

**Governor's Finance Office
Division of Internal Audits**

2025 Annual Report



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Introduction

The Division of Internal Audits assists and supports executive branch leaders and managers by auditing agency operations and offering recommendations that enhance the efficiency and effectiveness of state government. These recommendations inform state policy makers, assist agencies better manage spending, and identify potential benefits for Nevadans from improved governance.

Internal audit and compliance review recommendations help agencies better serve the public and safeguard state resources by improving management and outcomes, and preventing and detecting waste, fraud, and abuse. Internal audit recommendations are presented publicly to the Executive Branch Audit Committee. Compliance review recommendations are presented to the Clerk of the Board of Examiners.

The Administrator of the Division of Internal Audits administratively reports to the Director of the Governor's Finance Office and functionally reports to the Executive Branch Audit Committee. The Executive Branch Audit Committee is comprised of Nevada's constitutional officers and a member of the public.

Executive Branch Audit Committee Members (NRS 353A.038)

The Honorable Joe Lombardo
Governor, Chairman

The Honorable Stavros Anthony
Lieutenant Governor

The Honorable Francisco V. Aguilar
Secretary of State

The Honorable Zach Conine
State Treasurer

The Honorable Andy Matthews
State Controller

The Honorable Aaron D. Ford
Attorney General

Dina Babsky
Member of the Public

The Division of Internal Audits consists of two sections: Internal Audit and Compliance Review.

Internal Audit Section

Goal: Improve the efficiency and effectiveness of state government, agency management, and operations. Ensure compliance with the Governor's objectives and state and federal guidelines, and help safeguard state resources.

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Compliance Review Section

Goal: Ensure agencies have adequate internal controls over fiscal processes and agencies' transactions comply with state and federal guidelines. Help agencies safeguard assets and prevent and detect fraud through internal control training, assistance, monitoring, and reviews.

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Staff Qualifications

The Internal Audit section consists of 11 Executive Branch Auditor positions. Executive Branch Auditors possess one or a combination of the following degrees, licenses, or certifications: an advanced degree in business administration, accounting, finance, or a closely related field; Certified Public Accountant; and/or Certified Internal Auditor.

Vacancies in Executive Branch Auditor positions during fiscal year 2025 amounted to approximately two full-time equivalent positions.

Internal Audit Process

At the direction of the Executive Branch Audit Committee (Committee) and by request from state government leaders, the Division of Internal Audits (DIA) performs audits addressing the efficiency and effectiveness of state agency management and operations. DIA performs follow-up audits on internal audit recommendations and the Legislative Auditor's audit recommendations to determine the progress state agencies have made implementing audit recommendations.

Audit Plan – Audits of Efficiency and Effectiveness

DIA selects audits to perform based on requests from Committee members and executive branch agency management; fraud, waste, and abuse hotline tips; and a risk assessment using multiple criteria, including but not limited to:

- ✓ Governor's strategic goals and policy priorities;
- ✓ Source and amount of agency funding;
- ✓ DIA's previous audits;
- ✓ Legislative Auditor's previous and planned audits; and
- ✓ Identified and/or emerging risk factors.

DIA developed an annual audit plan addressing requests from Committee members and agencies as well as DIA's risk assessment. In accordance with NRS 353A, DIA consulted with the Director of the Governor's Finance Office and the Legislative Auditor concerning the audit plan to avoid any potential duplication of effort or disruption to state agencies.

With the approval of the Committee, the audit plan can be adjusted during the year to address new requests or priorities for audits. Requests for audits take precedence, in general, over audits identified through DIA's risk assessment. The priority for audit requests is: Governor, Committee Members, Office of the Governor, Department Directors, and other executive branch agency managers.

Reporting

Throughout the audit process, Executive Branch Auditors meet with agency management to discuss the audit scope, progress, and findings. At the conclusion of the audit, DIA submits a draft report to the agency. The goal is to achieve consensus on audit recommendations and the agency's ability to implement the recommendations. The head of each agency audited in 2025 provided an official audit response and an implementation plan for recommendations accepted by the agency. Each agency's official audit response and implementation plan were included as part of the final audit report. Audit reports were presented to the Committee and the audited agencies.

Pursuant to statute, within six months of issuing final reports, DIA performed follow-up audits to determine the implementation status of audit recommendations. DIA performed annual follow-up audits on recommendations not fully implemented from all previous audits. Follow-up audit results were presented to the Committee.

Summary of Actions by the Executive Branch Audit Committee and Audit Presentations

October 29, 2024 Committee Meeting – DIA presented two audit reports, three 6-month follow-up reports, and the annual follow-up report on outstanding audit recommendations. The Committee approved changes to the fiscal year 2025 annual plan pursuant to NRS 353A.038 and approved the fiscal year 2024 annual report pursuant to NRS 353A.065.

July 29, 2025 Committee Meeting – DIA presented three audit reports and two 6-month follow-up reports. The Committee approved the fiscal year 2026 annual plan pursuant to NRS 353A.038.

Accomplishments

Audits Completed

The Division of Internal Audits (DIA) presented five audits to the Committee. Four audits were requested by executive branch management; one was selected based on DIA's risk assessment. The audits identified opportunities for improving management and operations in agencies and recommended solutions to promote efficient and effective government:

1. (DIA 25-01) Department of Administration, Division of Human Resource Management – Collective Bargaining Agreements (request).
2. (DIA 25-02) Nevada Department of Veterans Services – Southern Nevada State Veterans Home (request).
3. (DIA 25-03) Nevada Department of Transportation – Key Processes and Operations Management (risk).
4. (DIA 25-04) Nevada Department of Corrections – Correctional Officer Overtime Management 2 (request).
5. (DIA 25-05) Nevada Department of Agriculture – Commodity Foods (request).

Audit Follow-ups Completed

DIA presented five **6-month follow-up reports** to the Committee:

1. (DIA EO 2023-005) Review of Nevada's 17 Public School Districts and the State Public Charter School Authority.
2. (DIA 24-01) Nevada Department of Veterans Services – Northern Nevada State Veterans Home.
3. (DIA 24-02) State Public Charter School Authority.
4. (DIA 25-01) Department of Administration, Division of Human Resource Management – Collective Bargaining Agreements.
5. (DIA 25-02) Nevada Department of Veterans Services – Southern Nevada State Veterans Home.

DIA presented annual follow-up audit results to the Committee for 58 recommendations associated with 32 previously conducted audits.

Audit Follow-ups Completed for Legislative Counsel Bureau, Audit Division

DIA completed seven audit follow-ups on recommendations issued by the Legislative Auditor for the following agencies:

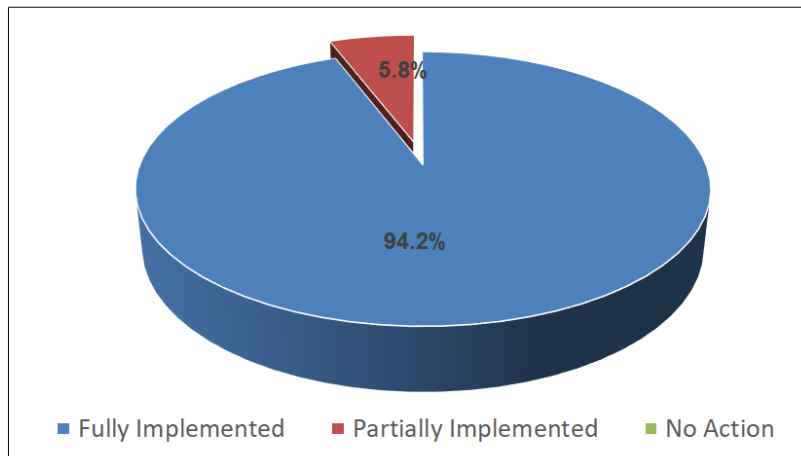
1. (LA24-08) Department of Motor Vehicles – Information Security.
2. (LA24-09) Public Utilities Commission of Nevada – Performance Measures.
3. (LA24-10) Colorado River Commission of Nevada – Resource Technology Administration.
4. (LA24-12) Department of Health and Human Services, Division of Health Care Financing and Policy – Hospice Care Claims and Fiscal Agent Contract.
5. (LA24-14) Silver State Health Insurance Exchange – Information Security.
6. (LA24-15) Office of the Governor, Office of the Chief Information Officer – Customer Rate Development and Contracting Practices.
7. (LA24-16) Governor’s Office of Economic Development – Pandemic Relief and State Small Business Credit Initiative Assistance Programs.

Executive Branch Audits in Progress

As of June 30, 2025, the following audits were in progress:

1. (DIA 26-01) Governor’s Technology Office – IT Infrastructure (request).
2. (DIA 26-02) Governor’s Office of Emergency Management – Fiscal Processes and Operations (request).
3. (DIA 26-03) State Public Charter School Authority – Contracted Administrative Support for Charter Schools (request).

Current Status of Audit Recommendations Issued to State Agencies



Description ^[1]	Report #	Total Rec's	Fully Implemented	Partially Implemented	No Action	No Longer Applicable
All Previous Audits^[2]	N/A	807	692	10	0	105
GTO - IT Services	17-04	4	3	1	0	0
B&I / Boards & Commissions - Oversight	18-05A	4	3	1	0	0
NDOC - Offsite Medical Care	18-06A	3	1	1	0	1
GTO - IT Governance	18-08	6	1	5	0	0
B&I / Boards & Commissions - Governance	19-03	2	0	2	0	0
CCB - Recreational Dispensary Licensing Proc.	20-01	3	2	1	0	0
DofA / SPWD - Commercial Office Space	20-02	2	0	2	0	0
DofA / SPWD - B&G Project Management	20-03	3	2	1	0	0
NDOC - Mental Health Services	20-04	2	0	2	0	0
DPS / NPP - Program Operations	20-06	4	3	1	0	0
DofA / SPWD - L/T Office Space Planning	20-10	5	1	4	0	0
NDOC - Fiscal Processes.1	21-03	4	0	4	0	0
Agriculture - Grants Management.1	21-07	1	0	1	0	0
DofA / SPWD - State-Owned Bldg Rental Rates	22-01	1	0	1	0	0
DHS / NVHA - Transportation Services	22-03	2	1	1	0	0
DofA / Purchasing - Contract Monitoring	22-04	2	1	1	0	0
NDOC - Fiscal Processes.2	22-05	4	0	4	0	0
DCNR / DWR - Fiscal Processes	23-02	2	1	1	0	0
NDVS - No. Nevada State Veterans Home	24-01	6	4	1	0	1
Gov. EO 2023-005 - School Districts & SPCSA	EO2023-005	19	9	9	0	1
Total		861	711	44	0	106
Adjusted Total / Percentages^[3]		755	94.2%	5.8%	0.0%	

^[1] Excludes recently released reports that have not yet had an annual follow-up.

^[2] Includes every previous DIA audit with no outstanding recommendations.

^[3] Recommendations that are no longer applicable are not included in percentage calculations.

Performance Measures

The Division of Internal Audits (DIA) develops recommendations that improve the efficiency and effectiveness of state agencies through solutions-based recommendations. DIA estimates the dollar benefit of recommendations when possible; however, many of the benefits to the state and its citizens are not quantifiable. For instance, DIA cannot put a value on the enhanced safety and welfare of the citizenry. Additionally, many times data is not available to estimate the benefit. When sufficient data is available, DIA documents dollar estimates in audit reports. For fiscal year 2025, DIA estimates the benefits to the state and citizens for every dollar spent on the Internal Audit section as follows:

✓ **Every \$1 spent on the Internal Audit section
benefits the state by \$70.**

The following summarizes Internal Audit's performance measures:

Performance Measures	FY 2024		FY 2025		FY 2026
	Projected	Actual	Projected	Actual	Projected
Dollar benefits for each dollar spent on Internal Audit	70	90	70	70	70
Percentage of recommendations fully implemented	90	95	90	94	90

***Compliance
Review
Section***

Staff Qualifications

The Compliance Review section consists of an Executive Branch Audit Manager and two Compliance Auditors. The Compliance Auditors have college degrees or requisite college courses and experience.

Vacancies in Compliance Auditor positions during fiscal year 2025 amounted to approximately 0.5 full-time equivalent positions.

Compliance Review and Monitoring Process

Compliance Reviews

The Division of Internal Audits (DIA) reviews agencies' fiscal transactions to ensure adequate internal controls over fiscal processes are in place and transactions comply with state and federal guidelines. DIA analyzes exceptions, summarizes deficiencies, and makes recommendations to correct systemic problems noted during reviews. DIA helps agencies develop acceptable and timely corrective actions to findings documented in compliance review reports.

DIA selects agencies for reviews per requests from executive branch management, reviews required by statute, and through risk assessment. Risk is assessed based on results of other audits and reviews, results of the biennial Self-Assessment Questionnaire (SAQ), and other information. In consultation with the Director of the Governor's Finance Office (GFO), the Administrator may adjust the compliance review plan during the year to address new requests for compliance reviews, special reviews, and/or newly identified risks within specific agencies.

DIA reviews the adequacy and effectiveness of agencies' internal controls through discussions with agency staff, observations of agency processes, and examination of documentation. In addition, DIA reviews agencies' transactions to ensure compliance with state and federal guidelines and governmental generally accepted accounting principles. Results of the reviews are issued to agency management and the Clerk of the Board of Examiners.

Internal Controls Training

NAC 353A.100 requires agency heads and employees who administer budgetary accounts to attend internal control training provided by DIA within 90 days after being hired or transferred into a position whose duties include administering budgetary accounts. The training includes instruction on: the state's systems of internal accounting and administrative controls; documenting and evaluating the system; applicable state and federal laws and regulations; and other financial management and budgetary information. Online training is being developed and will be implemented upon completion.

Biennial Report on Internal Control

NRS 353A.025 requires each executive branch agency to periodically review policies, procedures, and internal controls to determine compliance with the state's uniform system of internal accounting and administrative control. The results of the review must be submitted to the GFO Director on or before July 1 of each even-numbered year, which are evaluated by DIA for completeness, internal control findings, and appropriate corrective actions. DIA compiles data for untimely reports and agency-reported internal control weaknesses into a report reviewed and approved by the GFO Director. DIA submits the final approved report to the Governor, Director of the Legislative Counsel Bureau, and the Legislative Auditor on or before the first Monday of February each odd-numbered year.

Fraud, Waste, and Abuse Hotline

NRS 353A.049 required the GFO Director to establish and maintain a telephone line where complaints relating to fraud, waste, or abuse relating to public money received and used by an agency or contractor can be confidentially submitted to DIA. Upon receipt of a complaint, DIA must perform a review and prepare a report of its findings. Information reported to DIA through the hotline is confidential, including the identity of the person who reported the information.

Audit and Monitoring Site Visit Reports

NRS 353.325 requires each state agency to submit a copy of audit reports, management letters, and agency replies to the GFO Director, the State Controller, and the Legislative Auditor within 10 days of receipt. The Administrator of the Division of Internal Audits is the designee for the GFO Director in this process, who oversees the process internally at DIA. DIA analyzes audit and monitoring site visit reports from federal and other agencies to ensure state agencies develop and implement acceptable and timely corrective actions to report findings.

Procurement Card Policies and Procedures

Pursuant to SAM 1556 Procurement Card Program, DIA is responsible for approving state agencies' procurement card (p-card) program policies and procedures prior to the agency obtaining p-cards. Agencies must implement the required minimum internal controls for p-cards, as required by the Procurement Cards SAQ, using the Procurement Card Internal Controls template provided on the GFO website. Any controls implemented in addition to the minimum required internal controls must also be documented.

Accomplishments

Work Accomplished

The following Compliance Review work was completed or was in progress as of June 30, 2025:

Compliance Reviews

1. (24-703) Nevada Commission on Off-Highway Vehicles.
2. (24-079) Department of Administration, Mail Services Division.
3. (25-161) Nevada Department of Sentencing Policy.
4. (25-270) Cannabis Compliance Board.
5. (25-750) Nevada Taxicab Authority.
6. (25-010) Governor's Office for New Americans.

Biennial Report on Internal Control

During fiscal year 2025, DIA completed biennial review activities related to 79 agencies and 690 budget accounts, including: reviewing internal control reports and revised reports; communicating internal control deficiencies to agencies; contacting agencies to obtain missing information or reports; and conducting telephone or virtual meetings to resolve outstanding issues and answer questions. A final report was issued on February 3, 2025 to the Governor, Director of the Legislative Counsel Bureau, and the Legislative Auditor. Approximately 33 hours were expended on biennial review activities.

Fraud, Waste, and Abuse Hotline

Seven complaints were researched for potential fraud, waste, or abuse of state funds; four complaints were referred to other agencies or entities having specific oversight for the issues; and four complaints did not have sufficient information to research. Approximately 95 hours were expended on these complaints.

Audit and Monitoring Site Visit Reports

DIA reviewed and tracked six audit and monitoring site visit reports issued by various entities, including: U.S. Department of Agriculture; U.S. Food and Drug Administration; U.S. Department of Health and Human Services; and Centers for Disease Control and Prevention. Approximately 22 hours were expended on audit and site monitoring visits.

Other Projects

1. Provided assistance to the Governor's Finance Office, Budget Division with reviewing agency-submitted contracts and Interim Finance Committee requests during the 2025 budget build cycle.

2. Evaluated, revised, and proposed changes to the *State Administrative Manual*.
3. Provided assistance to the Office of Federal Assistance (OFA) with on-site monitoring activities, including reviewing and providing suggested revisions for the *Grant Compliance Monitoring Manual* and related forms.
4. Conducted six internal control training classes, with 103 participants from 7 agencies.
5. Expended 37 hours reviewing agency p-card policies and procedures.
6. Expended 120 hours assisting other agencies and providing compliance-related guidance.

Work Planned

As of June 30, 2025, DIA has the following compliance reviews and contributing work to audits planned:

1. Department of Sentencing Policy.
2. Department of Business and Industry, Nevada Taxicab Authority.
3. Governor's Office for New Americans.
4. Cannabis Compliance Board.
5. Department of Human Services – Division of Child and Family Services.
6. Governor's Office of Economic Development.
7. Department of Human Services – Aging and Disability Services Division.
8. Department of Public Safety – Office of Cyber Defense.
9. Secretary of State.

Performance Measures

The following summarizes the Compliance Review Section's performance measures:

Performance Measure	FY 2024		FY 2025		FY 2026
	Projected	Actual	Projected	Actual	Projected
Percent of Compliance Review Recommendations Implemented	94	94	94	100	100
Percent Increase in Trainees' Overall Test Scores	25	27	25	38	25
Trainees' Evaluation of Training Class (average) (Scale: Low = 1 and High = 5)	4.5	4.3	4.5	4.3	4.5

Fiscal Year 2026 and Beyond

The Division of Internal Audits (DIA) is moving into fiscal year 2026 conducting internal audits and reviews that develop insightful, meaningful, and solutions-based recommendations. DIA's effort is to assist executive branch leaders better serve the public through more efficient and effective government. DIA is prepared to accept and prioritize internal audit requests and/or reviews and to respond quickly with objective and reliable information to support executive branch leaders and help improve agency management and operations.

As of the beginning of fiscal year 2026, DIA has an audit plan for over two years of identified internal audit work.

Internal Audit Section

DIA plans to complete three audits in fiscal year 2026, with three additional audits in progress by year-end. DIA plans to hold one Executive Branch Audit Committee meeting, scheduled for the spring of 2026. This meeting schedule will allow DIA to respond quickly and complete internal audit work in accordance with the Committee's authorities under NRS 353A.038.

Compliance Review Section

DIA plans to complete nine compliance reviews in fiscal year 2026, including the items in progress at the end of fiscal year 2025. DIA continues to focus on agencies that have not had a compliance review in the recent past and agencies identified through other audits and reviews as high-risk. Compliance reviews may be postponed when compliance auditors are assigned to assist with special reviews, audits, ARPA audit requirements, and other division activities. DIA will conduct training sessions quarterly in fiscal year 2026 or more often as requested by agencies. DIA is developing a virtual training course to be offered through either the Nevada eLearn training platform or the CORE.NV training module.

DIA looks forward to collaborating with the Executive Branch Audit Committee and the Clerk of the Board of Examiners to identify and conduct internal audits and reviews that are relevant and help inform public policy decisions for state government leaders.