



TO: SOUTHERN NEVADA DISTRICT BOARD OF HEALTH DATE: March 25, 2021

RE: *Approval of Plan of Correction to the State of Nevada Department of Taxation to the Fiscal Year 2020 Annual Audit Report, Finding Note 2: Noncompliance with Nevada Revised Statutes Budget Requirements*

PETITION #38-21

That the Southern Nevada District Board of Health *adopt the attached response and recommendation to the Fiscal Year 2020 Annual Audit Report, note 2: Noncompliance with Nevada Revised Statutes Budget Requirements NRS 354.626, (page 61 of audit report) and NRS 354.598005 (page 60-61 of audit report) to forward said response to the State of Nevada Department of Taxation*

PETITIONERS:

Karen White, CPA, Chief Financial Officer

Fermin Leguen MD, MPH, District Health Officer

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 did not include the proper cost allocations or transfers in the original 20-21 budget, in addition a budget augmentation was not completed.

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.

The Southern Nevada Health District made transfers in excess of budget of \$3,138,524 from the General Fund to the Special Revenue Fund, and of \$163,556 from the Special Revenue Fund to the General Fund, without obtaining Board approval. Additionally, the District's Special Revenue Fund expenditures exceeded the available budget appropriations by \$8,103,459. A budget augmentation was not completed.

Staff is now aware of responsibilities in reporting budget changes per NRS 354 and will review our budget status regularly and prepare budget augmentations at least once a year. Budgets will include cost allocations and transfers as appropriate.

FUNDING:

No funds are required in approving the above requested action.



Memorandum

Date: March 25, 2021

To: Fermin Leguen, MD, MPH, District Health Officer

From: Karen White, CPA, Chief Financial Officer

RE: Response to State of Nevada Department of Taxation, Annual Audit Report - Fiscal Year 2020

Response to State of Nevada Department of Taxation, Annual Audit Report - Fiscal Year 2020
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."

Condition: Southern Nevada Health District Fiscal Year 2020 budget did not include the proper administrative cost allocations or fund transfers.

Cause – Controls over adhering to the NRS budget requirements were not properly implemented to prevent material noncompliance from occurring. Southern Nevada Health District's original adopted Fiscal year 2020 budget did not consider the budget implications of the District's administrative cost allocation plan. As a result, allocations to the Special Revenue fund from the General Fund were not adequately budgeted, and a budget augmentation was not brought to the Board to address this oversight.

Management's Response:

All transfers and cost allocation will be budgeted accordingly, and the board will be advised of any significant changes to the budget as well as any deficit spending to be incurred.

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 – Southern Nevada Health District made transfers in excess of budget of \$3,138,524 from the General Fund to the Special Revenue Fund, and of \$163,556 from the Special Revenue Fund to the General Fund, without obtaining Board approval. Additionally, the District's Special Revenue Fund expenditures exceeded the available budget appropriations by \$8,103,459.

Cause – Controls over adhering to the NRS budget requirements were not properly implemented to prevent material noncompliance from occurring. Southern Nevada Health District's original adopted budget did not consider the budget implications of the District's administrative cost allocation plan. As a result, allocations to the Special Revenue fund from the General Fund were not adequately budgeted, and a budget augmentation was not brought to the Board to address this oversight.

Effect – Southern Nevada Health District is not in compliance with the NRS budget requirements identified above.

Recommendation – We recommend management revisit Southern Nevada Health District's process for establishing, monitoring, amending, and augmenting its final budget.

Views of Responsible Officials: Agree

Management's Response:

To remediate budgetary noncompliance issues in the future, the budget will be reviewed at least twice during the year to determine if a budget augmentation is needed. A budget augmentation will be completed each year, as required and presented to the board of health for review and approval.