls over loan advances and repayments were adequate.

Our audit focused primarily on fiscal years 2018 and 2019. We also reviewed prior years as necessary.

## Audit Recommendations

The audit report contains 10 recommendations to improve controls over ensuring participants meet contractual obligations and protecting financial data accuracy.

The Office accepted the 10 recommendations.

## Recommendation Status

The Office'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.

# Nevada Office of the Western Interstate Commission for Higher Education

## Office of the Governor

## Summary

The Office does not have strong controls to ensure participants meet contractual obligations, including repaying program fees and fulfilling in-state practice requirements. For example, the Office does not adequately monitor if participants report on meeting practice requirements or verify if information received is accurate. Additionally, incomplete data and limited collection activities could result in participants not repaying loans. Office files did not contain evidence of practice requirements for approximately \$1.6 million in grants to participants. Stronger controls can help maintain program viability for future students and address critical workforce shortages in Nevada.

Financial transactions were not always properly recorded nor were participant records accurate and complete. For instance, the Office did not reconcile advances or payment records between the state accounting system and the loan processing system. As a result, about \$116,700 in transactions were incorrectly recorded between the two systems. Additionally, 67% of files contained errors such as missing or inaccurate payments, incorrect dates, and loans with an improper status. Better controls would help ensure financial integrity and sustainability, and may increase staff efficiency as well.

The Office does not have clear documentation on the division of roles and responsibilities between Office staff, the Office of Science, Innovation and Technology (OSIT), and the Commission. Furthermore, many of the issues noted in this report occurred because policies and procedures were insufficient or not followed. As a result, important programmatic and accounting functions did not occur.

## Key Findings

The Office does not adequately monitor participants to ensure they meet in-state professional practice requirements. Participants who do not return to practice in Nevada must repay the grant. Over 41% of participant files tested did not have current documentation showing compliance with requirements. Statute requires participants to provide documentation regarding practice obligations annually. However, the Office does little to ensure participants comply or grants are repaid when obligations are not met. As a result, revenue from grant repayments decreased from \$197,000 to \$70,000 between fiscal years 2017 and 2018. (page 6)

Graduation dates in the loan processing system were not always complete. About \$45,200 in program fees remain uncollected because the Office does not have adequate controls over data accuracy. The Office's loan processing system will not require repayment of program fees unless valid graduation dates are entered. (page 9)

The Office does not adequately follow up on past due loans. Seventeen loans, totaling \$94,700 were past due as of February 2019. The Office can perform collection activities earlier which may prevent accounts from becoming severely delinquent. (page 10)

The loan processing system contained significant errors. Many of the errors noted could have been identified if the Office performed reconciliations of its financial transactions. Three advances paid during fiscal year 2018, totaling about \$36,000, were never recorded in the system. Furthermore, the Office applied \$68,000 more to participant accounts than was actually paid. Finally, the Office did not receive nearly \$10,000 from the contracted loan processor for payments made on participant accounts. Because funding is limited, the recovery of amounts due is essential to the program's continued operation. (page 12)

The Office did not calculate interest on advances correctly because amounts were not entered into the loan software timely or accurately. In total, about \$15,000 in interest on 51 accounts was not calculated by the system and automatically applied to participant accounts. (page 13)

The Office does not have adequate documentation on the division of roles and responsibilities between Office staff, OSIT, and the Commission. Additional clarity would enhance programmatic and accounting functions, such as following up with participants on their contractual obligations and protecting financial data accuracy. (page 15)