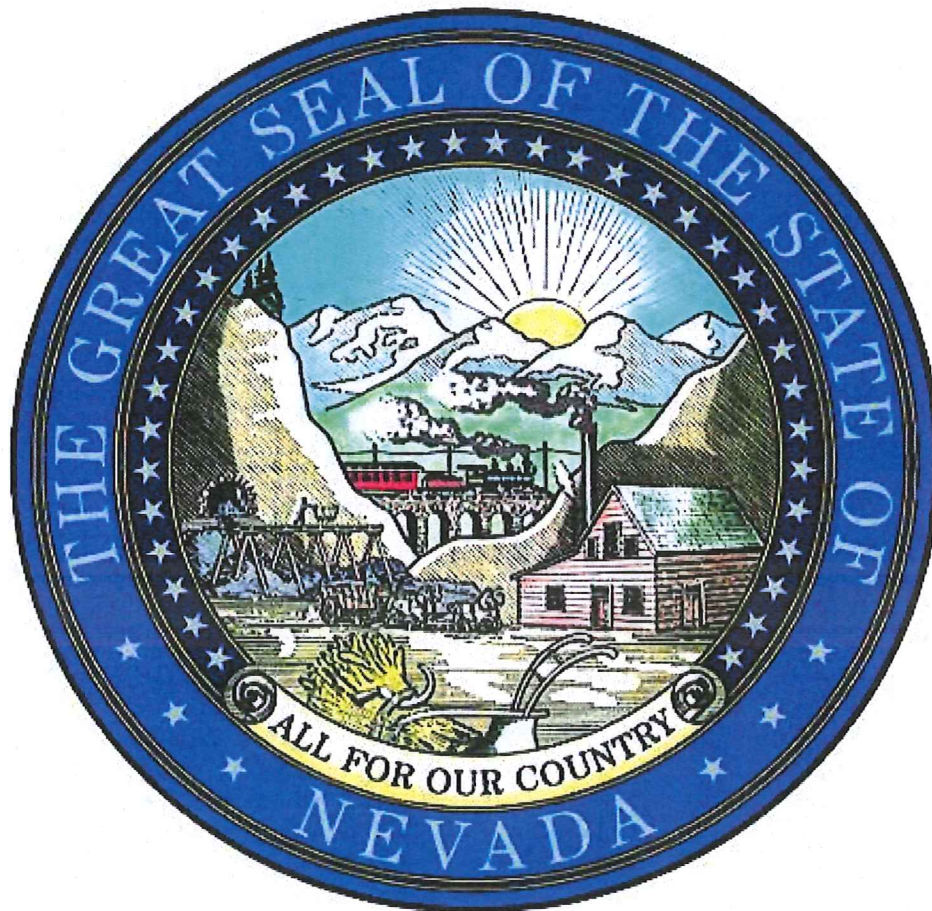


**Department of Administration
Division of Internal Audits**

2015 Annual Report



Steve Weinberger, CPA, Administrator
209 East Musser Street, Suite 302
Carson City, Nevada 89701
Telephone (775) 687-0120 • Fax (775) 687-0145

Introduction

The Division of Internal Audits assists executive branch management by offering recommendations that enhance efficiency and effectiveness in state government. These recommendations help agencies reduce spending and increase benefits to citizens while complying with state and federal regulations. Recommendations also help agencies prevent and detect waste, fraud, and abuse, thereby, safeguarding state resources. Recommendations are presented publicly to the Executive Branch Audit Committee.

Executive Branch Audit Committee Members.....Page 2

The Division of Internal Audits consists of Internal Audit, Financial Management, and Post Review.

Internal Audit

Goal: Improve the efficiency and effectiveness of state operations, ensure compliance with state and federal guidelines, and help agencies safeguard state resources.

Staff Qualifications.....Page 4
Internal Audit Process.....Page 4
Accomplishments.....Page 5
Performance Measures.....Page 9

Financial Management Section

Goal: Help agencies safeguard assets, and prevent and detect fraud through internal control training, assistance, monitoring, and reviews.

Staff Qualifications.....Page 11
Financial Management Process.....Page 11
Accomplishments.....Page 11
Performance Measures.....Page 13

Post Review Section

Goal: Ensure agencies' transactions comply with state and federal guidelines, and government accounting principles.

Staff Qualifications.....Page 15
Post Review Process.....Page 15
Accomplishments.....Page 15
Performance Measures.....Page 16

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

The Administrator of the Division of Internal Audits administratively reports to the Director of the Department of Administration¹, and functionally to the Executive Branch Audit Committee comprised of the following members:

The Honorable Brian Sandoval
Governor, Chairman

The Honorable Mark Hutchison
Lieutenant Governor

The Honorable Ron Knecht
State Controller

The Honorable Barbara Cegavske
Secretary of State

The Honorable Adam Paul Laxalt
Attorney General

The Honorable Dan Schwartz
State Treasurer

Trudy L. Cross, CPA
Public Member

¹ Effective July 1, 2015 the Administrator will report to the Director of the Governor's Finance Office.



***Internal Audit
Section***

Staff Qualifications

The Internal Audit section consists of six Executive Branch Auditors. The Internal Audit sections' staff possesses one or a combination of the following licenses/degrees: Certified Public Accountant, and/or advanced degrees in business or closely related field.

Internal Audit Process

At the direction of the Executive Branch Audit Committee, during fiscal year 2015 we conducted audits addressing the following four questions:

- ✓ What is the agency's role?
- ✓ What services must the agency provide?
- ✓ Is the state the proper level of government to provide these services?
- ✓ If state government is the appropriate level of government, is the agency carrying out its duties efficiently and effectively?

We performed follow-ups on our recommendations and the Legislative Auditor's audit recommendations to determine agencies' implementation status.

Risk Assessment

To determine audit priority, we developed a risk assessment using multiple criteria including but not limited to:

- ✓ Source and amount of funding;
- ✓ Division of Internal Audits' previous audits; and
- ✓ Legislative Counsel Bureau's previous and planned audits.

We developed an annual plan by using risk assessment and requests from agencies and committee members. In accordance with NRS 353A, we consulted with the Director of the Department of Administration and the Legislative Auditor concerning our plan to avoid any potential duplication of effort or disruption to state agencies.

Auditing and Reporting

Our audits focused on offering recommendations to improve the efficiency and effectiveness of executive branch agencies. Throughout our audit process we met with agency management to discuss our progress and findings. At the conclusion of our audits we submitted draft reports to the agency. The head of each agency responded to our recommendations with an implementation schedule. We then presented our final reports to the Executive Branch Audit Committee and the agencies. The reports' contents and discussions regarding the audits remained confidential until presented to the Executive Branch Audit

Committee. Within six months of issuing final reports we performed follow-ups to determine the implementation status of agencies' recommendations. Follow-ups are thereafter performed annually on any recommendations not fully implemented. We report follow-up results to the Executive Branch Audit Committee.

Summarized Actions of the Committee

December 10, 2014 Committee Meeting – The committee approved the Annual Report and Annual Plan. We presented three audits and three six month follow-ups. We reported on the implementation status of prior audit recommendations issued by the Internal Audit section and the Legislative Auditor.

March 31, 2015 Committee Meeting - The committee approved an amendment to the Annual Plan. We presented two committee-requested audit follow-ups follow-ups.

June 22, 2015 Committee Meeting - We presented three audits and three six month follow-ups. We reported on the status of recommendations issued by the Legislative Auditor.

Accomplishments

Audits Completed

Our audits identified opportunities and solutions for cost savings, freed up resources, enhanced revenues, and improved effectiveness. During the fiscal year, we presented the following audit reports to the Executive Branch Audit Committee:

- Department of Agriculture – Division of Animal Industries
- Department of Agriculture – Board of Agriculture and Fiscal Administration
- Department of Business and Industry – Division of Insurance, Enforcement Investigations
- Commission on Off-Highway Vehicles
- Department of Health and Human Services – Division of Child and Family Services, Juvenile Services
- Department of Motor Vehicles – Motor Carrier Division, Fuel Industry and Auditing sections

Audits in Progress

As of June 30, 2015 we had the following audits in progress:

- Department of Agriculture – Food and Nutrition Division
- Office of the Attorney General
- Department of Business and Industry, Taxicab Authority
- Office of the Controller
- Department of Health and Human Services, Division of Child and Family Services – Child Welfare Services

Audit Follow-ups

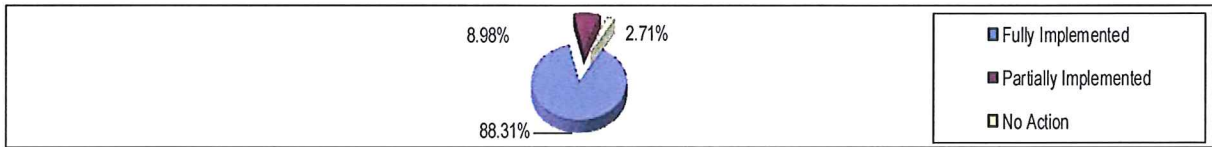
We presented the following six month follow-ups to the Executive Branch Audit Committee during the fiscal year:

- Department of Wildlife
- Department of Motor Vehicles – Compliance Enforcement
- Colorado River Commission
- Commission of Off-Highway Vehicles
- Department of Agriculture – Division of Animal Industries
- Department of Health and Human Services - Division of Child and Family Services, Juvenile Services

We presented two committee-requested audit follow-ups:

- Department of Health and Human Services – Division of Public and Behavioral Health, Doctor Attendance.
- Department of Corrections – Medical Division, Doctor Attendance

Below is the current status of audit recommendations we issued to state agencies:



Annual Follow-ups	Report #	Total Reccs.	Fully Implemented	Partially Implemented	No Action	No Longer Applicable
All Previous Reports [1]	N/A	534	474	0	0	60
Division of Parole and Probation	06-01	8	5	1	0	2
Department of Agriculture	08-03	14	12	1	0	1
MHDS - Lake's Crossing Center and Substance Abuse Prevention and Treatment Agency	10-01	11	4	4	3	0
Division of Mental Health and Developmental Services - Mental Health Services	10-06	11	4	4	3	0
Welfare - Child Care Subsidy	11-02	11	9	2	0	0
Department of Employment, Training, and Rehabilitation, Workforce Investment Board	12-02	10	0	7	3	0
Health Division - Early Intervention Services	13-01	4	1	3	0	0
Department of Public Safety - Nevada Highway Patrol	13-02	5	2	2	1	0
Department of Corrections	13-03	4	1	3	0	0
Department of Health and Human Services	14-02	7	2	5	0	0
Department of Education	14-03	3	0	1	2	0
Department of Wildlife	14-04	8	2	5	1	0
Department of Motor Vehicles - Compliance Enforcement Division	14-05	4	0	4	0	0
Colorado River Commission	14-06	5	1	4	0	0
Commission of Off-Highway Vehicles	15-01	6	1	2	3	0
Department of Agriculture - Animal Industries	15-02	4	1	3	0	0
DCFS - Juvenile Services	15-03	4	2	2	0	0
Total[2]		653	521	53	16	63
Percentages exclude items that are "no longer applicable."		590	88.31%	8.98%	2.71%	

[1] All previous audits with recommendations with dispositions.

[2] Recommendations that are no longer applicable are not included in the percentages.

We also followed up on recommendations issued by the Legislative Auditor for the following agencies:

- Department of Business and Industry, Nevada Transportation Authority (14-07)
- Department of Public Safety, State Fire Marshall Division (14-09)
- Department of Administration, Nevada State Library and Archives, Mail Services (LA14-10)
- Department of Public Safety, Division of Emergency Management (LA14-11)
- Commission on Mineral Resources, Division of Minerals (LA14-12)
- Department of Corrections, Information Technology Security (LA14-14)
- Department of Tourism and Cultural Affairs, Division of Tourism (LA14-15)
- Department of Business and Industry, Nevada State Athletic Commission (LA14-17)

Performance Measures

We improve the efficiency and effectiveness of state agencies through solution-based recommendations. We estimate the dollar benefit of our recommendations when possible. However, many of the benefits to the state and its citizens are not quantifiable. For instance, we cannot put a price on the enhanced welfare of the citizenry. Additionally, many times data are not available to estimate the benefit. When sufficient data are available, we document dollar estimates in our audit reports. For example, in fiscal year 2015, we estimate 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 \$84.**

The following summarizes Internal Audit's performance measures:

Performance Measures	FY 2014		FY 2015		FY 2016
	Projected	Actual	Projected	Actual	Projected
Audit effectiveness based on agency satisfaction surveys (Scale: Low = 1 and High = 5)	5.0	4.8	4.8	4.3	4.5
Percentage of recommendations fully implemented	92	90	90	88	90



***Financial
Management
Section***

Staff Qualifications

The Financial Management section staff consists of the Financial Manager who is a CPA.

Financial Management Process

For fiscal year 2015, the Financial Management process included:

- ✓ Training agencies on internal control requirements for executive branch agencies, and other issues pertinent to the agency.
- ✓ Providing tools to assist agencies develop their internal control procedures and providing assistance upon request.
- ✓ Assisting Executive Branch Auditors.
- ✓ Assisting agencies evaluate, test, and report on the adequacy of their internal control systems as part of the Biennial Report.

Accomplishments

Nine internal control training classes were held in which 23 agencies were represented in fiscal year 2015:

- Department of Administration
 - Division of Internal Audits
- State Public Charter School Authority
- Department of Education
- Commission on Ethics
- Department of Health and Human Services
 - Aging and Disability Services Division
 - Desert Regional Center
 - Division of Child & Family Services
 - Administration
 - Caliente Youth Center
 - Nevada Youth Training Center
 - Southern Nevada Child & Adolescent Services
 - Youth Parole
 - Division of Public and Behavioral Health
 - Substance Abuse Prevention & Treatment Agency
- Department of Public Safety
 - Capitol Police Division
 - Director's Office
 - Division of Emergency Management and Homeland Security

- Nevada Highway Patrol
- Investigations Division
- Board of Parole Commissioners
- Parole and Probation
- Office of Professional Responsibility
- Records and Technology Division
- Training Division
- Department of Taxation
- Department of Transportation

Requested Reviews

Upon request from executive branch management, Financial Management performed the following reviews with the assistance from the Post Review section:

- Commission on Judicial Discipline
- Bank of American procurement card
- Parole and Probation Victims' Restitution upload to Advantage
- Silver State Health Exchange

Internal Control Procedures

Financial Management helped agencies develop internal controls for new fiscal processes and responded to general fiscal related questions.

Performance Measures

Financial Management administers a pre-training and post-training test. For fiscal year 2015, state staff increased knowledge by 29 percent. Additionally, their pre-test scores were approximately 2 percent higher than those of fiscal year 2014.

The following summarizes Financial Management's performance measures:

Performance Measures	FY 2014		FY 2015		FY 2016
	Projected	Actual	Projected	Actual	Projected
Percentage of all agencies attending training sessions	20	31	20	22	20
Percentage increase in trainee's overall test score	43	29	30	29	30
Average training class evaluation score (Scale: Low = 1 and High = 5)	4.8	4.3	4.5	4.4	4.5



***Post Review
Section***

Staff Qualifications

The Post Review section staff consists of two auditors in Auditor III classifications.

Post Review Process

Selection of Reviews

On average agencies are reviewed every three years. In fiscal year 2015, agencies were selected for review based on the date of their last post review.

Post Reviews

Post reviews involved monitoring agencies' expenditures for compliance with state and federal guidelines. Reviews were performed by interviewing agencies' staff and sampling expenditures. In addition, the most current Self-Assessment Questionnaire for the agencies was reviewed for any required agency follow-up. Results of the reviews were issued to agency management and the Clerk of the Board of Examiners.

Accomplishments

Post Reviews

For fiscal year 2015, post reviews of 16 agencies were performed. Post Review sampled 1,679 transactions and noted an average error rate of 18.4 percent.

As a result of the reviews, Post Review provided agencies with valuable recommendations to help ensure reliable financial information and to comply with laws and regulations.

Requested Reviews

Upon request from executive branch management, Post Review assisted Financial Management with the following reviews:

- Bank of American procurement card
- Parole and Probation Victims' Restitution upload to Advantage
- Silver State Health Exchange

Performance Measures

The following summarizes Post Review's performance measures:

Performance Measures	FY 2014		FY 2015		FY 2016
	Projected	Actual	Projected	Actual	Projected
Percentage of agencies examined annually	33	39	30	14 ^a	30
Average annual rating from surveys after reviews (Scale: Low = 1 and High = 5)	4.9	3.9	4.8	4.6	4.5

^a One of the two Auditor III positions was vacant for six months in FY 2015.