



TO: SOUTHERN NEVADA DISTRICT BOARD OF HEALTH DATE: March 22, 2018

RE: *Approval of Plan of Correction to the State of Nevada Department of Taxation to the Fiscal Year 2017 Annual Audit Report, Finding Note 2: Actual Expenditures/Expenses Exceeding Budgeted Appropriations*

PETITION #09-18

That the Southern Nevada District Board of Health *adopt the attached response and recommendation to the Fiscal Year 2017 Annual Audit Report, Note 2: Noncompliance with Nevada Revised Statutes Budget Requirements NRS 354.626 and forward said response to the State of Nevada Department of Taxation*

PETITIONERS:

Sharon L. McCoy-Huber, Financial Services Manager *SMH*
Andrew J. Glass, FACHE, MS, Director of Administration *AG*
Joseph P. Iser, MD, DrPH, MSc, Chief Health Officer *JPI*

DISCUSSION:

Nevada Revised Statute (NRS) 354.626, *Unlawful expenditure of money in excess of amount appropriated; penalties; exceptions*, states that “No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation of repayments and any other long-term contract expressly authorized by law.”

The Southern Nevada Health District transferred \$826,000 from the General fund to the Capital Projects fund, however, this transfer was not a part of the final approved budget. Additionally, the Health District’s Bond Reserve Capital Projects fund exceeded available budget appropriations in the amount of \$58,033 and the Internal Service fund exceeded available budget appropriations in the amount of \$33,874. Staff is now aware of responsibilities in reporting budget changes per NRS 354 and will review budget reports quarterly for Board of Health notification.

FUNDING:

No funds are required in approving the above requested action.

Memorandum



Date: January 17, 2018
To: Joseph P. Iser, Chief Health Officer
From: Sharon McCoy-Huber, Financial Services Manager
CC: Andy Glass, Director of Administration
RE: Response to State of Nevada Department of Taxation, Annual Audit Report – Fiscal Year 2017

2017-B Noncompliance with Nevada Revised Statutes Budget Requirements; Material Weakness in Internal Control Over Compliance

Criteria: Nevada Revised Statute (NRS) 354.626, *Unlawful expenditure of money in excess of amount appropriated; penalties; exceptions*, states that “No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation of repayments and any other long-term contract expressly authorized by law.”

NRS 354.598005, *Procedures and requirements for augmenting or amending budget*, allows for the transfer of budget appropriations between functions and/or funds if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions. Budget appropriations may be transferred in the following manner:

- (a) The person designated to administer the budget for a local government may transfer appropriations within any function.
- (b) The person designated to administer the budget may transfer appropriations between functions or programs within a fund, if:
 - (1) The governing body is advised of the action at the next regular meeting; and
 - (2) The action is recorded in the official minutes of the meeting.
- (c) Upon recommendation of the person designated to administer the budget, the governing body may authorize the transfer of appropriations between funds or from the contingency account, if:
 - (1) The governing body announces the transfer of appropriations at a regularly scheduled meeting and sets forth the exact amounts to be transferred and the accounts, functions, programs and funds affected;
 - (2) The governing body sets forth its reasons for the transfer; and
 - (3) The action is recorded in the official minutes of the meeting.

Condition: The Health District transferred \$826,000 from the General fund to the Capital Projects fund, however, this transfer was not a part of the final approved budget, nor did the Health District follow the procedures required by NRS 354.598005 (c) above to amend its budget. Additionally, the Health District’s Bond Reserve Capital Projects fund exceeded available budget appropriations in the amount of \$58,033 and the Internal Service fund exceeded available budget appropriations in the amount of \$33,874.

Cause: Controls over adhering to the NRS budget requirements were not properly implemented to prevent material noncompliance from occurring.

Effect: The Health District is in material noncompliance with the NRS budget requirements identified above.

Recommendation: We recommend management revisit the Health District’s process for monitoring, amending, and augmenting its final budget.

Views of Responsible Officials: Agree

Response:

The Health District's Bond Reserve Capital Projects Fund exceeded appropriations by \$58,033. In May 2017, a budget augmentation was prepared to appropriate what was thought to be the funds needed for the renovations to the Public Health Laboratory, but as with many construction contracts, the augmentation was not enough to fund the full amount of expenditures.

The Health District's Internal Service Fund – Insurance Liability Reserve Fund total expenses exceeded appropriations by \$33,874. The Liability Reserve Fund can only be used to pay for expenses relating to workers compensation and management continued to fund the administrative expenses in fiscal year 2016/17. The estimated cost of administrative fees exceeded the actual billings, the budget was not updated.

NRS 354.598005 states budget appropriations may be transferred between funds with Board approval. During the fiscal year the Health District made a transfer of \$826,000 from the General Fund to the Capital Projects Fund without obtaining Board approval. Finance staff having made a similar transfer in the previous year was not aware of this provision and thus did not inform the Board of Health at a regularly scheduled meeting and setting forth its reasons for the transfer. Due to time restrictions and purchasing mandates, funds were transferred for purchasing capital assets.

Recommendation:

Staff is now aware of responsibilities in reporting budget changes per NRS 354 and NAC 354 and will review budget reports quarterly for Board of Health notification.



STATE OF NEVADA
DEPARTMENT OF TAXATION

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January 17, 2018

Ms. Sharon L. McCoy-Huber, Financial Services Manager
Southern Nevada Health District
P.O. Box 3902
Las Vegas, Nevada 89127

Re: Annual Audit Report – Fiscal Year 2017

Dear Ms. McCoy-Huber:

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The Department must also identify all violations of statute and/or regulations reported therein.

In our review of your audit, we identified violations of NRS 354.626 as noted by your auditor on page 43, Note 2. of the audit report. The actual expenditures/expenses of the following funds have exceeded budgeted appropriations:

Bond Reserve Capital Fund	\$ 58,033.
Internal Service Fund	\$33,874.
General Fund Transfer without obtaining Board Approval	826,000.

Per NRS 354.6245, within 60 days after delivery of the annual audit to the local government, the governing body shall advise the department what action has been taken to prevent recurrence of violation of law or regulation and to correct each continuing violation. As well, each governing body (per NAC 354.721) shall submit with its proposed plan of correction a statement of the date on which it reviewed and approved the plan for submission to the Department.

If you have any questions, please give me a call at (775) 684-2073. My e-mail address is klangley@tax.state.nv.us

Sincerely,

Kelly S. Langley, CTP
Supervisor, Local Government Finance