



Single Audit Report
June 30, 2016

State of Nevada

State Of Nevada
 Single Audit Report
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 For The Year Ended June 30, 2016

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Independent Auditor's Report

The Honorable Ronald Knecht, MS, JD & PE
State Controller
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

- the financial statements of the Housing Division, which is a major fund and 32.33 percent of the assets and deferred outflows of resources, 16.85 percent of net position, and 4.10 percent of the revenues of the business-type activities;
- the financial statements of the Nevada System of Higher Education and the Colorado River Commission, both of which are discretely presented component units and represent more than 99 percent of assets and deferred outflows of resources, net position, and revenues of the discretely presented component units;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds which, in the aggregate, represent less than one percent of the assets and deferred outflows of resources and the net position, and 3.99 percent of the revenues of the aggregate remaining fund information;

- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees’ Fund, which the aggregate represent 63.70 percent of the assets and deferred outflows of resources, 65.05 percent of the net position and 28.13 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represent 30.87 percent of the assets and deferred outflows of resources, 31.98 percent of the net position and 47.54 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund – Investment Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, net position and revenues of the aggregate remaining fund information;
- the financial statements of the Division of Museums and History Dedicated Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, fund balance and revenues of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Division of Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained, and the reports of other auditors, is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note 18 to the financial statements, the State of Nevada converted from the straight line method of amortizing bond premiums and discounts to the interest method. The change to the interest method resulted in a restatement of net position as of July 1, 2015. In addition, as discussed in Note 18 to the financial statements, the State of Nevada corrected a prior year allocation of an investment loss in the Highway Fund, which resulted in a restatement of net position as of July 1, 2015 in the Highway Fund and the General Fund. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, the schedule of infrastructure condition and maintenance data, and the pension plan information collectively presented on pages 80 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Reno, Nevada
December 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2016. Readers should consider this information in conjunction with the additional information furnished in the letter of transmittal.

HIGHLIGHTS

Government-wide:

- Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by \$6.0 billion (reported as *net position*). Of this amount, \$5.6 billion is net investment in capital assets and \$2.3 billion is restricted for specific uses, neither of which are available to meet the State's general obligations, and a negative \$1.9 billion is reported as an unrestricted deficit, which indicates no funds are available for discretionary purposes.
- The State's total net position increased by \$1.5 billion or 34.5% over the prior year. Net position of governmental activities increased by \$1.1 billion or 30.4%. Net position of business-type activities increased by \$410.9 million or 54.4%.

Fund-level:

- The State's governmental funds reported combined ending fund balances of \$1,864.2 million, an increase of \$301.2 million from the prior year. Of the ending fund balance, \$477.3 million is nonspendable, \$815.0 million is restricted, \$698.3 million is committed and a negative \$126.4 million is unassigned.
- The State's enterprise funds reported combined ending net position of \$1,166.3 million, an increase of \$410.5 million from the prior year. Of the ending net position, \$4.3 million is net investment in capital assets, \$1,153.0 million is restricted, and \$9.0 million is unrestricted.

Capital Assets and Long-term Debt:

- The State's capital assets, net of depreciation, increased by \$667.4 million or 10.7%.
- The State's total bonds payable and certificates of participation payable decreased by \$323.9 million or 9.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Nevada's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Comprehensive Annual Financial Report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Nevada's finances in a manner similar to the private sector. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The *statement of net position* presents *all* of the State's assets, liabilities, and deferred outflows/inflows of resources with the difference being reported as "net position." The statement combines and consolidates all of the State's current financial resources with capital assets and long-term obligations. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net position changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges, grants, or are financed with taxes and other general revenues. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes earned and unused leave).

Both government-wide statements above report three types of activities:

Governmental Activities – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education, law, justice and public safety, regulation of business, transportation, recreation and resource development, interest on long-term debt and unallocated depreciation.

Business-type Activities – These activities are intended to recover all, or a significant portion, of the costs of the activities by charging fees to customers. The Housing Division and Unemployment Compensation are examples of the State’s business-type activities.

Discretely Presented Component Units – Discrete component units are legally separate organizations for which their relationship with the primary government meets selected criteria. The State has three discretely presented component units – the Nevada System of Higher Education, the Colorado River Commission and the Nevada Capital Investment Corporation. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements:

A fund is an accounting entity consisting of a set of self-balancing accounts to track funding sources and spending for a particular purpose. The State’s funds are broken down into three types:

Governmental funds – Most of the State’s basic services are reported in governmental funds. These funds focus on short-term outflows and inflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The governmental fund financial statements focus on major funds and provide additional information that is not provided in the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. A reconciliation is provided between the governmental fund statements and the governmental activities in the government-wide financial statements.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers (enterprise funds) or to other State agencies (internal service funds), the services are generally reported in the proprietary funds. Proprietary funds apply the accrual basis of accounting utilized by private sector businesses, and there is a reconciliation between the government-wide financial statement business-type activities and the enterprise fund financial statements. Because internal service fund operations primarily benefit governmental funds, they are included with the governmental activities in the government-wide financial statements.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the state government. For instance, the State acts as a trustee or fiduciary for its employee pension plans, and it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are reported using the accrual basis of accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information:

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds, along with notes and a reconciliation of the statutory and U.S. generally accepted accounting principles (GAAP) fund balances at fiscal year-end. This section also includes a schedule of pension plan information and a schedule of infrastructure condition and maintenance data.

Other Supplementary Information:

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service and all fiduciary funds. The non-major funds are added together, by fund type, and presented in single columns in the basic financial statements. Other supplementary information contains budgetary schedules of total uses for the General Fund and special revenue fund budgets, as well as a schedule of sources for non-major special revenue fund budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the fiscal years ended June 30, 2016 and 2015 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

State of Nevada's Net Position-Primary Government <i>(expressed in thousands)</i>							
	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2015*	2016	2015*	2016	2015*	2016-2015
Assets							
Current and other assets	\$ 4,123,954	\$ 3,637,061	\$ 2,379,222	\$ 2,163,799	\$ 6,503,176	\$ 5,800,860	\$ 702,316
Net capital assets	6,867,876	6,200,840	12,851	12,517	6,880,727	6,213,357	667,370
Total assets	10,991,830	9,837,901	2,392,073	2,176,316	13,383,903	12,014,217	1,369,686
Total deferred outflows of resources	281,360	244,857	4,832	4,562	286,192	249,419	36,773
Liabilities							
Current liabilities	1,729,053	1,612,110	66,378	69,068	1,795,431	1,681,178	114,253
Long-term liabilities	4,384,984	4,327,379	1,157,624	1,358,862	5,542,608	5,686,241	(143,633)
Total liabilities	6,114,037	5,939,489	1,224,002	1,427,930	7,338,039	7,367,419	(29,380)
Total deferred inflows of resources	354,233	495,015	6,672	9,041	360,905	504,056	(143,151)
Net Position							
Net investment in capital assets	5,588,027	4,895,213	4,310	3,791	5,592,337	4,899,004	693,333
Restricted	1,105,037	976,650	1,153,048	761,710	2,258,085	1,738,360	519,725
Unrestricted (deficit)	(1,888,144)	(2,223,609)	8,873	(21,594)	(1,879,271)	(2,245,203)	365,932
Total net position	\$ 4,804,920	\$ 3,648,254	\$ 1,166,231	\$ 743,907	\$ 5,971,151	\$ 4,392,161	\$ 1,578,990

* The 2015 amounts have not been restated for the change in the method used to amortize bond discounts and premiums; the 2015 restricted and unrestricted net position of business-type activities has been revised to properly reflect the Unemployment Compensation Fund net position as restricted.

Net Position:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State reported net position of \$6.0 billion at the end of 2016, compared with \$4.4 billion at the end of the previous year.

The largest portion of the State's net position (\$5.6 billion or 93.7%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, software costs, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$2.3 billion or 37.8%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net position deficit of \$1.9 billion or (31.5%) as compared to a \$2.2 billion deficit in the prior year. The governmental activities and business-type activities components of the unrestricted net position deficit are discussed below.

The unrestricted net position deficit in governmental activities decreased by \$335.5 million; from a deficit of \$2.2 billion to a total deficit of \$1.9 billion. Changes in governmental activities were a result of several factors, including an increase in the unrestricted fund balance of the General Fund of \$174.9 million and an increase of \$16.7 million in deferred inflows of resources for unrestricted and unavailable revenue recognized as revenue in the government-wide statement of net activities. Of the \$16.7 million increase in deferred inflows of resources for unrestricted and unavailable revenue, approximately \$17.7 million is from rebates for health services and a decrease of \$.9 million in unrestricted tax revenue. In business-type activities the unrestricted net position increased by \$30.5 million from a deficit of \$21.6 million to a net position of \$8.9 million. The increase is primarily due to an increase in the unrestricted net position of the Housing Division fund in the amount of \$9.7 million and an increase in unrestricted net position of the Workers Compensation fund of \$21.4 million.

Changes in State of Nevada's Net Position-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2015*	2016	2015*	2016	2015*	2016-2015
Revenues							
Program revenues							
Charges for services	\$ 885,646	\$ 828,977	\$ 120,146	\$ 111,885	\$ 1,005,792	\$ 940,862	\$ 64,930
Operating grants and contributions	4,791,688	4,337,546	58,795	75,716	4,850,483	4,413,262	437,221
Capital grants and contributions	12,503	10,385	-	-	12,503	10,385	2,118
General revenues							
Sales and use taxes	1,219,151	1,160,968	-	-	1,219,151	1,160,968	58,183
Gaming taxes	910,684	906,382	-	-	910,684	906,382	4,302
Modified business taxes	562,867	413,749	-	-	562,867	413,749	149,118
Insurance premium taxes	301,368	301,226	-	-	301,368	301,226	142
Lodging taxes	167,159	150,480	-	-	167,159	150,480	16,679
Cigarette taxes	153,033	92,774	-	-	153,033	92,774	60,259
Commerce taxes	143,508	-	-	-	143,508	-	143,508
Property and transfer taxes	238,192	219,189	-	-	238,192	219,189	19,003
Motor and special fuel taxes	289,909	277,305	-	-	289,909	277,305	12,604
Other taxes	582,331	590,704	566,551	555,187	1,148,882	1,145,891	2,991
Investment earnings	10,352	14,780	-	-	10,352	14,780	(4,428)
Other	267,350	231,043	-	-	267,350	231,043	36,307
Total Revenues	10,535,741	9,535,508	745,492	742,788	11,281,233	10,278,296	1,002,937
Expenses							
General government	206,620	280,465	-	-	206,620	280,465	(73,845)
Health services	3,509,058	3,346,745	-	-	3,509,058	3,346,745	162,313
Social services	1,601,995	1,540,385	-	-	1,601,995	1,540,385	61,610
Education - K-12 state support	1,460,123	1,474,155	-	-	1,460,123	1,474,155	(14,032)
Education - K-12 administrative	524,397	418,364	-	-	524,397	418,364	106,033
Education - higher education	577,683	490,407	-	-	577,683	490,407	87,276
Law, justice and public safety	709,920	695,023	-	-	709,920	695,023	14,897
Regulation of business	299,093	259,106	-	-	299,093	259,106	39,987
Transportation	180,224	462,386	-	-	180,224	462,386	(282,162)
Recreation and resource development	144,940	145,000	-	-	144,940	145,000	(60)
Interest on long-term debt	79,527	94,987	-	-	79,527	94,987	(15,460)
Unallocated depreciation	2,680	2,137	-	-	2,680	2,137	543
Unemployment insurance	-	-	342,279	380,166	342,279	380,166	(37,887)
Housing	-	-	27,099	23,442	27,099	23,442	3,657
Water loans	-	-	4,962	6,372	4,962	6,372	(1,410)
Workers' compensation and safety	-	-	31,024	27,644	31,024	27,644	3,380
Higher education tuition	-	-	25,108	25,768	25,108	25,768	(660)
Other	-	-	31,471	30,263	31,471	30,263	1,208
Total Expenses	9,296,260	9,209,160	461,943	493,655	9,758,203	9,702,815	55,388
Change in net position before contributions to permanent funds, special items and transfers	1,239,481	326,348	283,549	249,133	1,523,030	575,481	947,549
Contributions to permanent fund	7,480	9,038	-	-	7,480	9,038	(1,558)
Special item - Settlement	-	-	-	5,000	-	5,000	(5,000)
Transfers	(127,364)	(147,100)	127,364	147,100	-	-	-
Change in net position	1,119,597	188,286	410,913	401,233	1,530,510	589,519	940,991
Net position - beginning of year	3,648,254	5,414,465	743,907	379,253	4,392,161	5,793,718	(1,401,557)
Adjustment to beginning net position	37,069	(1,954,497)	11,411	(36,579)	48,480	(1,991,076)	2,039,556
Net position - end of year	\$ 4,804,920	\$ 3,648,254	\$ 1,166,231	\$ 743,907	\$ 5,971,151	\$ 4,392,161	\$ 1,578,990

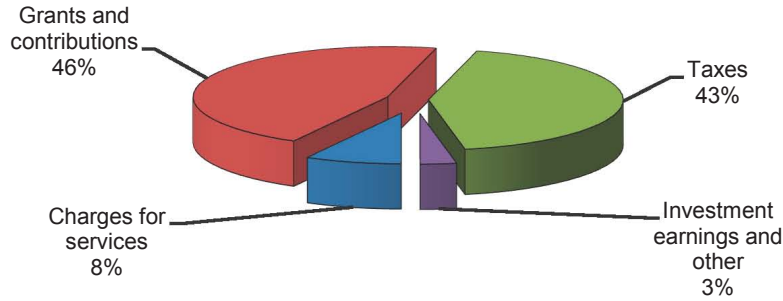
* The 2015 amounts have been revised to disaggregate expenses for health and social services and education K-12.

Changes in Net Position:

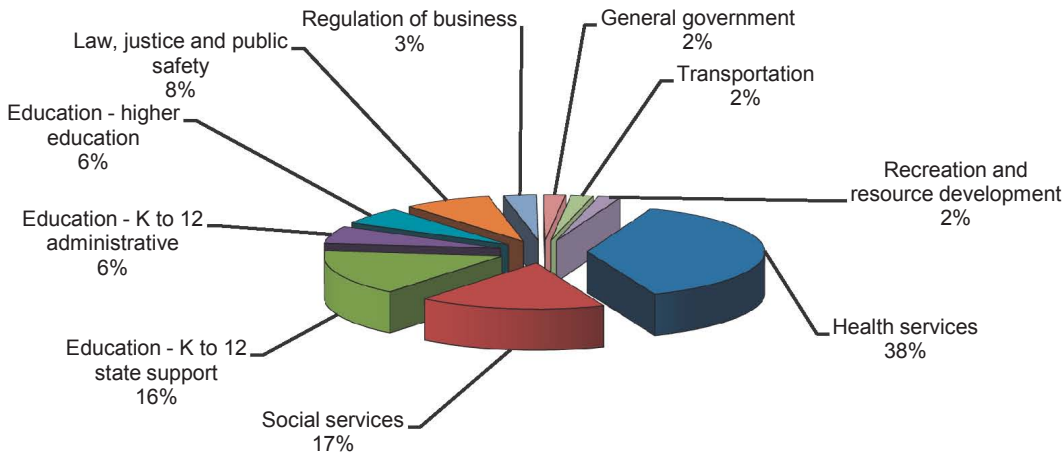
Total government-wide revenues increased by \$1.0 billion during the current year. The increase in revenues is a result of several factors, including increases of \$437.2 million in federal funding, \$149.1 million in modified business taxes, \$143.5 million in commerce taxes, \$60.3 million in cigarette taxes and \$58.2 million in sales and use taxes. Program revenues from charges for services increased by \$64.9 million compared to the prior year.

Governmental activities – The current year net position increased by \$1.1 billion. Approximately 43.4% of the total revenue came from taxes, while 45.6% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 8.4% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were 37.7% for health services, 17.2% for social services, and 15.7% for state support of K to 12 education (see chart below). In 2016, governmental activities expenses exceeded program revenues, resulting in the use of \$3.6 billion in general revenues, which were generated to support the government.

The following chart depicts the governmental activities revenues for the fiscal year:



The following chart depicts the governmental activities expenses for the fiscal year:

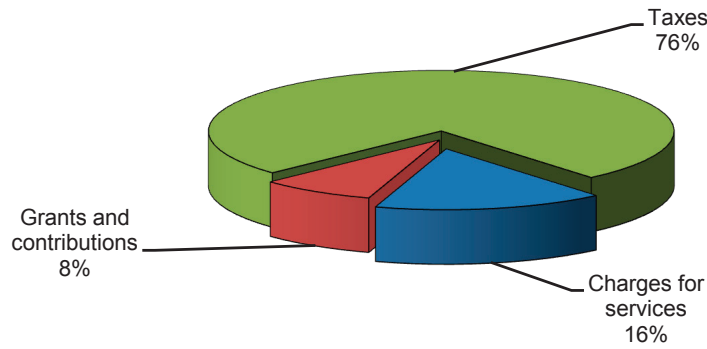


The following table depicts the total program revenues and expenses for each function of governmental activities:

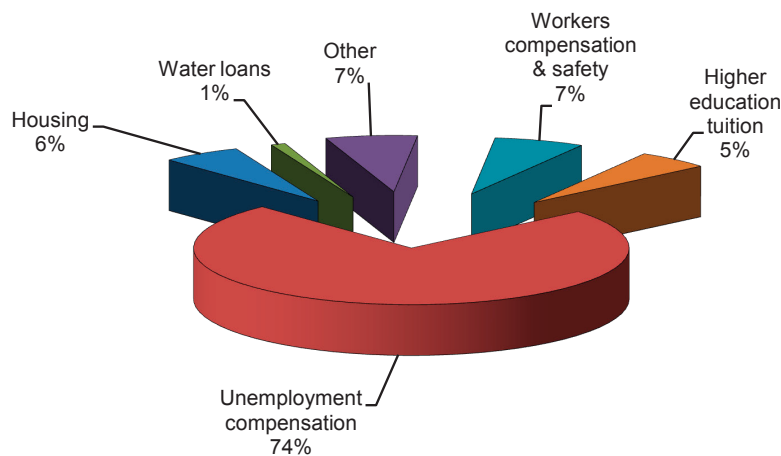
	Expenses	Revenues
General government	\$ 206,620	\$ 191,096
Health services	3,509,058	2,807,986
Social services	1,601,995	1,217,490
Education - K-12 state support	1,460,123	4,015
Education - K-12 administration	524,397	278,650
Education - higher education	577,683	-
Law, justice and public safety	709,920	354,537
Regulation of business	299,093	255,648
Transportation	180,224	492,099
Recreation and resource development	144,940	87,080
Total	\$ 9,214,053	\$ 5,688,601

Business-type activities – The current year net position increased by \$410.9 million. Approximately 76.0% of the total revenue came from taxes, while 7.9% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 16.1% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were 74.1% for unemployment compensation (see chart below). In 2016, business-type activities expenses exceeded program revenues by \$283.0 million. Of this amount, unemployment compensation was the largest, with net expenses of \$326.3 million, resulting in the use of general revenues generated by and restricted to the Unemployment Compensation Fund.

The following chart depicts the business-type activities revenues for the fiscal year:



The following chart depicts the business-type activities expenses for the fiscal year:



The following table depicts the total program revenues and expenses for each function for business-type activities:

	Expenses		Revenues	
Unemployment compensation	\$	342,279	\$	15,945
Housing		27,099		30,560
Water loans		4,962		28,097
Workers' compensation		31,024		41,875
Higher education tuition		25,108		28,635
Other		31,471		33,829
Total	\$	461,943	\$	178,941

The State's overall financial position improved over the past year. Current year operations resulted in a \$1.1 billion increase in the net position of the governmental activities and a \$410.9 million increase in the net position of the business-type activities. Nevada continues to recover at a slow pace. Key economic indicators from the State's sales and other taxes continue to show positive growth. Tax revenues for governmental activities increased in the current fiscal year \$455.4 million or 11.1% compared to an increase of \$296.8 million or 7.8% in the prior fiscal year. In addition, operating grants and contributions for governmental activities increased \$454.1 million primarily due to Medicaid receipts. In the Highway Fund, intergovernmental revenues increased \$164.3 million primarily due to an increase in federal aid, while motor and special vehicle taxes increased \$12.0 million and driver's license and motor carrier fees increased \$14.8 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.9 billion, an increase of \$301.2 million from the prior year. Of these total ending fund balances, \$477.3 million or 25.6% is nonspendable, either due to its form or legal constraints, and \$815.0 million or 43.7% is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$698.3 million or 37.5% of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. Included in committed fund balance is \$63.9 million for fiscal emergency. NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization account are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations, in which case forty percent of the excess is deposited to the Stabilization Account. Expenditures may occur only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and Governor declare that a fiscal emergency exists. Additions to the Stabilization Account were \$63.9 million in the current fiscal year and \$0 in the prior fiscal year. The remaining negative \$126.4 million or (6.8%) of fund balance is unassigned. The major funds are discussed more fully below.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was \$398.2 million compared to \$207.3 million in the prior fiscal year, before restatement. The fund balance increased by \$190.9 million or 92.1%, of which \$4.1 million or 2.0% is a decrease to beginning fund balance due to a prior period adjustment, leaving a fund balance increase of \$195.0 million or 95.9% during the current fiscal year. Reasons for this increase are discussed in further detail below. The negative unassigned fund balance of \$126.4 million is mostly due to an accrual for Medicaid expenditures and for unearned gaming taxes and mining taxes already collected and budgeted but not yet recognized as revenues.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2016 and 2015 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2016		2015		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 896,768	10.3%	\$ 894,805	11.3%	\$ 1,963	0.2%
Sales taxes	1,214,113	13.9%	1,161,893	14.6%	52,220	4.5%
Modified business taxes	561,779	6.5%	411,914	5.2%	149,865	36.4%
Insurance premium taxes	309,114	3.6%	292,665	3.7%	16,449	5.6%
Lodging taxes	167,160	1.9%	150,480	1.9%	16,680	11.1%
Cigarette taxes	153,033	1.8%	92,774	1.2%	60,259	65.0%
Commerce taxes	143,507	1.7%	-	0.0%	143,507	100.0%
Property and transfer taxes	80,169	0.9%	67,696	0.8%	12,473	18.4%
Motor and special fuel taxes	2,338	0.0%	2,466	0.0%	(128)	-5.2%
Other taxes	327,976	3.8%	330,931	4.2%	(2,955)	-0.9%
Intergovernmental	4,358,111	50.0%	4,081,581	51.3%	276,530	6.8%
Licenses, fees and permits	353,306	4.1%	305,079	3.8%	48,227	15.8%
Sales and charges for services	72,635	0.8%	70,877	0.9%	1,758	2.5%
Interest and investment income	8,445	0.0%	(337)	0.0%	8,782	2605.9%
Other revenues	61,293	0.7%	87,208	1.1%	(25,915)	-29.7%
Total revenues	\$ 8,709,747	100.0%	\$ 7,950,032	100.0%	\$ 759,715	9.6%

The total General Fund revenues increased \$759.7 million or 9.6%. The largest increases in revenue sources were \$276.5 million or 6.8% in intergovernmental revenues, \$149.9 million or 36.4% in modified business taxes, \$143.5 million or 100% in commerce taxes, \$60.3 million or 65.0% in cigarette taxes, and \$52.2 million or 4.5% in sales taxes. Intergovernmental revenues primarily increased by \$256.1 million in receipts for Medicaid, \$43.3 million in receipts for food stamps, and \$20.9 million for school lunch program. The largest decline in revenue sources was \$25.9 million or 29.7% in other revenues and \$3.0 million or .9% in other taxes. In other revenues, the decrease is primarily due to \$19.3 million of settlement income recorded in the prior year.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2016 and 2015 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)

	2016		2015*		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 127,247	1.5%	\$ 128,236	1.6%	\$ (989)	-0.8%
Health services	3,535,984	41.2%	3,343,666	41.4%	192,318	5.8%
Social services	1,510,685	17.6%	1,423,021	17.6%	87,664	6.2%
Education - K-12 state support	1,460,123	17.0%	1,474,155	18.3%	(14,032)	-1.0%
Education - K-12 administrative	524,747	6.1%	417,104	5.2%	107,643	25.8%
Education - higher education	549,228	6.5%	486,937	6.0%	62,291	12.8%
Law, justice and public safety	473,774	5.5%	450,754	5.6%	23,020	5.1%
Regulation of business	276,859	3.2%	233,072	2.9%	43,787	18.8%
Recreation, resource development	115,883	1.4%	113,164	1.4%	2,719	2.4%
Debt service	3,368	0.0%	3,251	0.0%	117	3.6%
Total expenditures	\$ 8,577,898	100.0%	\$ 8,073,360	100.0%	\$ 504,538	6.3%

* The 2015 amounts have been revised to disaggregate expenditures for health and social services and education K-12.

The total General Fund expenditures increased 6.3%. The largest increases in expenditures were \$192.3 million or 5.8% in health services expenditures, \$87.7 million or 6.2% in social services expenditures, \$107.6 million or 25.8% in education K to 12 administrative expenditures, and \$62.3 million or 12.8% in higher education. Health services expenditures increased due to expansion of the Medicaid program. The largest decrease was \$14.0 million or 1.0% of expenditures for education K to 12 state support.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased by \$198.8 million or 59.5%, of which \$4.1 million or 1.2% is an increase to beginning fund balance due to a prior period adjustment, leaving an increase of \$194.7 million or 58.3% during the current fiscal year compared to a 5.6% decrease in the prior year. This was primarily due to an increase in intergovernmental revenues of \$164.3 million or 52.0% and other taxes of \$30.8 million or 151.2%. The increase in other taxes is due to the Legislative allocation to the Highway Fund of \$25.6 million in motor vehicle government services tax commissions and penalties allocated to the General Fund in 2015. Expenditures increased as spending for three major road construction projects, Project NEON, USA Parkway and the Boulder City Bypass, increased.

The Municipal Bond Bank Fund is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance decreased by \$133.5 million during the current fiscal year, which is a 58.3% decrease from the prior year. This decrease was primarily due to the refunding of local government bonds of \$173.5 million offset by \$47.3 of new bonds and the State's refunding and payment of principal of \$7.4 million.

The Permanent School Fund is a permanent fund used to account for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education. The fund balance increased by \$7.6 million during the current fiscal year, which is a 2.3% increase from the prior year. This increase is primarily due to \$2.7 million increase in investment income.

Proprietary Funds:

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of two types: enterprise funds and internal service funds. Enterprise funds are used when goods or services are provided primarily to parties outside of the State while internal service funds are used when goods or services are provided primarily to State agencies.

Enterprise Funds – There are four major enterprise funds: Housing Division Fund, Unemployment Compensation Fund, Water Projects Loans Fund and the Higher Education Tuition Trust Fund. The combined net position of the four major funds is \$1,146.4 million, the net position of the nonmajor enterprise funds is \$19.9 million and the total combined net position of all enterprise funds is \$1,166.3 million. The combined net position of all enterprise funds increased by \$ 421.9 million in 2016, of which \$11.4 million is an increase to beginning net position due to the change in the method used to calculate bond premium amortization. The major enterprise funds are discussed below:

The Housing Division Fund was created for the purpose of making available additional funds to assist private enterprise and governmental agencies in providing safe and sanitary housing facilities and provides low interest loans for first-time homebuyers with low or moderate incomes. The net position increased by \$3.4 million or 1.8%, resulting in an ending net position of

\$196.5 million. Revenues from interest on loans increased by 15.9% reflecting Nevada's improving but still recovering housing market. Operating expenses increased by \$3.8 million, and operating revenues increased by \$1.9 million.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by \$391.4 million during the current fiscal year, of which \$10.4 million is an increase to beginning net position due to the change in the method used to calculate the bond premium amortization from straight-line to the interest method, resulting in an ending net position of \$501.3 million. This increase in net position is primarily due to operating revenues exceeding expenses by \$236.5 million and a transfer of \$149.5 million from the Unemployment Comp Bond Fund for special bond contributions assessed on employers for payment of principal and interest on Unemployment Compensation Bonds. During fiscal year 2016, \$338.3 million of unemployment compensation benefits was paid to unemployed State citizens compared to \$369.7 million paid in fiscal year 2015, representing a 8.5% decrease in claims expense.

The Water Projects Loans Fund issues loans to governmental and private entities for two programs: Safe Drinking Water and Water Pollution Control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. The net position increased by \$22.3 million during the current fiscal year, of which \$1.0 million is an increase to beginning net position due to the change in method used to calculate the bond premium amortization from straight-line to the interest method, for a final net position of \$389.6 million, which is a 6.1% increase from the prior year.

The Higher Education Tuition Trust Fund provides a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college. The Trust Fund completed its eighteenth enrollment period during the fiscal year with 964 new enrollments. The net position increased \$6.0 million or 11.2% during the current fiscal year.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and fleet services in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2016, total internal service fund net position increased by \$1.2 million, for a final net position of \$6.3 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. Net position decreased by \$6.2 million or 7.8% during the current fiscal year, for a final net position of \$73.8 million. The decrease was considered a normal fluctuation in insurance premium income and in claims expense.

The Information Services Fund accounts for designing, programming, and maintaining data processing software and operating the State's central computer facility and telecommunication system. The net position deficit decreased by \$2.3 million or 15.0% during the current fiscal year, resulting in a total net position deficit of \$12.9 million. The deficit decrease is primarily the result of increase in transfers from other funds.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund budgetary revenues and other financing sources were \$574.7 million or 5.5% less than the final budget, primarily because actual intergovernmental revenues received were less than the final budgeted amount. Intergovernmental revenues represent federal grants, and there are timing differences arising from when grants are awarded, received and spent. The final budget can include grant revenue for the entire grant period, whereas the actual amount recorded represents grant revenue received in the current year.

The net increase in the General Fund expenditures and other uses budget from original to final was \$613.2 million. Some of the differences originate because the original budget consists only of those budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. The non-executive budgets, not subject to legislative approval, only require approval by the Budget Division and if approved after July 1, are considered to be revisions. Increases due to the non-executive budgets approved after July 1 and increased estimated receipts were approximately \$610.9 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2016 amount to \$8.1 billion, net of accumulated depreciation of \$1.2 billion, leaving a net book value of \$6.9 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). In 2016, the State realigned its goals to maintain a certain percentage of each category of its roadways. The realignment was based on the Pavement and Bridge Condition Notice of Proposed Rulemaking released by the Federal Highway Administration (FHWA). The new policy is to maintain each category with an IRI of 95 or less. The prior policy was to maintain each category with an IRI of 80 or less. The first table shows the most current condition assessment under the State's new policy and the second table shows the condition assessment under the prior policy:

	Condition Level of the Roadways				
	Percentage of roadways with an IRI of less than 95				
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

	Condition Level of the Roadways				
	Percentage of roadways with an IRI of less than 80				
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%
Actual results of 2012 condition assessment	84%	85%	84%	32%	9%

	Condition Level of the Bridges		
	Percentage of substandard bridges		
	2015	2014	2012
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	4%	4%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2016 by \$11.2 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimates, condition levels are expected to approximately meet or exceed the target condition levels for the roadway category. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of the population, the State also has a substantial capital projects program. The following is a summary of major projects in progress or completed during 2016 (expressed in millions):

	Expended by June 30, 2016	Total Budget
Healthcare Reform Software	\$ 49.2	\$ 49.2
Unemployment Insurance Software Development	35.9	40.4
New Readiness Center North Las Vegas	30.9	35.8
Southern Nevada Veterans' Cemetery Expansion	8.4	13.4
NDOT Integrated Right of Way Software	8.4	9.3
Energy Retrofit Projects	5.5	6.2
Statewide Roofing Projects	4.0	6.9
Southern Desert CC Distribution Switchgear & Panelboards	0.2	4.1

Additional information on the State's capital assets can be found in Note 7 to the financial statements.

Long-term Debt Administration:

As of year-end, the State had \$3.2 billion in bonds and certificates of participation outstanding, compared to \$3.5 billion last year, a decrease of \$323.9 million or 9.3% during the current fiscal year. This decrease was due primarily to the payment of principal on debt.

The most current bond ratings from Fitch Investor Service was AA+, Moody's was Aa2, and Standard and Poor's ratings were AA or AAA. These ratings are an indication of high quality obligations and a reflection of sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

New bonds issued during the 2016 fiscal year were (expressed in thousands):

General Obligation Capital Improvement and Refunding Bonds	11/4/2015D	\$ 248,935
General Obligation Natural Resources and Refunding Bonds	11/4/2015E	21,133
General Obligation Municipal Bond Bank	11/4/2015F	47,305
General Obligation Open Space, Parks, Natural Resources and Refunding Bonds	11/4/2015G	9,350
Special Obligation Highway Revenue Improvement and Refunding Bonds	3/9/2016	292,600
General Obligation Safe Drinking Water Revolving Fund Matching and Refunding Bonds	11/4/2015H	10,845
General Obligation Natural Resources and Refunding Bonds Marlette Lake	11/4/2015E	1,462
Housing Multi-Unit Agate Avenue	7/1/2015	2,881
Housing Multi-Unit Landsman Gardens	9/28/2015	414
Housing Multi-Unit Agate Seniors II	1/7/2016	6,467
Housing Multi-Unit 501 Lamb Apartment	12/18/2015	4,868
Housing Multi-Unit Terracina	8/26/2015	9,393
Housing Multi-Unit Boulder Pines II	5/26/2016	2,109

Additional information on the State's long-term debt obligations can be found in Note 10 to the financial statements and in the Statistical Section.

Requests for Information

This financial report is designed to provide a general overview of the State of Nevada's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701 or visit our website at: www.controller.nv.gov.

Statement of Net Position

NEVADA

June 30, 2016 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 2,018,902	\$ 758,983	\$ 2,777,885	\$ 263,779
Investments	261,093	397,866	658,959	1,227,660
Internal balances	(1,699)	1,699	-	-
Due from component unit	36,162	-	36,162	-
Due from primary government	-	-	-	49,854
Accounts receivable	132,826	2,925	135,751	57,069
Taxes/assessments receivable	1,042,991	222,698	1,265,689	-
Intergovernmental receivables	434,227	1,162	435,389	38,961
Accrued interest and dividends	6,569	12,963	19,532	37
Contracts receivable	-	43,308	43,308	-
Mortgages receivable	-	413,263	413,263	-
Notes/loans receivable	110,194	345,830	456,024	10,701
Capital lease receivable	50,445	-	50,445	-
Other receivables	16	-	16	105,073
Inventory	26,849	1,608	28,457	7,262
Prepaid expenses	2,332	10	2,342	34,031
Restricted assets:				
Cash	3,043	-	3,043	136,727
Investments	-	176,892	176,892	63,979
Other assets	4	15	19	55,449
Capital assets:				
Land, infrastructure and construction in progress	5,623,076	568	5,623,644	304,302
Other capital assets, net	1,244,800	12,283	1,257,083	1,885,923
Total assets	10,991,830	2,392,073	13,383,903	4,240,807
Deferred Outflows of Resources				
Deferred charge on refunding	80,786	1,177	81,963	14,452
Pension contributions	200,574	3,655	204,229	36,333
Total deferred outflows of resources	281,360	4,832	286,192	50,785
Liabilities				
Accounts payable	1,097,226	49,878	1,147,104	66,910
Accrued payroll and related liabilities	73,887	1,770	75,657	79,943
Intergovernmental payables	235,760	50	235,810	-
Interest payable	20,988	4,965	25,953	11,602
Due to component units	25,206	220	25,426	-
Due to primary government	-	-	-	36,162
Contracts/retentions payable	50,394	-	50,394	-
Unearned revenues	142,210	9,479	151,689	52,026
Other liabilities	83,382	16	83,398	35,899
Long-term liabilities:				
Portion due or payable within one year:				
Reserve for losses	79,792	-	79,792	-
Obligations under capital leases	2,813	-	2,813	3,583
Compensated absences	57,821	1,108	58,929	33,466
Benefits payable	-	17,922	17,922	-
Bonds payable	193,263	196,755	390,018	27,652

Certificates of participation payable	4,325	-	4,325	-
<i>Portion due or payable after one year.</i>				
Federal advances	-	-	-	8,256
Reserve for losses	46,939	-	46,939	-
Obligations under capital leases	17,364	-	17,364	48,358
Net pension obligation	1,863,666	35,379	1,899,045	330,306
Compensated absences	34,194	590	34,784	16,874
Benefits payable	-	193,197	193,197	-
Bonds payable	1,973,988	711,701	2,685,689	648,289
Certificates of participation payable	86,391	-	86,391	-
Due to component unit	24,428	-	24,428	-
Unearned revenue	-	-	-	58,691
Arbitrage rebate liability	-	972	972	-
Total liabilities	6,114,037	1,224,002	7,338,039	1,458,017
Deferred Inflows of Resources				
Pension related amounts	353,388	6,672	360,060	59,346
Taxes	93	-	93	-
Fines and forfeitures	752	-	752	-
Donations	-	-	-	11,023
Lease revenue	-	-	-	4,077
Total deferred inflows of resources	354,233	6,672	360,905	74,446
Net Position				
Net investment in capital assets	5,588,027	4,310	5,592,337	1,625,179
Restricted for:				
Unemployment compensation	-	501,255	501,255	-
Security of outstanding obligations	-	186,168	186,168	-
Workers' compensation	-	17,048	17,048	-
Tuition contract benefits	-	58,973	58,973	-
Capital projects	5,802	-	5,802	80,535
Debt service	31,147	-	31,147	21,202
Education - K to 12	3,704	-	3,704	-
Education - higher education	1,313	-	1,313	-
Transportation	297,223	-	297,223	-
Recreation and resource development	56,626	389,602	446,228	-
Law, justice and public safety	47,194	-	47,194	-
Health services	293,491	-	293,491	-
Social services	845	-	845	-
Regulation of business	25,383	2	25,385	-
Scholarships	-	-	-	436,281
Loans	-	-	-	6,172
Operations and maintenance	-	-	-	714
Research and development	-	-	-	9,883
Other purposes	-	-	-	10,649
Funds held as permanent investments:	1,020	-	1,020	-
Nonexpendable	341,268	-	341,268	381,994
Expendable	21	-	21	-
Unrestricted (deficit)	(1,888,144)	8,873	(1,879,271)	186,520
Total net position	4,804,920	1,166,231	5,971,151	\$ 2,759,129

The notes to the financial statements are an integral part of this statement

Statement of Activities

NEVADA

For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands)

	Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
	Primary Government					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:								
General government	206,620	180,648	10,448	-	(15,524)	-	(15,524)	-
Health services	3,509,058	98,107	2,709,879	-	(701,072)	-	(701,072)	-
Social services	1,601,995	139,256	1,078,234	-	(384,505)	-	(384,505)	-
Education - K-12 state support	1,460,123	-	4,015	-	(1,456,108)	-	(1,456,108)	-
Education - K-12 administrative	524,397	2,781	275,869	-	(245,747)	-	(245,747)	-
Education - higher education	577,683	-	-	-	(577,683)	-	(577,683)	-
Law, justice and public safety	709,920	301,894	51,741	902	(355,383)	-	(355,383)	-
Regulation of business	299,093	83,263	172,385	-	(43,445)	-	(43,445)	-
Transportation	180,224	33,167	447,628	11,304	311,875	-	311,875	-
Recreation and resource development	144,940	46,530	40,253	297	(57,860)	-	(57,860)	-
Interest on long-term debt	79,527	-	1,236	-	(78,291)	-	(78,291)	-
Unallocated depreciation	2,680	-	-	-	(2,680)	-	(2,680)	-
Total governmental activities	9,296,260	885,646	4,791,688	12,503	(3,606,423)	-	(3,606,423)	-
Business-type activities:								
Unemployment insurance	342,279	2,974	12,971	-	-	(326,334)	(326,334)	-
Housing	27,099	18,934	11,626	-	-	3,461	3,461	-
Water loans	4,962	8,755	19,342	-	-	23,135	23,135	-
Workers' compensation and safety	31,024	38,639	3,236	-	-	10,851	10,851	-
Higher education tuition	25,108	19,369	9,266	-	-	3,527	3,527	-
Other	31,471	31,475	2,354	-	-	2,358	2,358	-
Total business-type activities	461,943	120,146	58,795	-	-	(283,002)	(283,002)	-
Total primary government	\$ 9,758,203	\$ 1,005,792	\$ 4,850,483	\$ 12,503	\$ (3,606,423)	\$ (283,002)	\$ (3,889,425)	-
Total component units	\$ 1,764,251	\$ 702,656	\$ 503,927	\$ 4,978	-	-	-	(552,690)

General revenues:

Taxes:

Gaming	910,684	-	910,684
Sales and use	1,082,042	-	1,082,042
Modified business	562,867	-	562,867
Insurance premium	301,368	-	301,368
Cigarette taxes	153,033	-	153,033
Commerce taxes	143,508	-	143,508
Property and transfer	80,169	-	80,169
Motor and special fuel	2,338	-	2,338
Other	281,022	308	281,330

Restricted for unemployment compensation:				
Other taxes	-	566,243	566,243	-
Restricted for educational purposes:				
Sales and use taxes	137,109	-	-	137,109
Lodging taxes	167,159	-	-	167,159
Restricted for debt service purposes:				
Property and transfer taxes	144,906	-	-	144,906
Motor and special fuel taxes	68,527	-	-	68,527
Other	72,100	-	-	72,100
Restricted for recreation and resource development purposes:				
Other taxes	37,187	-	-	37,187
Other	1,516	-	-	1,516
Restricted for health services purposes:				
Property and transfer taxes	13,117	-	-	13,117
Other taxes	197,631	-	-	197,631
Restricted for social services purposes:				
Other taxes	11,563	-	-	11,563
Restricted for transportation purposes:				
Motor and special fuel taxes	219,044	-	-	219,044
Other taxes	51,344	-	-	51,344
Restricted for regulation of business:				
Other taxes	3,584	-	-	3,584
Settlement income	38,351	-	-	38,351
Unrestricted investment earnings	10,352	-	-	10,352
Other general revenues	155,383	-	-	155,383
Contributions to permanent funds	7,480	-	-	7,480
Payments from State of Nevada	-	-	-	-
Transfers	(127,364)	127,364	-	-
Total general revenues, contributions, payments, and transfers	4,726,020	693,915	5,419,935	597,051
Change in net position	1,119,597	410,913	1,530,510	44,361
Net position - beginning (as restated)	3,685,323	755,318	4,440,641	2,714,768
Net position - ending	\$ 4,804,920	\$ 1,166,231	\$ 5,971,151	\$ 2,759,129

The notes to the financial statements are an integral part of this statement.

Balance Sheet Governmental Funds

June 30, 2016

	General Fund	State Highway	Municipal Bond Bank
Assets			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 709,453,879	\$ 573,909,412	\$ 1,070
Cash in custody of other officials	5,672,897	144,976	-
Investments	11,888,748	-	-
<i>Receivables:</i>			
Accounts receivable	59,866,931	11,652,392	-
Taxes receivable	1,000,776,307	41,311,268	-
Intergovernmental receivables	387,134,763	36,606,580	-
Accrued interest and dividends	3,655,164	-	1,232,466
Notes/loans receivable	15,874,455	-	94,240,000
Capital lease receivable	-	-	-
Other receivables	15,830	-	-
Due from other funds	32,179,802	9,961,684	290
Due from fiduciary funds	430,587	-	-
Due from component units	769,980	-	-
Inventory	7,382,747	18,841,971	-
Advances to other funds	2,546,120	-	-
Restricted cash	3,043,317	-	-
Prepaid items	2,109,357	61,384	-
Total assets	\$ 2,242,800,884	\$ 692,489,667	\$ 95,473,826
Liabilities			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 468,288,606	\$ 37,556,022	\$ -
Accrued payroll and related liabilities	58,940,199	9,192,856	-
Intergovernmental payables	185,219,894	49,043,376	-
Contracts/retentions payable	153,428	39,545,352	-
Due to other funds	30,197,507	14,942,482	-
Due to fiduciary funds	552,969,894	2,335,868	-
Due to component units	10,241,429	164,656	-
Unearned revenues	138,358,910	254,903	-
Other liabilities	77,308,322	2,109,897	-
Total liabilities	1,521,678,189	155,145,412	-
Deferred Inflows of Resources			
<i>Unavailable revenue:</i>			
Taxes	83,187,976	352,783	-
Intergovernmental	194,473,762	-	-
Licenses, fees and permits	3,189,662	-	-
Sales and charges for services	8,216,366	18,683	-
Settlement income	-	-	-
Lease principal payments	-	-	-
Interest	501,321	408,384	146,396
Other	32,546,579	3,825,669	-
Taxes	93,373	-	-
Fines and forfeitures	751,567	-	-
Total deferred inflows of resources	322,960,606	4,605,519	146,396
Fund Balances			
Nonspendable	26,952,839	18,903,355	89,700,000
Restricted	78,093,754	481,377,030	-
Committed	419,532,746	32,458,351	5,627,430
Unassigned	(126,417,250)	-	-
Total fund balances	398,162,089	532,738,736	95,327,430
Total liabilities, deferred inflows of resources and fund balances	\$ 2,242,800,884	\$ 692,489,667	\$ 95,473,826

The notes to the financial statements are an integral part of this statement.

Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ 24,187,747	\$ 398,880,577	\$ 1,706,432,685
36,823,243	102,580,674	145,221,790
247,513,212	1,691,343	261,093,303
660	54,406,393	125,926,376
-	902,970	1,042,990,545
1,059,385	5,094,388	429,895,116
327,030	1,353,979	6,568,639
-	-	110,114,455
-	50,445,000	50,445,000
-	-	15,830
73,015	22,041,014	64,255,805
-	115,904	546,491
34,571,792	-	35,341,772
-	390,592	26,615,310
-	602,546	3,148,666
-	-	3,043,317
-	87,666	2,258,407
<u>\$ 344,556,084</u>	<u>\$ 638,593,046</u>	<u>\$ 4,013,913,507</u>
\$ -	\$ 7,506,443	\$ 513,351,071
-	3,469,524	71,602,579
-	1,433,014	235,696,284
-	10,695,223	50,394,003
2,840,217	26,282,299	74,262,505
-	37,696	555,343,458
-	14,799,844	25,205,929
-	3,530,475	142,144,288
463,405	3,500,336	83,381,960
<u>3,303,622</u>	<u>71,254,854</u>	<u>1,751,382,077</u>
-	-	83,540,759
-	-	194,473,762
-	112	3,189,774
-	9,748	8,244,797
-	19,450,184	19,450,184
-	50,445,000	50,445,000
13,813	206,633	1,276,547
660	488,532	36,861,440
-	-	93,373
-	-	751,567
<u>14,473</u>	<u>70,600,209</u>	<u>398,327,203</u>
341,237,989	508,258	477,302,441
-	255,576,309	815,047,093
-	240,653,416	698,271,943
-	-	(126,417,250)
<u>341,237,989</u>	<u>496,737,983</u>	<u>1,864,204,227</u>
<u>\$ 344,556,084</u>	<u>\$ 638,593,046</u>	<u>\$ 4,013,913,507</u>

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

NEVADA

June 30, 2016

Total fund balances - governmental funds		\$ 1,864,204,227
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$ 150,951,465	
Construction in progress	224,702,425	
Infrastructure assets	4,591,399,157	
Rights-of-way	654,989,854	
Buildings	1,714,407,558	
Improvements other than buildings	124,758,260	
Furniture and equipment	372,960,895	
Software costs	171,777,736	
Accumulated depreciation/amortization	<u>(1,164,022,986)</u>	
Total capital assets		6,841,924,364
Some of the State's revenues collected after year-end are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable deferred inflows of resources in the funds.		397,482,263
Intergovernmental receivable not providing current resources.		221,045
Amounts due to component unit for bonds authorized to be issued are not reported in the funds as they are not due and payable.		(24,362,000)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		6,441,270
The loss on early retirement of debt is reported as a deferred outflow of resources on the statement of net position and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less.		80,786,385
Deferred outflow of resources related to pensions are not reported in the governmental funds.		195,525,183
Deferred inflow of resources related to pensions are not reported in the governmental funds.		(344,023,305)
Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds.		(16,620,000)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension obligation	(1,813,890,034)	
Bonds payable	(2,162,514,398)	
Accrued interest on bonds	(20,987,906)	
Certificates of participation	(90,716,191)	
Capital leases	(19,527,807)	
Compensated absences	<u>(89,023,127)</u>	
Total long-term liabilities		<u>(4,196,659,463)</u>
Net position of governmental activities		<u>\$ 4,804,919,969</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2016

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 896,768,216	\$ -	\$ -
Sales taxes	1,214,113,229	-	-
Modified business taxes	561,778,352	-	-
Insurance premium taxes	309,113,304	-	-
Lodging taxes	167,159,268	-	-
Cigarette taxes	153,033,176	-	-
Commerce taxes	143,507,593	-	-
Property and transfer taxes	80,169,162	-	-
Motor and special fuel taxes	2,338,030	219,043,917	-
Other taxes	327,976,235	51,119,593	-
Intergovernmental	4,358,111,628	480,103,369	-
Licenses, fees and permits	353,306,217	221,313,865	-
Sales and charges for services	72,634,943	17,205,452	-
Interest and investment income	8,444,882	5,894,230	2,330,698
Settlement income	-	-	-
Land sales	-	-	-
Other	61,292,786	19,825,131	-
Total revenues	8,709,747,021	1,014,505,557	2,330,698
Expenditures			
<i>Current:</i>			
General government	127,247,048	-	347
Health services	3,535,984,366	-	-
Social services	1,510,685,017	-	-
Education - K-12 state support	1,460,122,985	-	-
Education - K-12 administrative	524,746,848	-	-
Education - higher education	549,228,265	-	-
Law, justice and public safety	473,773,627	188,807,552	-
Regulation of business	276,858,799	-	-
Transportation	-	816,275,069	-
Recreation and resource development	115,882,370	-	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	2,198,954	-	-
Interest, fiscal charges	1,154,300	-	-
Debt issuance costs	15,108	1,023,764	-
Total expenditures	8,577,897,687	1,006,106,385	347
Excess (deficiency) of revenues over expenditures	131,849,334	8,399,172	2,330,351
Other Financing Sources (Uses)			
Sale of general obligation bonds	1,805,000	167,485,000	44,950,000
Sale of general obligation refunding bonds	-	-	2,355,000
Premium on general obligation bonds	218,029	33,546,311	-
Payment to refunded bond agent	-	-	(2,570,344)
Sale of capital assets	631,761	-	-
Transfers in	89,696,940	6,374,094	-
Transfers out	(29,240,692)	(21,082,227)	(180,607,428)
Total other financing sources (uses)	63,111,038	186,323,178	(135,872,772)
Net change in fund balances	194,960,372	194,722,350	(133,542,421)
Fund balances, July 1 (as restated)	203,201,717	338,016,386	228,869,851
Fund balances, June 30	\$ 398,162,089	\$ 532,738,736	\$ 95,327,430

The notes to the financial statements are an integral part of this statement.

Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 13,539,353	\$ 910,307,569
-	-	1,214,113,229
-	-	561,778,352
-	-	309,113,304
-	-	167,159,268
-	-	153,033,176
-	-	143,507,593
-	158,022,813	238,191,975
-	68,527,281	289,909,228
-	204,958,682	584,054,510
-	158,716,032	4,996,931,029
-	24,830,034	599,450,116
-	19,222,339	109,062,734
4,179,710	3,166,751	24,016,271
-	39,370,381	39,370,381
3,564,422	-	3,564,422
3,925,985	7,543,432	92,587,334
<u>11,670,117</u>	<u>697,897,098</u>	<u>10,436,150,491</u>
-	31,146,149	158,393,544
-	-	3,535,984,366
-	92,547,808	1,603,232,825
-	-	1,460,122,985
-	-	524,746,848
-	13,673,123	562,901,388
-	26,034,866	688,616,045
-	21,765,522	298,624,321
-	-	816,275,069
-	28,120,075	144,002,445
-	43,534,357	43,534,357
-	381,643,000	383,841,954
-	89,798,838	90,953,138
-	2,545,144	3,584,016
-	<u>730,808,882</u>	<u>10,314,813,301</u>
<u>11,670,117</u>	<u>(32,911,784)</u>	<u>121,337,190</u>
-	57,830,000	272,070,000
-	344,898,000	347,253,000
-	80,447,238	114,211,578
-	(417,422,263)	(419,992,607)
-	8,982	640,743
-	226,574,296	322,645,330
(4,049,881)	(222,026,208)	(457,006,436)
<u>(4,049,881)</u>	<u>70,310,045</u>	<u>179,821,608</u>
7,620,236	37,398,261	301,158,798
333,617,753	459,339,722	1,563,045,429
<u>\$ 341,237,989</u>	<u>\$ 496,737,983</u>	<u>\$ 1,864,204,227</u>

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Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

NEVADA

For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds		\$ 301,158,798
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	\$ 735,171,498	
Depreciation expense	<u>(69,112,132)</u>	
Excess of capital outlay over depreciation expense		666,059,366
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds issued	(272,070,000)	
Refunding bonds issued	(347,253,000)	
Premiums on debt issued	<u>(114,211,578)</u>	
Total bond proceeds		(733,534,578)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Bond principal retirement	378,419,677	
Certificates of participation retirement	2,710,000	
Payments to the bond refunding agent	419,992,607	
Capital lease payments	<u>1,959,384</u>	
Total long-term debt repayment		803,081,668
Internal service funds are used to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		
		770,574
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" and are not reported as revenues in the governmental funds. Unavailable deferred inflows of resources changed by this amount.		
		126,677,179
In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.		
		(931,523)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		
		(13,262,832)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.		
		30,408,854
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the net change in:		
Pension costs, net	15,376,421	
Accrued interest payable	(3,519,285)	
Compensated absences	6,670,464	
Capital lease receivable	(43,398,670)	
Long term due to component unit	(24,362,000)	
Settlement agreement liability	<u>(11,597,392)</u>	
Total additional expenditures		<u>(60,830,462)</u>
Change in net position of governmental activities		<u>\$ 1,119,597,044</u>

The notes to the financial statements are an integral part of this statement.

Statement of Net Position Proprietary Funds

June 30, 2016

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
Assets							
Current assets:							
<i>Cash and pooled investments:</i>							
Cash with treasurer	\$ 689,133	\$ -	\$ 104,018,913	\$ 2,935,759	\$ 73,983,809	\$ 181,627,614	\$167,247,823
Cash in custody of other officials	516,999	576,250,119	-	346,952	241,459	577,355,529	-
Investments	37,037,445	-	-	223,871,703	-	260,909,148	-
<i>Receivables:</i>							
Accounts receivable	-	-	-	-	2,919,782	2,919,782	785,735
Assessments receivable	-	222,697,982	-	-	250	222,698,232	-
Intergovernmental receivables	-	-	591,242	-	570,965	1,162,207	4,110,770
Contracts receivable	-	-	-	9,701,679	-	9,701,679	-
Mortgages receivable	41,006,960	-	-	-	-	41,006,960	-
Accrued interest and dividends	8,484,392	-	4,205,157	273,762	-	12,963,311	-
Notes/loans receivable	-	-	24,626,755	-	-	24,626,755	5,000
Due from other funds	66,933	4,039,616	331,280	53,919	1,457,121	5,948,869	10,358,912
Due from fiduciary funds	-	-	-	-	5,348	5,348	5,567,243
Due from component units	-	-	-	-	470	470	819,356
Inventory	-	-	-	-	1,607,673	1,607,673	233,581
Prepaid items	-	-	785	-	8,775	9,560	73,535
<i>Restricted assets:</i>							
Investments	104,914,487	-	-	-	-	104,914,487	-
Total current assets	192,716,349	802,987,717	133,774,132	237,183,774	80,795,652	1,447,457,624	189,201,955
Noncurrent assets:							
Investments	136,956,984	-	-	-	-	136,956,984	-
<i>Receivables:</i>							
Contracts receivable	-	-	-	33,606,025	-	33,606,025	-
Mortgages receivable	372,256,036	-	-	-	-	372,256,036	-
Notes/loans receivable	622,960	-	320,580,691	-	-	321,203,651	75,000
<i>Restricted assets:</i>							
Investments	71,977,034	-	-	-	-	71,977,034	-
Other assets	-	-	-	-	15,000	15,000	3,761
<i>Capital assets:</i>							
Land	-	-	-	-	567,812	567,812	1,032,737
Buildings	-	-	-	-	3,388,840	3,388,840	20,392,485
Improvements other than buildings	-	-	-	-	3,656,507	3,656,507	3,839,621
Furniture and equipment	798,555	-	11,820	173,374	13,649,287	14,633,036	57,646,618
Software costs	-	-	-	-	-	-	15,323,810
Less accumulated depreciation/ amortization	(545,677)	-	(11,820)	(83,271)	(8,754,353)	(9,395,121)	(72,283,845)
Total noncurrent assets	582,065,892	-	320,580,691	33,696,128	12,523,093	948,865,804	26,030,187
Total assets	774,782,241	802,987,717	454,354,823	270,879,902	93,318,745	2,396,323,428	215,232,142
Deferred Outflows of Resources							
Deferred charge on refunding	-	-	989,278	-	188,021	1,177,299	-
Pension contributions	241,687	-	72,876	23,687	3,316,360	3,654,610	5,048,777
Total deferred outflows of resources	241,687	-	1,062,154	23,687	3,504,381	4,831,909	5,048,777

(Continued)

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
Liabilities							
Current liabilities:							
<i>Accounts payable and accruals:</i>							
Accounts payable	\$ 27,548,922	\$ 7,389,417	\$ 54,095	\$ 210,815	\$ 14,623,554	\$ 49,826,803	\$ 9,976,947
Accrued payroll and related liabilities	112,357	-	28,448	13,328	1,615,607	1,769,740	2,283,978
Interest payable	2,798,731	1,124,334	978,626	-	63,680	4,965,371	-
Intergovernmental payables	-	-	-	-	50,329	50,329	63,725
Bank overdraft	-	-	-	-	-	-	1,918,041
Due to other funds	5,711	764,959	293,178	28,959	2,839,630	3,932,437	2,368,644
Due to fiduciary funds	-	-	-	-	51,257	51,257	16,133
Due to component units	-	-	-	220,031	-	220,031	65,760
Unearned revenues	-	-	-	-	9,478,826	9,478,826	65,573
Other liabilities	-	-	-	-	16,450	16,450	-
<i>Short-term portion of long-term liabilities:</i>							
Reserve for losses	-	-	-	-	-	-	79,791,894
Compensated absences	68,682	-	17,503	14,465	1,007,081	1,107,731	1,725,516
Benefits payable	-	-	-	17,922,341	-	17,922,341	-
Bonds payable	26,139,562	160,403,575	9,935,929	-	275,194	196,754,260	513,323
Obligations under capital leases	-	-	-	-	-	-	648,976
Total current liabilities	56,673,965	169,682,285	11,307,779	18,409,939	30,021,608	286,095,576	99,438,510
Noncurrent liabilities:							
Advances from funds	-	-	-	-	206,700	206,700	2,941,966
Reserve for losses	-	-	-	-	-	-	46,939,358
Net pension obligation	2,604,548	-	693,422	190,731	31,889,889	35,378,590	49,775,578
Compensated absences	29,446	-	8,312	6,352	546,518	590,628	1,266,512
Benefits payable	-	-	-	193,197,216	-	193,197,216	-
Bonds payable	518,682,345	131,079,204	53,674,194	-	8,266,083	711,701,826	4,222,926
Arbitrage rebate liability	-	971,704	-	-	-	971,704	-
Total noncurrent liabilities	521,316,339	132,050,908	54,375,928	193,394,299	40,909,190	942,046,664	105,146,340
Total liabilities	577,990,304	301,733,193	65,683,707	211,804,238	70,930,798	1,228,142,240	204,584,850
Deferred Inflows of Resources							
Pension related amounts	491,186	-	130,771	35,969	6,014,050	6,671,976	9,365,103
Net Position							
Net investment in capital assets	252,878	-	-	90,103	3,966,816	4,309,797	20,665,300
<i>Restricted for:</i>							
Unemployment compensation	-	501,254,524	-	-	-	501,254,524	-
Tuition contract benefits	-	-	-	58,973,279	-	58,973,279	-
Security of outstanding obligations	186,168,400	-	-	-	-	186,168,400	-
Workers' compensation	-	-	-	-	17,047,556	17,047,556	-
Revolving loans	-	-	389,602,499	-	-	389,602,499	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	10,121,160	-	-	-	(1,138,094)	8,983,066	(14,334,334)
Total net position	\$ 196,542,438	\$ 501,254,524	\$ 389,602,499	\$ 59,063,382	\$ 19,878,278	1,166,341,121	\$ 6,330,966
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.						(110,304)	
Net position of business-type activities						<u>\$ 1,166,230,817</u>	

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

NEVADA

For the Fiscal Year Ended June 30, 2016

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues							
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,144,549
Sales	-	-	-	19,243,358	6,187,017	25,430,375	2,438,618
Assessments	-	566,243,172	-	-	307,956	566,551,128	-
Charges for services	-	-	129,547	125,798	14,971,860	15,227,205	53,322,369
Rental income	-	-	-	-	132,800	132,800	20,261,902
Interest income on loans/notes	9,604,284	-	8,622,108	-	-	18,226,392	-
Federal government	-	5,595,344	18,416,407	-	-	24,011,751	-
Licenses, fees and permits	-	-	-	-	44,463,535	44,463,535	-
Fines	-	-	-	-	3,386,363	3,386,363	-
Other	9,329,690	2,974,209	3,317	-	972,383	13,279,599	1,366,677
Total operating revenues	18,933,974	574,812,725	27,171,379	19,369,156	70,421,914	710,709,148	441,534,115
Operating Expenses							
Salaries and benefits	2,142,511	-	435,491	202,050	36,215,191	38,995,243	36,465,055
Operating	7,466,158	-	2,620,281	599,953	14,202,952	24,889,344	47,081,074
Claims and benefits expense	-	338,308,480	-	24,293,345	9,209,269	371,811,094	234,973,709
Interest on bonds payable	13,297,803	-	1,713,544	-	-	15,011,347	-
Materials or supplies used	-	-	-	-	2,609,155	2,609,155	671,164
Servicers' fees	65,145	-	-	-	-	65,145	-
Depreciation	40,485	-	-	17,031	254,978	312,494	4,330,255
Bond issuance costs	-	-	199,476	-	-	199,476	-
Insurance premiums	-	-	-	-	-	-	125,309,524
Total operating expenses	23,012,102	338,308,480	4,968,792	25,112,379	62,491,545	453,893,298	448,830,781
Operating income (loss)	(4,078,128)	236,504,245	22,202,587	(5,743,223)	7,930,369	256,815,850	(7,296,666)
Nonoperating Revenues (Expenses)							
Interest and investment income	7,604,145	7,375,685	925,440	9,265,904	865,148	26,036,322	1,311,371
Interest expense	-	(3,310,122)	-	-	(337,454)	(3,647,576)	(1,439)
Bond issuance costs	-	-	-	-	(11,824)	(11,824)	-
Federal grant revenue	4,022,189	-	-	-	4,724,261	8,746,450	-
Federal grant expense	(4,117,813)	-	-	-	-	(4,117,813)	-
Reed Act expenses	-	(649,206)	-	-	-	(649,206)	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	148,041
Arbitrage rebate	-	(11,002)	-	-	-	(11,002)	-
Total nonoperating revenues (expenses)	7,508,521	3,405,355	925,440	9,265,904	5,240,131	26,345,351	1,457,973
Income (loss) before transfers	3,430,393	239,909,600	23,128,027	3,522,681	13,170,500	283,161,201	(5,838,693)
Transfers							
Transfers in	-	149,506,063	-	2,437,322	61,926	152,005,311	7,263,564
Transfers out	-	(8,441,427)	(1,779,685)	-	(14,420,077)	(24,641,189)	(266,580)
Change in net position	3,430,393	380,974,236	21,348,342	5,960,003	(1,187,651)	410,525,323	1,158,291
Net position, July 1 (as restated)	193,112,045	120,280,288	368,254,157	53,103,379	21,065,929		5,172,675
Net position, June 30	\$ 196,542,438	\$ 501,254,524	\$ 389,602,499	\$ 59,063,382	\$ 19,878,278		\$ 6,330,966
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						387,718	
Change in net position of business-type activities						\$ 410,913,041	

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	Enterprise Funds					Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds		
Cash flows from operating activities							
Receipts from customers and users	\$ 41,985,402	\$ 563,330,955	\$ 132,864	\$ 16,811,453	\$ 83,019,072	\$ 705,279,746	\$ 57,655,113
Receipts for interfund services provided	-	1,693,036	-	25,955	3,409,287	5,128,278	294,229,913
Receipts from component units	-	-	-	-	-	-	85,712,551
Receipts of principal on loans/notes	59,281,414	-	-	-	-	59,281,414	5,000
Receipts of interest on loans/notes	10,314,283	-	-	-	-	10,314,283	-
Receipts from federal government	-	5,595,344	19,413,497	-	-	25,008,841	-
Payments to suppliers, other governments and beneficiaries	(4,307,299)	(339,517,297)	(2,542,708)	(6,053,695)	(18,698,158)	(371,119,157)	(387,028,514)
Payments to employees	(1,916,246)	-	(417,209)	(199,907)	(35,724,432)	(38,257,794)	(34,780,401)
Payments for interfund services	(552,942)	-	(111,367)	(153,119)	(6,683,278)	(7,500,706)	(19,154,593)
Payments to component units	-	-	-	(6,643,940)	(143,697)	(6,787,637)	(249,364)
Purchase of loans and notes	(17,038,594)	-	-	-	-	(17,038,594)	-
Net cash provided by (used for) operating activities	87,766,018	231,102,038	16,475,077	3,786,747	25,178,794	364,308,674	(3,610,295)
Cash flows from noncapital financing activities							
Grant receipts	4,022,189	-	-	-	5,024,817	9,047,006	-
Proceeds from sale of bonds	16,931,775	-	15,115,637	-	-	32,047,412	-
Transfers and advances from other funds	-	150,045,950	-	2,373,143	61,042	152,480,135	6,831,405
Payment on refunding bonds	-	-	(4,208,151)	-	-	(4,208,151)	-
Principal paid on noncapital debt	(71,337,095)	(131,165,000)	(14,412,042)	-	-	(216,914,137)	-
Interest paid on noncapital debt	(13,739,646)	(18,880,950)	(2,426,233)	-	-	(35,046,829)	-
Issue costs	-	-	(199,476)	-	-	(199,476)	-
Transfers and advances to other funds	-	(9,327,808)	(1,706,398)	-	(12,936,322)	(23,970,528)	(156,698)
Payments to other governments and organizations	(4,213,437)	(649,206)	-	-	-	(4,862,643)	-
Net cash provided by (used for) noncapital financing activities	(68,336,214)	(9,977,014)	(7,836,663)	2,373,143	(7,850,463)	(91,627,211)	6,674,707
Cash flows from capital and related financing activities							
Proceeds from capital debt	-	-	-	-	1,691,299	1,691,299	-
Proceeds from sale of capital assets	-	-	-	-	-	-	177,081
Purchase of capital assets	-	-	-	-	(247,667)	(247,667)	(6,266,788)
Payment on refunding bonds	-	-	-	-	(1,672,749)	(1,672,749)	-
Principal paid on capital debt	-	-	-	-	(257,670)	(257,670)	(1,662,862)
Interest paid on capital debt	-	-	-	-	(378,282)	(378,282)	(1,439)
Issue costs	-	-	-	-	(11,824)	(11,824)	-
Payments on construction projects	-	-	-	-	(398,429)	(398,429)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(1,275,322)	(1,275,322)	(7,754,008)
Cash flows from investing activities							
Proceeds from sale of investments	508,410,224	-	-	45,797,918	-	554,208,142	-
Receipts of principal on loans/notes	-	-	24,762,847	-	-	24,762,847	-
Purchase of investments	(535,379,536)	-	-	(53,981,764)	-	(589,361,300)	-
Purchase of loans and notes	-	-	(59,581,317)	-	-	(59,581,317)	-
Interest, dividends and gains (losses)	7,690,150	7,375,685	9,144,875	3,732,580	775,001	28,718,291	1,299,328
Net cash provided by (used for) investing activities	(19,279,162)	7,375,685	(25,673,595)	(4,451,266)	775,001	(41,253,337)	1,299,328
Net increase (decrease) in cash	150,642	228,500,709	(17,035,181)	1,708,624	16,828,010	230,152,804	(3,390,268)
Cash and cash equivalents, July 1	1,055,490	347,749,410	121,054,094	1,574,087	57,397,258	528,830,339	170,638,091
Cash and cash equivalents, June 30	\$ 1,206,132	\$ 576,250,119	\$ 104,018,913	\$ 3,282,711	\$ 74,225,268	\$ 758,983,143	\$ 167,247,823

(Continued)

	Enterprise Funds					Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	\$ (4,078,128)	\$ 236,504,245	\$ 22,202,587	\$ (5,743,223)	\$ 7,930,369	\$ 256,815,850	\$ (7,296,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities							
Depreciation	40,485	-	-	17,031	254,978	312,494	4,330,255
Interest on loans	-	-	(8,622,108)	-	-	(8,622,108)	-
Interest on bonds payable	13,297,802	-	1,713,544	-	-	15,011,346	-
Issue costs	-	-	199,476	-	-	199,476	-
Decrease (increase) in loans and notes receivable	92,975,718	-	997,090	-	-	93,972,808	(1,066,848)
Decrease (increase) in accrued interest and receivables	(168,017)	(4,193,390)	-	(2,531,748)	3,021,411	(3,871,744)	(2,633,044)
Decrease (increase) in inventory, deferred charges, other assets	-	-	(1,819)	-	69,572	67,753	161,158
Decrease (increase) in deferred outflows of resources	2,548	-	(7,852)	(5,802)	(325,961)	(337,067)	(377,362)
Increase (decrease) in accounts payable, accruals, other liabilities	(14,409,376)	(1,208,817)	(33,791)	12,042,801	12,895,147	9,285,964	1,413,786
Increase (decrease) in unearned revenues	-	-	-	-	47,883	47,883	(233,032)
Increase (decrease) in net pension liability	279,391	-	74,383	20,460	3,420,805	3,795,039	5,419,376
Increase (decrease) in deferred inflows of resources	(174,405)	-	(46,433)	(12,772)	(2,135,410)	(2,369,020)	(3,327,918)
Total adjustments	91,844,146	(5,402,207)	(5,727,510)	9,529,970	17,248,425	107,492,824	3,686,371
Net cash provided by (used for) operating activities	<u>\$ 87,766,018</u>	<u>\$ 231,102,038</u>	<u>\$ 16,475,077</u>	<u>\$ 3,786,747</u>	<u>\$ 25,178,794</u>	<u>\$ 364,308,674</u>	<u>\$ (3,610,295)</u>

The notes to the financial statements are an integral part of this statement.

**Statement of Fiduciary Net Position
Fiduciary Funds**

NEVADA

June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 3,204,523	\$ -	\$ 7,490,524	\$ 90,506,039
Cash in custody of other officials	209,775,547	11,216,015	12,616,110	38,755,190
<i>Investments:</i>				
Investments	1,316,665	1,062,380,856	17,245,793,011	235,137,238
Fixed income securities	9,846,319,526	-	-	-
Marketable equity securities	15,228,027,486	-	-	-
International securities	6,629,944,368	-	-	-
Real estate	1,584,377,325	-	-	-
Alternative investments	1,433,191,372	-	-	-
Collateral on loaned securities	411,128,913	-	-	-
<i>Receivables:</i>				
Accounts receivable	-	-	3,516	-
Accrued interest and dividends	97,415,739	4,293,156	767,408	-
Taxes receivable	-	-	-	66,515,895
Trades pending settlement	120,714,743	-	33,172,862	-
Intergovernmental receivables	113,816,758	-	123,388	42,053
Contributions receivable	-	-	12,521,934	-
Other receivables	-	-	-	88,007
Due from other funds	100,875	-	185,161	555,124,812
Due from fiduciary funds	21,480,641	-	-	14,186,702
Due from component unit	2,256,424	-	-	-
Other assets	2,916,621	-	-	-
Furniture and equipment	41,550,920	-	48,222	-
Accumulated depreciation	(37,678,778)	-	(48,222)	-
Total assets	35,709,859,668	1,077,890,027	17,312,673,914	1,000,355,936
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	11,000,623	77,681	2,850,154	-
Accrued payroll and related liabilities	-	-	714	2,221
Intergovernmental payables	-	23,225	2,826	628,194,524
Redemptions payable	-	-	5,713,703	-
Trades pending settlement	172,928,899	4,887,856	34,555,437	-
Bank overdraft	-	-	538,000	-
Obligations under securities lending	411,128,913	-	-	-
Due to other funds	5,819,503	-	299,579	-
Due to fiduciary funds	44,911	-	18,728	35,603,704
<i>Other liabilities:</i>				
Deposits	-	-	-	332,098,104
Other liabilities	-	20,547	-	4,457,383
Total liabilities	600,922,849	5,009,309	43,979,141	1,000,355,936
Net Position				
<i>Held in trust for:</i>				
Employees' pension benefits	35,107,604,909	-	-	-
OPEB benefits	1,331,910	-	-	-
Pool participants	-	1,072,880,718	-	-
Individuals	-	-	17,268,694,773	-
Total net position	\$ 35,108,936,819	\$ 1,072,880,718	\$ 17,268,694,773	\$ -

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

NEVADA

For the Fiscal Year Ended June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
<i>Contributions:</i>			
Employer	\$ 1,607,851,484	\$ -	\$ -
Plan members	129,811,049	-	-
Participants	-	-	4,208,674,543
Repayment and purchase of service	62,005,158	-	-
Total contributions	1,799,667,691	-	4,208,674,543
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	(72,147,308)	(678,294)	(186,209,061)
Interest, dividends	746,121,655	9,803,639	362,816,873
Securities lending	5,823,399	-	-
Other	139,896,529	-	-
	819,694,275	9,125,345	176,607,812
Less investment expense:			
Other	(39,324,042)	(45,042)	-
Net investment income	780,370,233	9,080,303	176,607,812
<i>Other:</i>			
Investment from local governments	-	983,431,102	-
Reinvestment from interest income	-	2,035,442	-
Other	2,010,140	756	-
Total other	2,010,140	985,467,300	-
Total additions	2,582,048,064	994,547,603	4,385,282,355
Deductions			
Principal redeemed	-	865,103,277	2,940,307,068
Benefit payments	2,153,637,374	-	19,871,697
Refunds	26,763,925	-	-
Contribution distributions	-	6,500,000	-
Dividends to investors	-	184,633	-
Administrative expense	12,105,835	429,099	31,955,192
Total deductions	2,192,507,134	872,217,009	2,992,133,957
Change in net position	389,540,930	122,330,594	1,393,148,398
Net position, July 1	34,719,395,889	950,550,124	15,875,546,375
Net position, June 30	\$ 35,108,936,819	\$ 1,072,880,718	\$ 17,268,694,773

The notes to the financial statements are an integral part of this statement.

Combining Statement of Net Position Discretely Presented Component Units

NEVADA

June 30, 2016

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
Assets				
Cash and pooled investments	\$ 14,527,071	\$ 249,252,000	\$ -	\$ 263,779,071
Investments	-	1,195,647,000	32,012,617	1,227,659,617
Due from primary government	517,073	49,336,647	-	49,853,720
Accounts receivable	9,452,312	47,616,353	-	57,068,665
Intergovernmental receivables	-	38,961,000	-	38,961,000
Accrued interest and dividends	36,844	-	-	36,844
Notes/loans receivable	-	10,701,000	-	10,701,000
Other receivables	-	105,073,000	-	105,073,000
Inventory	-	7,262,000	-	7,262,000
Prepaid expenses	34,030,665	-	-	34,030,665
<i>Restricted assets:</i>				
Cash	8,900,397	127,827,000	-	136,727,397
Investments	-	63,979,000	-	63,979,000
Other assets	-	55,449,000	-	55,449,000
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	-	304,302,000	-	304,302,000
Other capital assets, net	52,623,612	1,833,299,000	-	1,885,922,612
Total assets	120,087,974	4,088,705,000	32,012,617	4,240,805,591
Deferred Outflows of Resources				
Deferred charge on refunding	163,767	14,288,000	-	14,451,767
Pension contributions	577,115	35,756,000	-	36,333,115
Total deferred outflows of resources	740,882	50,044,000	-	50,784,882
Liabilities				
Accounts payable	2,585,737	64,323,765	-	66,909,502
Accrued payroll and related liabilities	-	79,943,000	-	79,943,000
Interest payable	395,142	11,207,000	-	11,602,142
Due to primary government	13,571	1,576,235	34,571,792	36,161,598
Unearned revenues	3,316,087	48,710,000	-	52,026,087
Other liabilities	4,367,846	31,531,000	-	35,898,846
<i>Long-term liabilities:</i>				
<i>Portion due or payable within one year:</i>				
Obligations under capital leases	-	3,583,000	-	3,583,000
Compensated absences	183,206	33,283,000	-	33,466,206
Bonds payable	5,195,946	22,456,000	-	27,651,946
<i>Portion due or payable after one year:</i>				
Federal advances	-	8,256,000	-	8,256,000
Obligations under capital leases	-	48,358,000	-	48,358,000
Net pension obligation	5,597,589	324,708,000	-	330,305,589
Compensated absences	139,961	16,734,000	-	16,873,961
Bonds payable	34,024,134	614,265,000	-	648,289,134
Unearned revenue	58,690,598	-	-	58,690,598
Total liabilities	114,509,817	1,308,934,000	34,571,792	1,458,015,609
Deferred Inflows of Resources				
Donations	-	11,023,000	-	11,023,000
Lease revenues	-	4,077,000	-	4,077,000
Pension related amounts	1,055,639	58,290,000	-	59,345,639
Total deferred inflows of resources	1,055,639	73,390,000	-	74,445,639
Net Position				
Net investment in capital assets	52,623,612	1,572,555,000	-	1,625,178,612
<i>Restricted for:</i>				
Capital projects	-	80,535,000	-	80,535,000
Debt service	-	21,202,000	-	21,202,000
Scholarships	-	436,281,000	-	436,281,000
Loans	-	6,172,000	-	6,172,000
Operations and maintenance	714,403	-	-	714,403
Research and development	9,882,973	-	-	9,882,973
Other purposes	-	10,649,000	-	10,649,000
<i>Funds held as permanent investments:</i>				
Nonexpendable	-	381,994,000	-	381,994,000
Unrestricted (deficit)	(57,957,588)	247,037,000	(2,559,175)	186,520,237
Total net position	\$ 5,263,400	\$ 2,756,425,000	\$ (2,559,175)	\$ 2,759,129,225

The notes to the financial statements are an integral part of this statement.

**Combining Statement of Activities
Discretely Presented Component Units**

NEVADA

For the Fiscal Year Ended June 30, 2016

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
Expenses	<u>\$ 50,824,429</u>	<u>\$ 1,713,086,000</u>	<u>\$ 340,788</u>	<u>\$ 1,764,251,217</u>
<i>Program revenues:</i>				
Charges for services	49,410,536	653,246,000	-	702,656,536
Operating grants and contributions	-	503,927,000	-	503,927,000
Capital grants and contributions	-	4,978,000	-	4,978,000
Total program revenues	<u>49,410,536</u>	<u>1,162,151,000</u>	<u>-</u>	<u>1,211,561,536</u>
<i>General revenues:</i>				
Unrestricted investment earnings	146,357	3,849,000	(3,054,781)	940,576
Other general revenues	64,760	5,550,000	-	5,614,760
Contributions to permanent funds	-	11,467,000	-	11,467,000
Payments from State of Nevada	-	579,029,000	-	579,029,000
Total general revenues, contributions and payments	<u>211,117</u>	<u>599,895,000</u>	<u>(3,054,781)</u>	<u>597,051,336</u>
Change in net position	(1,202,776)	48,960,000	(3,395,569)	44,361,655
Net position, July 1	6,466,176	2,707,465,000	836,394	2,714,767,570
Net position, June 30	<u>\$ 5,263,400</u>	<u>\$ 2,756,425,000</u>	<u>\$ (2,559,175)</u>	<u>\$ 2,759,129,225</u>

The notes to the financial statements are an integral part of this statement

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Description of Government-wide Financial Statements

The Government-wide Financial Statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. All fiduciary activities, including component units that are fiduciary in nature, are reported only in the fund financial statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the State's activities. Component units are legally separate organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization; or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. When the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity based on financial accountability if: 1) the organization is both fiscally dependent on the State and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State; or 2) it would be misleading to exclude the organization.

Fiduciary Component Units: The following fiduciary component units are legally separate from the State. The State is financially accountable for these organizations since it appoints the voting majority of the boards and is able to impose its will on them through the ability to remove appointed members of the organization's governing board. Since

these component units are fiduciary in nature, they are included only in the fund financial statements with the primary government's fiduciary funds. Therefore, these component units are excluded from the government-wide financial statements.

The *Public Employees' Retirement System* (PERS), the *Legislators' Retirement System* (LRS) and the *Judicial Retirement System* (JRS) are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single-employer public employees' defined benefit retirement system established to provide a reasonable base income to Legislators at retirement. JRS is the administrator of an agent multiple-employer public employees' defined benefit retirement system established to provide a reasonable base income to justices of the Supreme Court, district judges, municipal court judges, and justices of the peace at retirement.

The *Retirement Benefits Investment Fund* (RBIF) was created for the sole purpose of providing an investment vehicle for monies belonging to either the State or local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members as the Public Employees' Retirement Board.

Blended Component Unit: The *Nevada Real Property Corporation* (NRPC) is a legally separate organization. The State is financially accountable for NRPC since it appoints the board of directors, and NRPC provides a financial benefit to the State by providing financing services. NRPC was incorporated to finance certain construction projects which include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the NRPC leases the facilities to the State. Since the NRPC provides financing services solely to the State, these financial transactions are reported as part of the primary government using the blended method.

Discretely Presented Component Units: A component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, the component unit does not provide services entirely or almost entirely to the primary government, and the component unit's total debt outstanding is not expected to be repaid entirely or almost entirely with resources of the primary government. The following

(Note 1 Continued)

discretely presented component units meet these criteria and are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education* (NSHE) is a legally separate organization consisting of the institutions of public higher education in Nevada, the NSHE Administration entity, and their component units. NSHE is governed by a Board of Regents elected by the voters. NSHE is considered to be fiscally dependent on the primary government since the State can modify and approve their budgets. In addition, NSHE imposes a financial burden on the primary government since the State provides financial support to NSHE through annual operating and capital appropriations.

The *Colorado River Commission* (CRC) is a legally separate organization responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three are appointed by the board of directors of the Southern Nevada Water Authority. The State is financially accountable for CRC since bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the distribution and sale of electric power.

The *Nevada Capital Investment Corporation* (NCIC) is a legally separate organization whose board of directors consists of the State Treasurer, who serves as the chair; five members that are appointed by the primary government; and the Chancellor of NSHE, or his designee. Up to five additional members of the board may be chosen who are direct investors of the corporation. The NCIC is an independent corporation for public benefit, the general purpose of which is to act as a limited partner, shareholder or member to provide private equity funding to businesses located in or seeking to locate in Nevada, and engage in certain industries. The amount invested in the NCIC is not to exceed \$50 million from the State Permanent School Fund. The State is financially accountable for NCIC since it is able to impose its will through veto power by the State Treasurer.

Complete financial statements for each of the individual component units, with the exception of the *Nevada Real Property Corporation*, which has no other financial activity than that described above, may be obtained at that organization's administrative offices:

Public Employees' Retirement System

Carson City, NV

Legislators' Retirement System

Carson City, NV

Judicial Retirement System

Carson City, NV

Retirement Benefits Investment Fund

Carson City, NV

Nevada System of Higher Education

Reno, NV

Colorado River Commission

Las Vegas, NV

Nevada Capital Investment Corporation

Carson City, NV

Related Organizations: The Governor is responsible for appointing the members of many boards and commissions. The State's accountability for these entities does not extend beyond making the appointments and thus these entities are excluded from this report. The State does not exercise financial or administrative control over the excluded boards and commissions.

C. Basis of Presentation

Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. On the government-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As discussed earlier, the State has three discretely presented component units which are shown in a single column in the government-wide financial statements.

In general, the effect of interfund activity has been removed from the government-wide financial statements. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities. Internal activities of a reimbursement type nature reduce the expenses of the reimbursed programs. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. The net amount of interfund receivables and payables between governmental activities and business-type activities are reported as internal balances on the government-wide statement of net position. The net amount of transfers between governmental activities and business-type activities are reported as transfers on the government-wide statement of activities.

Fund Financial Statements: The fund financial statements provide information about the government's funds, including its fiduciary and blended component units. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual

(Note 1 Continued)

governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The State reports the following major governmental funds:

General Fund – this is the State’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

State Highway Fund - accounts for the maintenance, regulation, and construction of public highways and is funded through vehicle fuel taxes, federal funds, and other charges.

Municipal Bond Bank Fund - accounts for revenues and expenditures associated with buying local governments’ bonds with proceeds of State general obligation bonds.

Permanent School Fund - accounts for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education.

The State reports the following major enterprise funds:

Higher Education Tuition Trust Fund – accounts for the State program to assist Nevada residents in locking in the cost of future higher education expenses for Nevada colleges and universities. This program is financed through the sale of prepaid tuition contracts.

Housing Division Fund - accounts for the State program to assist private lenders in providing low interest housing loans to low- and moderate-income households. This program is financed through the sale of bonds.

Unemployment Compensation Fund - accounts for the payment of unemployment compensation benefits.

Water Projects Loans Fund - accounts for revenues and expenses associated with operating a revolving fund to finance local government pollution control projects, and with operating revolving and set-aside program funds to finance local public water systems’ safe drinking water projects.

Additionally, the State reports the following fund types:

Internal Service Funds - provide goods or services primarily to other agencies or funds of the State rather than to the general public. These goods and services include accounting, communications, information technology, fleet services, personnel, printing, property management, purchasing and risk management. In the government-wide statements, internal service funds are included with governmental activities.

Pension and Other Employee Benefit Trust Funds - report resources that are required to be held in trust for the members and beneficiaries of the State’s defined benefit pension plans and other post-employment benefit plans.

Investment Trust Funds - report resources received from local governments that are either pooled in an external investment portfolio for the benefit of all participants or separated into subaccounts of identified investments allocated to specific participating local governments. Examples include the Local Government Investment Pool, the Nevada Enhanced Savings Term and the Retirement Benefits Investment Fund.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the Prisoners’ Personal Property and the Nevada College Savings Plan.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include state agency fund for bonds, motor vehicle, and child support disbursement.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State considers revenues to be available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in Note 14, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

(Note 1 Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary, pension and other employee benefit trust, investment trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Pooled Investments - The State Treasurer manages a cash pool where all temporary surplus cash is invested. These investments are reported on the Statement of Net Position and Balance Sheet as cash and pooled investments. Earnings from these pooled investments are credited to the General Fund and certain other funds that have specific statutory authority to receive a prorated share based on daily cash balances. Also included in this category is cash held by departments in petty cash funds and in bank accounts outside the Treasurer's cash management pool. The operations and investments of the cash pool are described in Note 3.

Cash and cash equivalents are defined as bank accounts, petty cash, money market demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are reported in the Statement of Cash Flows for proprietary fund types.

Investments - Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally reported at cost, which approximates fair value, except for the short-term investments of the Nevada College Savings Plan that are valued at amortized cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price of the day. International securities prices incorporate end-of-day exchange rates. The fair value of real estate investments is based on estimated current value, and MAI (Member Appraisal Institute) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement

Benefits Investment Fund are reported as investment trust funds. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitations of NRS 355.170. The investments of the Retirement Benefits Investment Fund are governed by the prudent person standard, as set forth by NRS 286.682. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. The Bank of New York Mellon is the custodian and transfer agent for the Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund.

Derivatives are generally valued at quoted market value. Under the circumstance where quoted market values are not considered to be readily available, such derivatives are reported at estimated fair value and the methods and significant assumptions used are described in Note 3D. Investments are discussed further in Note 3.

Receivables - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred inflows of resources, unavailable revenue. Receivables in proprietary fund types have arisen in the ordinary course of business. All receivables are shown net of an allowance for uncollectible accounts. Significant receivable balances not expected to be collected within one year are presented in Note 4.

Interfund Transactions - The State has two types of interfund transactions:

1. Services rendered and employee benefit contributions are accounted for as revenues, expenditures/expenses in the funds involved.
2. Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Due from/due to other funds and transfers are presented in Note 5.

Inventories - In general, inventories in governmental funds are recorded as expenditures when purchased; however, certain inventories in the General Fund, the Highway Fund, and nonmajor governmental funds are recorded as expenditures at the time individual inventory items are consumed.

(Note 1 Continued)

Inventories are stated at cost on the first-in, first-out basis. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

Prepaid Items – Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

Advances to Other Funds - Long-term interfund advances are recorded by the advancing fund as a receivable. These amounts are reported in the nonspendable fund balance in the General Fund to maintain the accountability and to disclose properly the amount available for appropriation. In other governmental funds this amount will be reported in restricted, committed, or assigned fund balances. Repayments are credited to the receivable and corresponding reductions are made in the appropriate fund balance. A summary of interfund advances is presented in Note 5.

Capital Assets and Depreciation - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Position at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at appraised fair value at the time of donation or estimated fair value at time of donation, based on acquisition of comparable property, if appraised fair value is not available. The government defines capital assets as assets with a unit cost of \$5,000 or more for furniture and equipment, or \$100,000 or more for buildings and improvements, and an estimated useful life in excess of one year. Interest incurred during construction is only capitalized in proprietary funds.

Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and 3 to 30 years for improvements, furniture and equipment. The State's significant infrastructure assets utilize the modified approach in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report. In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 10 to 15 years for land improvements and 3 to 18 years for library books, machinery and equipment. Additional disclosure related to capital assets is provided in Note 7.

Compensated Absences – A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report a liability and expenditure for compensated absences only if the liability has matured as a result of employee resignations or retirements. Thus no expenditure would be recognized in governmental funds for the unpaid balance of compensated absences for employees still in active service at the end of the reporting period. On the Statement of Net Position, the accrued compensated absences for both proprietary and governmental fund types is reported.

Long-Term Obligations - In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 10.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. An example is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. An example is unavailable revenue, reported in the governmental funds balance sheet when revenue is measurable but not available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(Note 1 Continued)

Net Position/Fund Balance - The difference between fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is “Net Position” on the government-wide, proprietary and fiduciary fund statements, and “Fund Balance” on governmental fund statements.

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the State is bound to observe constraints imposed upon the use of the resources in the fund as follows:

1. Nonspendable fund balance includes items that cannot be spent because they are either not in spendable form (such as inventories, prepaid amounts and the long-term portion of loans/notes receivables) or legally or contractually required to be maintained intact (such as the principal of a permanent fund).
2. Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the government’s highest level of decision-making authority, the Nevada Legislature, through legislation passed into law.
4. Assigned fund balance includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch.
5. Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed for proper classification of fund balance. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. Balances in the Legislatively created funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. Note 13 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

Net Position/Fund Balance Flow Assumptions - The State’s policy is to spend restricted amounts first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available. Therefore, restricted net position/fund balance is depleted before using unrestricted net position/fund balance. In governmental funds, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned and then unassigned.

Minimum Fund Balance Policy - NRS 353.213(3) requires that the proposed budget for each fiscal year of the biennium provide for a reserve of not less than 5% or more than 10% of the total of all proposed appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State and authorized expenditures from the State General Fund for the regulation of gaming for that fiscal year.

Stabilization Arrangement – NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and Governor declare that a fiscal emergency exists. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2016 is \$63,935,955.

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS, LRS and JRS and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by PERS, LRS and JRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Revenues and Expenditures/Expenses

Program Revenues - In the government-wide statement of activities, program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Property Taxes – Property taxes are recognized as revenues in the year for which they are levied. Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

(Note 1 Continued)

Grants – The State participates in various federal award programs which are received in both cash and noncash forms. Grants and other entitlements are recognized as revenues when all eligibility requirements are met, including any time requirements, and the amount is received within 60 days after year-end. Federal reimbursement type grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compli-

ance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Proprietary Funds Operating and Nonoperating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal, ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than 14 calendar days before each regular session, which convenes every odd-numbered year. The presented budget spans the next two fiscal years and contains the detailed budgetary estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act, which allows expenditures from unrestricted revenues, and the Authorized Expenditures Act, which allows expenditures from revenues collected for specific purposes. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

The legal level of budgetary control, the level at which appropriations are approved and the level at which over-expenditure of appropriations or transfers of appropriated amounts may not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of \$30,000 which have the effect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or \$75,000, whichever is less. Revisions not exceeding this threshold require only Budget Director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Account, in the General Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$10,285,226 were made in the 2016 fiscal year.

Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

Budgets are legally adopted for the General Fund and Special Revenue Funds, except for the Nevada Real Property Corporation special revenue fund. In addition, certain activity within such funds may be unbudgeted. The State's budget is prepared principally on a modified accrual basis with the following exceptions:

1. Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
2. Advances to other funds are considered expenditures. Repayments of such advances are considered revenues.
3. Certain assets, such as prepaid items, are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain unearned revenue is considered revenue for budgetary purposes.
4. Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
5. Revenue from grants is only recognized when it is received in cash.
6. Encumbrances for goods or services not received by fiscal year-end are considered an expenditure of the current period if received and paid within 45 days.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

Note 3 - Deposits and Investments

The Nevada Revised Statutes (NRS) and Nevada Administrative Code, as well as procedures approved by the State Board of Finance, govern deposits and investing activities for the primary government and its discretely presented component units which are not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the Office of the State Treasurer shall establish the policies to be followed in the investment of money of the State of Nevada.

A. Deposits

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2016, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$747,559,255, of which \$48,809,712 was uncollateralized and uninsured.

Component Units - Cash and cash equivalents of the Nevada System of Higher Education (NSHE) are stated at cost, which approximates market, and consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2016 NSHE's deposits in money market funds totaled \$206,200,000 and cash in bank was \$8,848,000. Of these balances, \$250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

B. Investments

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, municipal bonds, money market mutual funds whose policies meet the criteria set forth in the statute, United States treasury securities, and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements. The State's Permanent

School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed in Note 1 under Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance.

The State Board of Finance reviews the State's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer and two members appointed by the governor, one of which must be actively engaged in commercial banking in the State.

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further in Note 1, Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV 89701. RBIF is administered by the Retirement Benefits Investment Board. The audited financial statements of RBIF may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Aggregate Index benchmark. If securities are purchased outside the Barclays U.S. Treasury Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's) except those issued or guaranteed by the U.S. Government or its agencies. The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2016 (expressed in thousands):

(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 768,764	\$ 146,977	\$ 457,358	\$ 132,267	\$ 32,162
Negotiable certificate of deposit	487,544	485,085	2,459	-	-
U. S. agencies	10,751,086	532,249	6,529,208	1,892,353	1,797,276
Mutual funds	121,479	121,479	-	-	-
Repurchase agreements	358,006	358,006	-	-	-
Asset backed corporate securities	97,680	227	71,730	19,076	6,647
Corporate bonds and notes	340,113	138,595	178,130	11,371	12,017
Commercial paper	374,446	374,446	-	-	-
Fixed income securities	794	794	-	-	-
Municipal bonds	10,792	7,708	3,084	-	-
Investment agreements	175	-	-	-	175
Other short-term investments	294,015	294,015	-	-	-
Other investments	17,162	15,105	2,057	-	-
Total	\$ 13,622,056	\$ 2,474,686	\$ 7,244,026	\$ 2,055,067	\$ 1,848,277

The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. The mutual funds held by Vanguard, USAA, Upromise, and Putnam have various maturities from 28 days to 13.9 years and are not included in the table above.

Component Units – The Nevada System of Higher Education’s (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2016 (expressed in thousands):

Less than 1 year	\$ 206,331
1 to 5 years	135,424
6 to 10 years	159,292
More than 10 years	-
Total	\$ 501,047

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of Nevada.

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - NRS 355.140, the State Treasurer’s investment policy, and investment policies of the pension and other employee benefit trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Bankers’ Acceptances are rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as “A” or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as “AAA” or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as “AAA” or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody’s, Standard & Poor’s, or Fitch (BBB- or better by Standard & Poor’s/Fitch, Baa3 or better by Moody’s). The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to credit risk for the investments. Investments having credit risk are included in the table below.

The State’s investments as of June 30, 2016 were rated by Standard & Poor’s and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor’s rating scale (at fair value, expressed in thousands):

(Note 3 Continued)

	Quality Rating						
	AAA	AA	A	BBB	BB	B	Unrated
Negotiable certificate of deposit	\$ 2,307	\$ 10,007	\$ 172,048	\$ -	\$ -	\$ -	\$ -
U.S. agencies	54,481	700,283	-	-	-	-	-
Mutual funds	1,923	-	-	-	-	-	16,955,948
Repurchase agreements	-	5,006	-	-	-	-	-
Asset backed corporate securities	16,899	69,401	434	646	874	363	-
Corporate bonds and notes	9,835	75,910	147,447	28,453	2,961	446	9,419
Commerical paper	-	-	242,552	-	-	-	-
Fixed income securities	-	-	-	-	-	-	126
Municipal bonds	-	10,791	-	-	-	-	-
Investment agreements	-	-	163	12	-	-	-
Other short-term investments	94,481	203	108,350	-	-	-	182,963
Other Investments	-	6,039	10,089	-	-	-	-
Total	\$ 179,926	\$ 877,640	\$ 681,083	\$ 29,111	\$ 3,835	\$ 809	\$ 17,148,456

Component Unit – The NSHE’s policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2016 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 527,735
Partnerships	95,524
Endowment cash/cash equivalents	130
Trust(s)	4,063
Private commingled funds	145,656
Total	\$ 773,108

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer’s investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2016, no individual investment exceeded 5% of the total portfolio of the Primary Government.

At June 30, 2016, the following investments exceeded 5% of the Higher Education Tuition Trust’s total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corp-Asset-Backed Mortgage Security	\$ 16,618	7.42%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Housing Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative investment providers. As of June 30, 2016, the Housing Division’s investments in Fannie Mae and Ginnie Mae are 3.94% and 42.04% respectively, of the Housing Division’s total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Housing Division is less concerned about a concentration risk on these investments.

Component Unit - The Nevada Capital Investment Corporation (NCIC) owns 99% equity interest in Silver State Opportunities Fund LLC (SSOF), a Nevada limited liability company, for the purpose of obtaining income. At June 30, 2016 the investment in equity interest of SSOF exceeded 5% of NCIC’s total investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer’s office does not have any deposits or investments in foreign currency. The PERS, LRS, JRS, and RBIF do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. LRS and JRS had no exposure to foreign currency risk as of June 30, 2016. The following table summarizes the pension and investment trust funds’ exposure to foreign currency risk in U.S. dollars as of June 30, 2016 (expressed in thousands):

(Note 3 Continued)

	Currency by Investment and Fair Value			
	Equity	Pending Transactions	Cash	Total
Australian Dollar	\$ 433,885	\$ (200)	\$ 401	\$ 434,086
British Pound Sterling	1,174,188	(400)	1,518	1,175,306
Danish Krone	118,547	-	-	118,547
Euro	1,782,991	(800)	(169)	1,782,022
Hong Kong Dollar	186,619	(100)	1,009	187,528
Israeli Shekel	35,700	-	203	35,903
Japanese Yen	1,395,662	(3,400)	4,370	1,396,632
Norwegian Krone	11,322	-	100	11,422
Polish Zloty	38,633	-	101	38,734
Singapore Dollar	80,370	(100)	622	80,892
Swedish Krona	166,061	-	103	166,164
Swiss Franc	555,155	-	3	555,158
Total	\$ 5,979,133	\$ (5,000)	\$ 8,261	\$ 5,982,394

Private Purpose Trust Fund - The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to foreign currency risk for the investments. The Plan consists of Vanguard College Savings Plan, USAA College Savings Plan, Upromise College Fund Plan, and Putnam for America Plan which all state that there are certain inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and possible prevention or delay of currency exchange due to foreign governmental laws or restrictions. The investments held in Putnam for America Plan consist of the portfolios managed and sponsored by Putnam Investment Management, Putnam Mutual Funds, and non-Putnam Mutual Funds. Both mutual funds pose no foreign currency risk. The following table summarizes foreign currency risk for the GAA portfolios in U.S. dollars as of June 30, 2016 (expressed in thousands):

	Currency at Fair Value
British Pound	\$ 2
Euro	(11)
Hong Kong Dollar	167
Japanese Yen	(16)
Taiwan Dollar	21
Swedish Krona	1
Swiss Franc	2
Total	\$ 166

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$176,008,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2016.

Fair Value of Investments: The State categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements of the primary government as of June 30, 2016 (expressed in thousands):

(Note 3 Continued)

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 600,043	\$ 541,818	\$ 58,225	\$ -
Negotiable certificates of deposit	462,391	-	462,391	-
U.S. agencies	526,540	27,964	498,576	-
Mutual funds	198,077	198,077	-	-
Repurchase agreements	353,000	-	353,000	-
Asset backed corporate securities	68,593	-	68,593	-
Corporate bonds and notes	166,927	14,666	152,261	-
Commercial paper	267,996	-	267,996	-
Municipal bonds	10,791	-	10,791	-
Collateralized mortgage obligations	20,948	710	20,238	-
Federal National Mortgage Association	24,057	14,103	9,954	-
Other investments	12,558	10,501	2,057	-
Total debt securities	<u>2,711,921</u>	<u>807,839</u>	<u>1,904,082</u>	<u>-</u>
Equity securities				
Financial services industry	1,691	-	1,691	-
Total equity securities	<u>1,691</u>	<u>-</u>	<u>1,691</u>	<u>-</u>
Total investments by fair value level	<u>\$ 2,713,612</u>	<u>\$ 807,839</u>	<u>\$ 1,905,773</u>	<u>\$ -</u>

C. Securities Lending

Primary Government and Investment Trust Funds - NRS 355.135 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2016 (excluding PERS).

Public Employees' Retirement System (PERS) - PERS maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of fair value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of fair value, plus accrued interest in the case of fixed income securities.

At year-end, PERS has no credit risk exposure to borrowers because the associated value of the collateral held exceeds the value of the securities borrowed. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent

requires the agent to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. In September 2013 the Board elected to allow only overnight repurchase agreements collateralized by U.S. government obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities within the reinvestment portfolio. This action effectively eliminated risk in securities lending collateral reinvestment portfolio since securities issued or guaranteed by the U.S. Government are considered to be free of credit risk. The maturities of the investments made with cash collateral generally do not match the maturities of the securities loaned because securities lending transactions can be terminated at will.

The fair value of underlying securities on loan at June 30, 2016 is \$3,954,057,876. Collateral received for outstanding securities lending arrangements consisted of cash in the amount of \$411,128,913 and non-cash in the amount of \$3,635,396,664. The cash collateral is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2016, PERS has collateral consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in excess of the fair value of investments held by brokers/dealers under a securities lending agreement.

(Note 3 Continued)

D. Derivatives

Primary Government – The Office of the State Treasurer’s investment policies do not contain any specific language regarding derivatives other than prohibiting certain types of derivatives such as option contracts, futures contracts, and swaps in the General Portfolios and the Local Government Investment Pool effective June 2012 and November 2015 respectively. The primary government has no exposure to derivatives as of June 30, 2016.

Private Purpose Trust Fund – Certain investments in the Nevada College Savings Plan are managed by Putnam Investment Management through Putnam sponsored portfolios (the Portfolios) and mutual funds. The Portfolios use six types of derivatives: options, futures contracts, forward currency contracts, total return swap contracts, interest rate swap contracts, and credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All six types of derivatives are considered investments. The fair value amount in the table below represents the unrealized appreciation (depreciation) from derivative instruments and is reported in the Statement of Fiduciary Net Position. The net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Position. The Portfolios’ investment derivative instruments as of June 30, 2016, and changes in fair value for the year then ended are summarized in the following table (expressed in thousands):

	Contracts/ Notional Amounts	Fair Value	Change in Fair Value
Purchased Options, gross	\$ 2,127	\$ 10	\$ 10
Forward Currency Contracts, net	\$ 48,230	136	202
CC Interest Rate Swap Contracts, gross	\$ 6,525	(34)	(47)
OTC Total Return Swap Contracts, gross	\$ 16,379	(8)	18
OTC Credit Default Contracts, gross	\$ 2,952	(36)	(50)
CC Credit Default Contracts, gross	\$ 9,128	370	437
Futures Contracts, gross	172	(63)	(145)
Total		<u>\$ 375</u>	<u>\$ 425</u>

The Portfolios use options contracts to gain exposure to securities. The potential risk is that the change in value of options contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchanged rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. Exchange-traded options are valued at the last sale price.

The Portfolios use futures contracts to manage interest rate risk, gain exposure to interest rates, manage prepayment risk, equitize cash, and manage exposure to market risk. The potential risk is that the change in value of futures contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly, or if the counterparty to the contract is unable to perform. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. Risks may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as “variation margin.”

The Portfolios buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to manage foreign exchange risk and to gain exposure on currency. The contract is marked to market daily using current forward currency exchange rates supplied by a quotation service. The Portfolios may be exposed to risk if the value of currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the Portfolios are unable to enter into a closing position. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount, to manage sector exposure, manage exposure to specific sectors or industries, manage exposure to specific securities, to gain exposure to basket of securities, to gain exposure to specific markets or countries. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Portfolios will receive a payment from or make a payment to the counterparty. OTC total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or the

(Note 3 Continued)

price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The Portfolios' maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared interest rate swap contracts to manage interest rate risk and to gain exposure on interest. OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared credit default contracts to manage credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In an OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. In addition to bearing the risk that

the credit event will occur, the Portfolios could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that it may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the Portfolios may enter into offsetting OTC and centrally cleared credit default contracts which could mitigate their risk of loss. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios' maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared credit default contracts through the daily exchange of the variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the Portfolios are a seller of protection, the maximum potential amount of future payments it may be required to make is equal to the notional amount.

Derivative instruments held by the Portfolios were not individually rated by a ratings agency for the reporting period. As of June 30, 2016, OTC derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of Baa1/BBB and short-term ratings of P-2/A-2. Centrally cleared contracts are not considered brokered contracts and have mitigated risks. With futures, there is minimal counterparty credit risk to the Portfolios since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

Derivative instruments are subject to interest rate risk. Prices of longer term maturities generally change more in response to interest rate changes than the prices of shorter term maturities. The following table provides information about the interest rate risks associated with the types of investment derivative instruments as of June 30, 2016 (expressed in thousands):

	Maturities in Years				Total
	Less than 1	1-5	6-10	Greater than 10	
Forward Currency Contracts	\$ 136	\$ -	\$ -	\$ -	\$ 136
CC Interest Rate Swap Contracts	-	13	15	(62)	(34)
OTC Total Return Swap Contracts	(7)	-	-	(1)	(8)
OTC Credit Default Contracts	-	-	-	(36)	(36)
CC Credit Default Contracts	-	370	-	-	370
Futures Contracts	(63)	-	-	-	(63)
Total	\$ 66	\$ 383	\$ 15	\$ (99)	\$ 365

(Note 3 Continued)

Forward currency contracts are subject to foreign currency risk. The following table provides information about the forward currency contracts as of June 30, 2016 (expressed in thousands):

	Fair Value
Australian Dollar	\$ (40)
British Pound	46
Canadian Dollar	4
Euro	(5)
Indonesian Rupiah	2
Japanese Yen	(5)
Malaysian Ringgit	1
New Zealand Dollar	81
Norwegian Krone	(6)
Polish Zloty	1
Russian Ruble	5
Singapore Dollar	(2)
South African Rand	5
South Korean Won	(3)
Swedish Krona	48
Swiss Franc	5
Total	\$ 137

The audited financial statements of Putnam 529 for America may be obtained from Putnam Investment Management, One Post Office Square, Boston, MA 02109.

Note 4 - Receivables

Receivable balances are disaggregated by type and presented separately in the financial statements. Significant receivable balances not expected to be collected within one year and not already classified in the fund financials are presented below (expressed in thousands):

	Major Governmental Funds			Total Governmental
	General	Municipal Bond Bank	Permanent School Fund	
As shown on financial statements:				
Intergovernmental receivables	\$ 387,135	\$ -	\$ 1,059	\$ 388,194
Notes/loans receivable	15,874	94,240	-	110,114
Due from Component Unit	770	-	34,572	35,342
Total	\$ 403,779	\$ 94,240	\$ 35,631	\$ 533,650
Classified:				
Current portion	\$ 379,750	\$ 4,540	\$ 1,059	\$ 385,349
Noncurrent portion:				
Intergovernmental receivables	9,114	-	-	9,114
Notes/loans receivable	14,915	89,700	-	104,615
Due from Component Unit	-	-	34,572	34,572
Total noncurrent portion	24,029	89,700	34,572	148,301
Total	\$ 403,779	\$ 94,240	\$ 35,631	\$ 533,650

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$20.1 million, and uncollectible accounts receivable are estimated at \$110.2 million. The proprietary funds have \$37.1 million in uncollectible accounts receivable of which \$9.1 million are from uninsured employers' fines and penalties, and \$12.1 million are from unemployment contributions and benefit overpayments.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2016, follows (expressed in thousands):

<u>Advances To</u>	<u>Advances From</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonmajor enterprise	\$ 207	\$ -	\$ 207
Internal service	2,339	603	2,942
Total other funds	\$ 2,546	\$ 603	\$ 3,149

Interfund advances are the portions of interfund balances that are *not* expected to be repaid within one year. The interfund balances that are expected to be repaid within one year are shown in the Due From/Due To summary below.

Advances are generally made to finance capital expenditures or as a loan for operating purposes.

B. Due From/Due To Other Funds and Component Units

A summary of due from and due to other funds and component units at June 30, 2016, is shown below (expressed in thousands):

<u>Due From</u>	<u>Due To</u>				
	<u>Major Governmental Funds</u>				<u>Total Governmental</u>
	<u>General</u>	<u>State Highway</u>	<u>Permanent School</u>	<u>Nonmajor Governmental</u>	
Major Governmental Funds:					
General	\$ -	\$ 4,107	\$ 73	\$ 16,713	\$ 20,893
State Highway	12,861	-	-	38	12,899
Permanent School Fund	2,840	-	-	-	2,840
Nonmajor governmental	12,605	4,986	-	4,358	21,949
Total Governmental	28,306	9,093	73	21,109	58,581
Major Enterprise Funds:					
Housing Division	-	-	-	-	-
Unemployment Comp	-	-	-	765	765
Water Projects Loans	292	-	-	-	292
Higher Ed Tuition Trust	26	-	-	-	26
Nonmajor enterprise	2,675	6	-	-	2,681
Total Enterprise	2,993	6	-	765	3,764
Internal Service	881	863	-	167	1,911
Total other funds	\$ 32,180	\$ 9,962	\$ 73	\$ 22,041	\$ 64,256
Fiduciary	\$ 431	\$ -	\$ -	\$ 116	\$ 547
Component Units:					
Colorado River Commission	\$ 1	\$ -	\$ -	\$ -	\$ 1
Nevada System of Higher Education	769	-	-	-	769
Nevada Capital Investment Corporation	-	-	34,572	-	34,572
Total Component Units	\$ 770	\$ -	\$ 34,572	\$ -	\$ 35,342

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

NEVADA

(Note 5 Continued)

	Due To								
	Major Enterprise Funds				Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Ed Tuition Trust					
Due From									
Major Governmental Funds:									
General	\$ 66	\$ -	\$ 331	\$ 54	\$ 1,380	\$ 1,831	\$ 7,473	\$ 30,197	\$ 552,970
State Highway	-	-	-	-	25	25	2,018	14,942	2,336
Permanent School Fund	-	-	-	-	-	-	-	2,840	-
Nonmajor governmental	-	4,040	-	-	3	4,043	291	26,283	38
Total Governmental	66	4,040	331	54	1,408	5,899	9,782	74,262	555,344
Major Enterprise Funds:									
Housing Division	-	-	-	-	-	-	6	6	-
Unemployment Comp	-	-	-	-	-	-	-	765	-
Water Projects Loans	-	-	-	-	-	-	1	293	-
Higher Ed Tuition Trust	-	-	-	-	-	-	3	29	-
Nonmajor enterprise	-	-	-	-	30	30	129	2,840	51
Total Enterprise	-	-	-	-	30	30	139	3,933	51
Internal Service	1	-	-	-	19	20	438	2,369	16
Total other funds	\$ 67	\$ 4,040	\$ 331	\$ 54	\$ 1,457	\$ 5,949	\$ 10,359	\$ 80,564	\$ 555,411
Fiduciary	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 5,567	\$ 6,119	\$ 35,667
Component Units:									
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 12	\$ 14	\$ -
Nevada System of Higher Education	-	-	-	-	-	-	807	1,576	2,256
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	34,572	-
Total Component Units	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 819	\$ 36,162	\$ 2,256

	Due To		
	Component Units		
	Colorado River Commission	Nevada System of Higher Education	Total Component Units
Due From			
Major Governmental Funds:			
General	\$ 517	\$ 9,724	\$ 10,241
State Highway	-	165	165
Nonmajor governmental	-	14,800	14,800
Total Governmental Funds	517	24,689	25,206
Major Enterprise Fund:			
Higher Ed Tuition Trust	-	220	220
Total Enterprise	-	220	220
Internal Service	-	66	66
Total	\$ 517	\$ 24,975	\$ 25,492

The balances result primarily from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made. An exception is the long-term due to the Nevada System of Higher Education (NSHE) from the Primary Government in the amount of \$24,427,760. This is the result of the 2015 Legislative Session which authorized funds for the UNLV hotel college, totaling approximately 50% of the construction cost with the remaining coming from donor funds, as well as funding for the ongoing NSHE Statewide deferred maintenance program (\$15 million).

(Note 5 Continued)

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2016, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					Total Governmental
	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental	
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 19,931	\$ -	\$ 4,050	\$ 49,423	\$ 73,404
State Highway	2,049	-	-	-	4,325	6,374
Nonmajor governmental	17,832	816	180,607	-	18,715	217,970
Total Governmental	19,881	20,747	180,607	4,050	72,463	297,748
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	149,506	149,506
Higher Ed Tuition Trust	2,437	-	-	-	-	2,437
Nonmajor enterprise	1	-	-	-	50	51
Total Enterprise	2,438	-	-	-	149,556	151,994
Internal Service	6,922	335	-	-	7	7,264
Total other funds	\$ 29,241	\$ 21,082	\$ 180,607	\$ 4,050	\$ 222,026	\$ 457,006

	Transfers Out/To					
	Major Enterprise Fund		Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
	Unemployment Compensation	Water Projects Loans				
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 1,780	\$ 14,403	\$ 16,183	\$ 110	\$ 89,697
State Highway	-	-	-	-	-	6,374
Nonmajor governmental	8,441	-	6	8,447	157	226,574
Total Governmental	8,441	1,780	14,409	24,630	267	322,645
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	-	149,506
Higher Ed Tuition Trust	-	-	-	-	-	2,437
Nonmajor enterprise	-	-	11	11	-	62
Total Enterprise	-	-	11	11	-	152,005
Internal Service	-	-	-	-	-	7,264
Total other funds	\$ 8,441	\$ 1,780	\$ 14,420	\$ 24,641	\$ 267	\$ 481,914

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Position. The components of restricted assets at June 30, 2016 are as follows (expressed in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Restricted:			
Cash	\$ 3,043	\$ -	\$ 136,727
Investments	-	176,892	63,979
Total	\$ 3,043	\$ 176,892	\$ 200,706
Restricted for:			
Debt service	\$ -	\$ 176,892	\$ 4,156
Construction	-	-	127,827
Regulation of business	3,043	-	-
Other purposes	-	-	68,723
Total	\$ 3,043	\$ 176,892	\$ 200,706

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2016, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 150,711	\$ 1,273	\$ -	\$ 151,984
Construction in progress	199,375	64,693	(39,366)	224,702
Infrastructure	3,965,220	626,180	-	4,591,400
Rights-of-way	642,842	12,148	-	654,990
Total capital assets, not being depreciated	4,958,148	704,294	(39,366)	5,623,076
Capital assets, being depreciated/amortized				
Buildings	1,699,700	35,100	-	1,734,800
Improvements other than buildings	128,248	350	-	128,598
Furniture and equipment	406,940	37,994	(14,326)	430,608
Software costs	184,001	3,112	(12)	187,101
Total capital assets, being depreciated/amortized	2,418,889	76,556	(14,338)	2,481,107
Less accumulated depreciation/amortization for:				
Buildings	(590,834)	(43,472)	-	(634,306)
Improvements other than buildings	(85,647)	(4,039)	-	(89,686)
Furniture and equipment	(338,265)	(22,351)	13,320	(347,296)
Software costs	(161,451)	(3,580)	12	(165,019)
Total accumulated depreciation/amortization	(1,176,197)	(73,442)	13,332	(1,236,307)
Total capital assets, being depreciated/amortized, net	1,242,692	3,114	(1,006)	1,244,800
Governmental activities capital assets, net	\$ 6,200,840	\$ 707,408	\$ (40,372)	\$ 6,867,876
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	10,703	399	(11,102)	-
Total capital assets, not being depreciated	11,271	399	(11,102)	568
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	3,025	-	3,656
Furniture and equipment *	6,369	8,324	(60)	14,633
Total capital assets, being depreciated	10,389	11,349	(60)	21,678
Less accumulated depreciation for:				
Buildings	(2,930)	(104)	-	(3,034)
Improvements other than buildings	(572)	-	-	(572)
Furniture and equipment *	(5,641)	(208)	60	(5,789)
Total accumulated depreciation	(9,143)	(312)	60	(9,395)
Total capital assets, being depreciated, net	1,246	11,037	-	12,283
Business-type activities capital assets, net	\$ 12,517	\$ 11,436	\$ (11,102)	\$ 12,851

* Beginning balance is adjusted to correct an error on the prior year's financial statement of the Housing Division. There is no effect on net position.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

NEVADA

(Note 7 Continued)

Included in the table above are three Department of Correction facilities that have been closed and the Kinkead Building located in Carson City. These assets are idle, with a carrying value of \$10.6 million.

Current period depreciation and amortization expense was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:			
General government		\$	4,226
Education, support services			835
Health Services			928
Law, justice, public safety			34,169
Recreation, resource development			5,561
Social Services			8,459
Transportation			9,806
Regulation of business			2,448
Unallocated			2,680
Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets			4,330
Total depreciation/amortization expense - governmental activities		<u>\$</u>	<u>73,442</u>
Business-type activities:			
Enterprise		\$	312
Total depreciation expense - business-type activities		<u>\$</u>	<u>312</u>

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2016, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	\$ 172,724	\$ 136,385	\$ (169,374)	\$ 139,735
Land	100,201	51,029	-	151,230
Land improvements	1,835	-	-	1,835
Collections	11,346	191	(35)	11,502
Total capital assets, not being depreciated	<u>286,106</u>	<u>187,605</u>	<u>(169,409)</u>	<u>304,302</u>
Capital assets, being depreciated				
Buildings	2,393,388	159,837	(1,686)	2,551,539
Land and improvements	131,568	9,575	-	141,143
Machinery and equipment	355,790	30,035	(21,375)	364,450
Intangibles	43,944	1,371	(2,356)	42,959
Library books and media	120,476	2,173	(1,845)	120,804
Total capital assets, being depreciated	<u>3,045,166</u>	<u>202,991</u>	<u>(27,262)</u>	<u>3,220,895</u>
Less accumulated depreciation for:				
Buildings	(816,316)	(61,580)	191	(877,705)
Land and improvements	(95,308)	(5,130)	-	(100,438)
Machinery and equipment	(263,047)	(25,070)	19,365	(268,752)
Intangibles	(23,457)	(4,352)	2,356	(25,453)
Library books and media	(114,541)	(2,537)	1,830	(115,248)
Total accumulated depreciation	<u>(1,312,669)</u>	<u>(98,669)</u>	<u>23,742</u>	<u>(1,387,596)</u>
Total capital assets, being depreciated, net	<u>1,732,497</u>	<u>104,322</u>	<u>(3,520)</u>	<u>1,833,299</u>
Nevada System of Higher Education activity capital assets, net	<u>\$ 2,018,603</u>	<u>\$ 291,927</u>	<u>\$ (172,929)</u>	<u>\$ 2,137,601</u>

Note 8 - Capital Lease Receivable

The State, as lessor, entered into a lease purchase agreement in fiscal year 2014 with the Nevada System of Higher Education (NSHE), a discretely presented component unit, as lessee. The agreement is to finance a building construction project at the Nevada State College. Construction was completed in fiscal year 2016, and at the end of the lease, title to the buildings transfers to NSHE. As discussed in Note 10G, the construction is being financed by Lease Revenue Certificates of Participation Series 2013. Proceeds from the certificates of participation are used to pay the capitalized interest during the construction period, and NSHE will begin making capital lease principal and interest payments starting in fiscal year 2017.

For the fiscal year ended June 30, 2016, a capital lease receivable has been recorded by the primary government in the amount of \$50,445,000, which represents the certificate of participation proceeds remitted to NSHE for construction of the building.

The future minimum lease payments receivable for capital leases are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities
2017	\$ 3,383
2018	3,380
2019	3,381
2020	3,383
2021	3,383
2022-2043	74,402
Total future minimum lease revenues	\$ 91,312

Note 9 - Short-Term Obligations

Primary Government - On May 17, 2016, the State issued short-term bonds of \$4,042,042 to provide the necessary State match for all or a portion of the 2015, 2016, and 2017 Clean Water Capitalization Grant Awards. These bonds were paid off on May 24, 2016. There was no short-term debt outstanding at July 1, 2015 or June 30, 2016.

Note 10 - Long-Term Obligations

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2016 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Prior Year Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 1,607,930	\$ -	\$ 326,723	\$ (576,223)	\$ 1,358,430	\$ 109,543
Special obligation bonds	486,140	-	292,600	(191,645)	587,095	48,595
Subtotal	2,094,070	-	619,323	(767,868)	1,945,525	158,138
Issuance premiums (discounts)	176,725	(36,367)	114,212	(32,844)	221,726	35,125
Total bonds payable	2,270,795	(36,367)	733,535	(800,712)	2,167,251	193,263
Certificates of participation						
	91,935	-	-	(2,710)	89,225	3,845
Issuance premiums (discounts)	2,720	(702)	-	(527)	1,491	480
Total certificates of participation	94,655	(702)	-	(3,237)	90,716	4,325
Other Governmental long-term activities:						
Obligations under capital leases	22,826	-	-	(2,649)	20,177	2,813
Compensated absences obligations	99,031	-	74,625	(81,641)	92,015	57,821
Total other governmental long-term activities	121,857	-	74,625	(84,290)	112,192	60,634
Governmental activities long-term obligations	\$ 2,487,307	\$ (37,069)	\$ 808,160	\$ (888,239)	\$ 2,370,159	\$ 258,222
Business-type activities:						
Bonds payable:						
General obligation bonds	\$ 73,370	\$ -	\$ 12,307	\$ (16,197)	\$ 69,480	\$ 9,377
Special obligation bonds	1,008,858	-	26,132	(211,702)	823,288	177,216
Subtotal	1,082,228	-	38,439	(227,899)	892,768	186,593
Issuance premiums (discounts)	42,691	(11,411)	458	(16,050)	15,688	10,162
Total bonds payable	1,124,919	(11,411)	38,897	(243,949)	908,456	196,755
Compensated absences obligations	2,008	-	1,198	(1,508)	1,698	1,108
Arbitrage rebate liability	961	-	11	-	972	-
Tuition benefits payable	199,391	-	14,679	(2,951)	211,119	17,922
Business-type activities long-term obligations	\$ 1,327,279	\$ (11,411)	\$ 54,785	\$ (248,408)	\$ 1,122,245	\$ 215,785

The General Fund and special revenue funds typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the General Fund and State Highway Fund incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations.

B. Bonds Payable

The State issues general obligation bonds for the acquisition, construction and improvement of major capital facilities; buying local governments' bonds in the municipal bond bank fund; loans to municipalities for water projects; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation unemployment compensation bonds are to repay the Federal Unemployment Advance as benefits paid significantly exceeded employer assessment during the national economic downturn. Special obligation housing bonds in the aggregate have a debt limit of \$5 billion and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

NEVADA

(Note 10 Continued)

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2016 are comprised of the following (expressed in thousands):

	Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	1.145-6.17%	\$ 1,712,230	\$ 1,080,295
Exempt from Constitutional Debt Limitation	2.0-5.5%	739,808	278,135
Special obligation bonds:			
Exempt from Constitutional Debt Limitation-			
Highway Improvement Revenue Bonds	3.0-5.0%	899,055	587,095
Subtotal		3,351,093	1,945,525
Issuance premiums (discounts)		351,175	221,726
Governmental activities bonds payable		3,702,268	2,167,251
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	1.75-5.5%	97,997	69,480
Special obligation bonds:			
Unemployment Compensation Bonds	5.0%	548,900	279,145
Housing Bonds	*.50-6.95%	791,970	544,143
Subtotal		1,438,867	892,768
Issuance premiums (discounts)		67,110	15,688
Business-type activities bonds payable		1,505,977	908,456
Total bonds payable		\$ 5,208,245	\$ 3,075,707

*Many Housing bonds have variable rates of interest. The tax exempt bonds track the SIFMA Index while the federally taxable debt tracks the one-month LIBOR Index.

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2016, of the primary government are summarized in the table following (expressed in thousands):

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
June 30				
2017	\$ 158,138	\$ 98,324	\$ 186,593	\$ 27,202
2018	152,352	84,372	144,540	18,660
2019	143,248	75,672	17,490	13,446
2020	152,741	68,988	17,345	12,817
2021	159,133	61,144	16,522	12,155
2022-2026	707,485	195,222	64,804	52,620
2027-2031	415,663	42,780	91,918	40,392
2032-2036	53,685	4,696	162,486	26,833
2037-2041	3,080	166	152,991	13,163
2042-2046	-	-	16,694	4,634
2047-2051	-	-	21,385	820
Total	\$ 1,945,525	\$ 631,364	\$ 892,768	\$ 222,742

C. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2016, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,166,631
Less: Bonds and leases payable as of June 30, 2016, subject to limitation	(1,082,845)
Remaining debt capacity	<u>\$ 1,083,786</u>

(Note 10 Continued)

D. Nevada Municipal Bond Bank

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State’s local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Twelve projects were funded through the Nevada Municipal Bond Bank as of June 30, 2016, and total outstanding loans to local governments amounted to \$94,240,000.

E. Refunded Debt and Redemptions

During the fiscal year 2016, the State of Nevada refunded \$248,480,000 in general obligation, limited tax, bonds related to capital improvement, natural resources and water project loans by issuing refunding bonds with a total par amount of \$227,770,000 at a \$44,923,783 premium. In addition, the State refunded \$146,045,000 in special obligation bonds, payable and collectible solely out of the gross pledged revenue, by issuing refunding bonds with a total par amount of \$125,115,000 at a \$30,167,763 premium. Proceeds from refunding bonds were used to refund certain outstanding State bonds to realize debt service savings. The refunding decreased the aggregate debt service payments by \$46,892,943 with an economic or present value gain of \$41,296,322. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$28,379,225. This amount is being reported as a deferred outflow of resources and amortized as an adjustment to interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. The impact of the refunding issues is presented in the following table (expressed in thousands):

Issue Description:	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
General obligation bonds:				
Capital Improvement and Refunding Bonds Series 2015D	\$ 230,821	\$ 210,585	\$ 24,076	\$ 19,707
Natural Resources and Refunding Bonds Series 2015E	24,854	23,095	2,400	2,037
Nevada Municipal Bond Bank Project Nos.87, 88 and 89 Series 2015F	2,570	2,565	4,879	3,888
Open Space, Parks, Natural Resources and Refunding Bonds Series 2015G	8,917	8,170	1,036	811
Safe Drinking Water Revolving Fund Matching and Refunding Bonds Series 2015H	4,208	4,065	309	285
Special obligation bonds:				
Highway Revenue Improvement and Refunding Bonds Series 2016	154,504	146,045	14,193	14,568
Total	\$ 425,874	\$ 394,525	\$ 46,893	\$ 41,296

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State’s financial statements. The total outstanding amount of defeased issues at June 30, 2016 is \$691,983,056.

F. Capital Leases

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2016, include equipment with a historical cost of \$2,255,789 with accumulated depreciation of \$1,186,604 and building improvements of \$27,810,128 with accumulated depreciation of \$6,125,751.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2016 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2017	\$ 3,693
2018	3,157
2019	3,241
2020	3,069
2021	3,035
2022-2025	7,920
Total minimum lease payments	24,115
Less: amount representing interest	(3,938)
Obligations under capital leases	\$ 20,177

(Note 10 Continued)

G. Certificates of Participation

In fiscal year 2010, the NRPC, a blended component unit, issued \$7,900,000 of General Obligation Certificates of Participation series 2009 at 5.0-5.125% interest to prepay the remaining outstanding balance of the 1999 issue of the Nevada Real Property Corporation. The original 1999 issue of \$15,000,000 was to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. The 2009 issue is a direct general obligation of the State to which the full faith and credit of the State is pledged. The State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2014, the NRPC issued \$35,785,000 of Lease Revenue Refunding Certificates of Participation Series 2013 at 3.0-5.0% interest to refund the outstanding balances of Lease Revenue Certificates of Participation Series 2004 and 2004B, which were to finance the acquisition and construction of the State’s Capitol Complex Building 1 and Casa Grande Projects respectively.

In fiscal year 2014, the NRPC issued \$50,445,000 of new Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest to finance the State’s Nevada State College Project. The Project is leased to the Nevada System of Higher Education (NSHE), the State’s discretely presented component unit. Meanwhile, the NRPC entered into a Ground Lease with respect to the real property on which the Project is located.

In fiscal year 2007, the NRPC issued \$5,760,000 of Lease Revenue Certificates of Participation Series 2006 at 4.0-5.0% interest to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau’s existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises.

Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State’s obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. In the event that the State does not make a sufficient appropriation with respect to a Lease Purchase Agreement, that Lease Purchase Agreement will terminate. Currently, only the payment of principal and interest on the Series 2006 is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2016 (expressed in thousands):

Year Ending June 30	Principal	Interest
2017	\$ 3,845	\$ 4,132
2018	4,080	3,957
2019	2,960	3,805
2020	3,160	3,676
2021	3,300	3,539
2022-2026	19,015	15,141
2027-2031	22,745	10,374
2032-2036	10,530	6,379
2037-2041	13,300	3,612
2042-2043	6,290	476
Total	<u>\$ 89,225</u>	<u>\$ 55,091</u>

H. Tuition Benefits Payable

The Higher Education Tuition Trust Fund, an enterprise fund, reports benefits payable as shown in Section A based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts as follows (expressed in thousands):

APV of the future tuition obligation	\$211,120
Net position available	270,183
Net position as a percentage of tuition benefits obligation	127.98%

The actuarial valuation used an investment yield assumption of 5.00% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
2017-18	4.00%	4.00%
2018-19	4.00%	4.00%
2019-20 and later	4.75%	4.00%

I. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2016, and changes for the fiscal year then ended are presented in Section A of this note.

(Note 10 Continued)

J. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. During the 2013 session, the Nevada Legislature enacted the Charter School Financing Law, which authorizes the issuance of Charter School Bonds and other obligations to finance the acquisition, construction, improvement, maintenance or furnishing of land, buildings and facilities for Charter Schools in the State of Nevada. The above two types of bonds are secured by the properties financed and are payable solely from payments received on the underlying mortgage loans. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, there are five series of Industrial Revenue Bonds and one series of Charter School Bonds outstanding, with an aggregate principal amount payable of \$633,670,616.

K. Pledged Revenue

Pledged motor vehicle and special fuel tax - The State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay the Highway Improvement Revenue Bonds that were issued for highway construction projects and property acquisition purposes. As of June 30, 2016, the outstanding balance of Highway Improvement Revenue and Refunding bonds is \$587,095,000. The total of principal and interest remaining on the bonds is \$780,048,647 payable through December 2029. Upon completion of eligible projects, federal aid of \$324,971,600 is expected to be received in fiscal year 2017. For the current year, principal and interest paid was \$65,852,363 and total motor vehicle fuel and special fuel tax revenues were \$287,571,198.

Pledged future lease rental payments - With respect to each series of Lease Revenue Certificates of Participation, the NRPC, a blended component unit, has pledged its rights, title and interest in the applicable Ground Lease and Lease Purchase Agreement to the Trustee (including the right to receive payments of base rent and other payments). As of June 30, 2016, the outstanding balance of Lease Revenue Certificates of Participation is \$86,675,000. The total of principal and interest remaining on the certificates is \$141,636,994 payable through June 2043. In fiscal year 2016, principal and interest of \$5,614,156 was paid, which includes the interest payment of \$1,216,388 paid entirely by the excess certificate proceeds for the State's Nevada State College Project as discussed in Section G of this note and Note 8. As of June 30, 2016, \$1,735,598 was held by the trustee for the benefit of the bondholders. Building rent of \$5,000,000 is expected to be col-

lected in fiscal year 2017, which, along with assets held by the trustee, will be used to pay the fiscal year 2017 debt service principal and interest of \$6,635,856.

Pledged additional assessments of unemployment contributions - The State has pledged additional assessments on unemployment contributions (special bond contributions), the proceeds derived from the sale of bonds, and related investment earnings to repay \$548,900,000 of Unemployment Compensation Fund Special Revenue Bonds issued on November 6, 2013. The revenue bonds were issued for the purposes of repaying the Federal Unemployment Advance that occurred during the last recession and funding a deposit to the Nevada UITF Account to avoid the need for further advances. Pursuant to NRS 612.6132, special bond contributions must be established at levels sufficient to pay debt service on the bonds. As of June 30, 2016, the outstanding balance of the bonds is \$279,145,000. The total principal and interest remaining on the bonds is \$296,124,125 payable through June 2018. In fiscal year 2016, principal and interest of \$150,045,950 was paid. As of June 30, 2016, \$55,137,513 was held by the trustee for the benefit of the bondholders. Special bond contributions of \$246,152,623 are expected to be collected in fiscal year 2017, which, along with assets held by the trustee, will be used to pay the fiscal year 2017 debt service principal and interest of \$163,480,875.

Pledged Nevada Housing Division program funds - The single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the rights and interest of the Housing Division in all mortgage loans purchased under the various bond certificates; revenues which primarily include mortgage repayments and the net income, if any, derived as a result of foreclosure or other action taken in the event of a default on such a mortgage loan; curtailments, consisting generally of all amounts representing monthly principal payments with respect to mortgage loans which are received in advance of the scheduled amortization thereof; and all earnings realized by the investment of monies in all funds and accounts as well as all funds and accounts created by the various bond certificates.

The multi-unit bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; all earnings realized from the investment of bond proceeds; after permanent financing, all revenues received from the development including housing assistance and rental payments made by tenants, notes receivable collateralized by deeds of trust and the rights to FHA insurance, draws on bank letters of credit, private mortgage and hazard insurance and condemnation proceeds.

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(Note 10 Continued)

As of June 30, 2016, the outstanding balance of single-family and multi-unit bonds is \$544,821,907. The total of principal and interest remaining on the bonds is \$736,897,544 payable through June 2049. In fiscal year 2016, principal and interest of \$53,552,576 was paid. As of June 30, 2016, \$177,071,228 was held by the trustee for the benefit of the single-family bondholders. The amount of payments received for mortgage loans in fiscal year 2016 is \$54,405,310. Fifty-five million is expected to be collected in fiscal year 2017, which, along with assets held by the trustee, will be used to pay the fiscal year 2017 debt service principal and interest of \$38,379,320.

L. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2016, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 519,645	\$ 234,646	\$ (158,995)	\$ 595,296	\$ 19,449
Issuance premiums (discounts)	35,705	9,183	(3,662)	41,226	2,944
Total bonds payable	555,350	243,829	(162,657)	636,522	22,393
Obligations under capital leases	46,276	7,360	(1,695)	51,941	3,583
Compensated absences obligations	50,116	32,665	(32,976)	49,805	33,283
Total	\$ 651,742	\$ 283,854	\$ (197,328)	738,268	59,259
Discretely presented component units of the NSHE:					
Compensated absences				212	-
Long-term debt				199	63
Total				\$ 738,679	\$ 59,322

Tuition and fees, auxiliary enterprises' revenue and certain other revenue as defined in the bond indentures secure the revenue bonds.

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2016 (expressed in thousands):

Year Ending June 30	Principal	Interest
2017	\$ 22,393	\$ 24,449
2018	27,863	24,358
2019	29,770	23,366
2020	30,211	22,240
2021	29,744	21,088
2022-2026	140,306	87,874
2027-2031	125,357	60,229
2032-2036	124,679	34,462
2037-2041	60,860	15,660
2042-2046	39,715	4,573
2047-2051	5,624	47
Total	\$ 636,522	\$ 318,346

Future net minimum rental payments which are required under the capital leases by NSHE for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Amount
2017	\$ 3,583
2018	3,580
2019	3,580
2020	3,580
2021	3,574
2022-2026	17,581
2027-2031	17,037
2032-2036	16,900
2037-2041	16,900
2042-2046	6,766
Total minimum lease payments	93,081
Less: amount representing interest	(41,140)
Obligations under capital leases	\$ 51,941

(Note 10 Continued)

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2016, and the changes for the year then ended, consist of the following (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 43,980	\$ -	\$ (4,785)	\$ 39,195	\$ 5,015
Issuance premiums (discounts)	591	-	(566)	25	181
Total bonds payable	<u>44,571</u>	<u>-</u>	<u>(5,351)</u>	<u>39,220</u>	<u>5,196</u>
Compensated absences obligations	342	183	(202)	323	183
Total	<u>\$ 44,913</u>	<u>\$ 183</u>	<u>\$ (5,553)</u>	<u>\$ 39,543</u>	<u>\$ 5,379</u>

Scheduled maturities for bonds payable by CRC for the years ending June 30 are as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 5,015	\$ 1,465
2018	5,970	1,208
2019	730	1,062
2020	740	1,050
2021	755	1,033
2022-2026	4,085	4,841
2027-2031	4,825	4,085
2032-2036	5,845	3,027
2037-2041	6,700	1,678
2042-2044	4,530	294
Total	<u>\$ 39,195</u>	<u>\$ 19,743</u>

Note 11 - Pensions and Other Employee Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each pension plan and additions to/ deductions from each pension plan’s fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The aggregate pension related amounts for the primary government consist of a net pension liability of \$1,899,044,202, deferred outflows of resources of \$204,228,570, deferred inflows of resources of \$360,060,384 and pension expense of \$191,174,572. The State’s defined benefit pension plans are described in detail below.

A. Public Employees’ Retirement System of Nevada

Plan Description – The Public Employees’ Retirement System (PERS) was established in 1947 by the Nevada Legislature and is governed by the Public Employees’ Retirement Board whose seven members are appointed by the governor.

PERS administers a cost-sharing multiple-employer defined benefit pension plan that covers qualified State employees and employees of participating local government entities in the State. Any public employer in the State may elect to have its regular and police/fire employees covered by PERS. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. That report may be obtained on the PERS website at www.nvpers.org.

Pension Benefits – Benefits provided to participants or their beneficiaries include retirement, disability, and survivor benefits. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member’s highest average compensation in any 36 consecutive months, with special provisions for members entering the System on or after January 1, 2010. Members become fully vested as to benefits upon completion of 5 years of service. Unreduced benefits are available, depending upon when the member entered the System, as follows:

(Note 11 Continued)

Regular Members	Police/Fire Members
<u>Before January 1, 2010</u>	<u>Before January 1, 2010</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 60 with 10 years of service	Age 55 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 25 years of service
<u>On or after January 1, 2010</u>	<u>On or after January 1, 2010</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 30 years of service
<u>On or after July 1, 2015</u>	<u>On or after July 1, 2015</u>
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Age 55 with 30 years of service	Age 50 with 20 years of service
Any age with 33.3 years of service	Any age with 30 years of service

Members with the years of service necessary to receive a retirement benefit but who have not reached the age for an unreduced benefit may retire at any age with the benefit reduced by 4% (for members entering the System before January 2, 2010) or 6% (for members entering the System on or after January 1, 2010) for each full year they are under the required age.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. Lastly, for members entering the System on or after July 1, 2015, there is a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Retirees are eligible for annual benefit increases if they began receiving benefits at least 3 years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years 4, 5 and 6; increase to 3% in years 7, 8 and 9; 3.5% in years 10, 11 and 12; 4% for years 13 and 14; and 5% in year 15 and each year thereafter. For retirees entering the System on or after January 1, 2010, increases are capped at 4% in year 13 and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (all items). For retirees entering the System on or after July 1, 2015, the increases begin at 2% in years 4, 5 and 6; increase to 2.5% in years 7, 8 and 9; the lesser of 3% or the increase, if any, in the Consumer Price Index (all items) for the preceding calendar years following year 10 and every year thereafter.

Member and Employer Contributions - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. New hires of the State of Nevada and public employers have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. Under the employee/employer contribution plan, the employee and the employer each make matching contributions. Under the employer-pay contribution plan, the employer pays all contributions on the employee's behalf; however, the employee shares equally in the cost of the contribution rate either through salary reduction or in lieu of a promised pay increase.

PERS' basic funding policy provides for periodic contributions as a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2016 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-pay plan	28.00%	na
Employee/employer plan (matching rate)	14.50%	14.50%
Police and Fire employees:		
Employer-pay plan	40.50%	na
Employee/employer plan (matching rate)	20.75%	20.75%

State contributions recognized as part of pension expense for the current fiscal year ended June 30, 2016 were \$176,579,325.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the State reported a liability of \$1,879,626,041, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of contributions in PERS pension plan relative to the total contributions of all

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(Note 11 Continued)

participating PERS employers and members. At June 30, 2015, the State's proportion was 16.4%, a decrease of .20% from its proportion measured at June 30, 2014.

For the year ended June 30, 2016, the State recognized pension expense of \$187,305,225. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$(141,380,420)
Net difference between projected and actual earnings on pension plan investments	-	(101,813,003)
Changes in proportion and differences between State contributions and proportionate share of contributions	3,413,400	(110,583,999)
State contributions subsequent to the measurement date	191,436,428	-
Total	\$ 194,849,828	\$(353,777,422)

Deferred outflows of resources of \$191,436,428 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2017	\$ (96,170)
2018	(96,170)
2019	(96,171)
2020	(6,406)
2021	(41,436)
2022	(14,011)
Thereafter	-

Actuarial Assumptions – The State's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Payroll growth:</i>	5.00%, including inflation
<i>Investment rate of return:</i>	8.00%
<i>Productivity pay increase:</i>	0.75%
<i>Projected salary increases:</i>	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, depending on service Rates include inflation and productivity increases
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males) for regular members and set forward one year for police/fire members. Mortality rates for disabled members were based on the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2015 valuation were based on an experience study for the period from July 1, 2006, through June 30, 2012.

Investment Policy - The PERS Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System's target asset allocations and current long-term geometric expected real rates of return for each asset class included in the fund's investment portfolio as of June 30, 2015, are included in the following table:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and

(Note 11 Continued)

members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the State’s proportionate share of the net pension liability at June 30, 2015 calculated using the discount rate of 8%, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 2,864,174	\$ 1,879,626	\$ 1,060,906

Pension Plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS’ report.

Payables to the pension plan – At June 30, 2016, the State reported payables to the defined benefit pension plan of \$14,598,437 for legally required employer contributions which had been withheld from employee wages but not yet remitted to PERS.

B. Legislators’ Retirement System of Nevada

Plan Description – The Legislators’ Retirement System (LRS) is a single-employer defined benefit pension plan established in 1967 by the Nevada Legislature (NRS 218C) and is governed by the Public Employees’ Retirement Board whose seven members are appointed by the governor. All State Legislators are members. LRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. LRS’ financial report may be obtained from the Public Employees’ Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2015, the LRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	78
Inactive vested members	13
Inactive non-vested members	26
Active members	<u>35</u>
Total	<u><u>152</u></u>

Pension Benefits – Benefits are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefits payments to which participants may be entitled under the plan include pension and survivor benefits. Monthly benefit allowances are \$25 for each year of service up to 30 years.

If a Legislator is newly elected after July 1, 1985, they must have at least 10 years of service, be age 60, and no longer be a Legislator in order to retire without benefit reduction. If a Legislator is no longer serving and has at least 10 years of service but is under the age of 60, they can elect to wait to receive their benefit until the age of 60 or begin receiving a reduced benefit prior to the age of 60. The minimum requirement for an unreduced benefit for a Legislator elected prior to July 1, 1985, is 8 years of accredited service at age 60.

Members are eligible for post-retirement benefit increases based on their effective date of membership. For members with an effective date of membership before January 1, 2010, the lesser of: (a) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceding years. In any event, a member’s benefit must be increased by the percentages in (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (CPI) (All items) (or other Board approved index) for the period between retirement and the date of increase. For members with an effective date of membership on or after January 1, 2010, same as above, except the increases in paragraph (a) do not exceed 4% per year. For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

Member and Employer Contributions - The employee contribution of 15% of compensation is paid by the employee only when the Legislature is in session, as required by statute. The

(Note 11 Continued)

Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$311,710 for fiscal years 2015 and 2016, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2015, of which \$155,855 (half) was recognized as employer contributions in the fiscal year 2015, and the other half recognized as employer contributions in fiscal year 2016.

State contributions recognized as part of pension expense for the fiscal year ended June 30, 2016 were \$155,855.

LRS' basic funding policy provides for contributions by the State based on a biennial actuarial valuation prepared per NRS 281C.390(2). The Actuarially Determined Employers' Contribution (ADEC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL). Beginning July 1, 2014, actuarial valuations are done annually. Effective with the January 1, 2009 valuation, the UAAL is amortized as a level dollar amount over a declining amortization period of 20 years. Any increases or decreases in the UAAL that arise in future years will be amortized over separate 20-year periods. In addition, the Actuarial Value of Assets (AVA) was limited to not less than 75% or greater than 125% of market value. The actuarial funding method used is the Entry Age Normal Cost Method.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

– At June 30, 2016, the State reported a net pension liability of \$654,825. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the State recognized pension income of \$72,390. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 157	\$ (281)
Difference between expected and actual experience	-	(26)
State contributions subsequent to the measurement date	-	-
Total	\$ 157	\$ (307)

There were no deferred outflows of resources for contributions subsequent to the measurement date to be recognized in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2017	\$ (81)
2018	(54)
2019	(54)
2020	39
2021	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for LRS for the year ended June 30, 2015 (expressed in thousands):

	<u>2015</u>
Total pension liability	
Service cost	\$ 39
Interest	426
Differences between expected and actual experience	(109)
Benefit payments, including refunds	<u>(497)</u>
Net change in total pension liability	(141)
Total pension liability - beginning	<u>5,531</u>
Total pension liability - ending (a)	<u><u>\$ 5,390</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 156
Contributions - employee	23
Net investment income	179
Benefit payments, including refunds	(497)
Administrative expense	(85)
Other	<u>86</u>
Net change in plan fiduciary net position	(138)
Plan fiduciary net position - beginning	<u>4,873</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,735</u></u>
Net pension liability - beginning	\$ 658
Net pension liability - ending (a) - (b)	\$ 655
Plan fiduciary net position as a percentage of total pension liability	88%
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

Actuarial Assumptions – The State’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Investment rate of return:</i>	8.00%
<i>Projected salary increases:</i>	3.50%
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the actuarial experience study for the period July 1, 2006, through June 30, 2012.

Investment Policy – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System’s target asset allocations and current long-term expected real rates of return for each asset class included in the fund’s investment portfolio as of June 30, 2015, are included in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contribu-

(Note 11 Continued)

tions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 1,111	\$ 655	\$ 263

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued LRS report.

Payables to the pension plan – At June 30, 2016, the State had no payables to the defined benefit pension plan for legally required employer contributions.

C. Judicial Retirement System of Nevada

Plan Description – The Judicial Retirement System (JRS) is an agent multiple-employer defined benefit pension plan established in 2001 by the Nevada Legislature (NRS 1A.160) and is governed by the Public Employees' Retirement Board whose seven members are appointed by the governor. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. JRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. JRS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2015, the JRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	69
Inactive vested members	4
Active members	115
Total	188

Pension Benefits - Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a Supreme Court justice or district judge before November 5, 2002. Retiring members who were serving as a judge before November 5, 2002 may select among the two benefit options below. Retiring members who began serving as a justice or judge on or after November 5, 2002 may select only the first option below.

Option 1 - 2003 Benefit Plan: Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement times the member's highest average compensation in any 36 consecutive months, to a maximum of 75%. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and survivor benefits.

Option 2 – Previous Benefit Plan: Retiring members who were serving as a Supreme Court justice or district judge prior to November 5, 2002 may select benefit payments computed at 4.1666% for each year of service, up to a total maximum of 22 years, times the member's compensation for their last year of service.

Members who retired under the Previous Benefit Plan (plan in effect before November 5, 2002) and are appointed as senior judges can earn service credit while receiving their pension payments. They are eligible to have their benefit recalculated each time they earn an additional year of service credit.

Members of the System become fully vested after five years of service. A member of the System is eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. For those members who were serving as a Supreme Court justice or district judge prior to November 5, 2002, and selected the second benefit option, eligibility for retirement is at age 60 with five years of service.

Member and Employer Contributions – The JRS is an employer-paid plan and there is no contribution from active members. The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses. Also, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

JRS' basic funding policy provides for contributions by the participating employers based on an actuarial valuation prepared per Nevada Revised Statute (NRS 1A.180(1)). The amount of the annual contribution required to fund the System is comprised of a normal cost payment and a payment on the Unfunded Actuarial Accrued Liability (UAAL). Effective January 1, 2009, UAAL is amortized over a year-by-year closed amortization period as a level percent of pay (3% pay-

(Note 11 Continued)

roll growth assumed) where each amortization period will be set at 30 years for State judges (Supreme Court justices and district judges) and 20 years for each non-state agency. Any increases or decreases in UAAL that arise in future years will be amortized over separate 30-year periods for State judges and 20-year periods for non-state judges. The actuarial funding method used is the Entry Age Normal Cost Method.

The State’s annual actuarially determined contribution to fund the System at June 30, 2016 was \$5,443,188 and the actual contribution made was \$5,227,905.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the State reported a liability of \$18,763,336 for its net pension liability for the JRS pension plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State’s net pension liability was based on an individual basis and based on the plan provisions and benefit accrual rates applicable to that individual.

For the year ended June 30, 2016, the State recognized pension expense of \$3,504,834. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 895	\$ (1,479)
Net difference between projected and actual earnings on pension plan investments	3,099	(4,341)
Changes in proportion and differences between State contributions and proportionate share of contributions	-	(155)
State contributions subsequent to the measurement date	5,227	-
Total	\$ 9,221	\$ (5,975)

Deferred outflows of resources of \$5,227,095 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2017	\$ (979)
2018	(979)
2019	(980)
2020	957
2021	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for JRS for the year ended June 30, 2015 (expressed in thousands):

	2015
Total pension liability	
Service cost	\$ 3,593
Interest	8,876
Differences between expected and actual experience	1,250
Benefit payments, including refunds	(4,896)
Other	2,357
Net change in total pension liability	11,180
Total pension liability - beginning	108,630
Total pension liability - ending (a)	\$ 119,810
Plan fiduciary net position	
Contributions - employer	\$ 6,155
Contributions - employee	96
Net investment income	3,206
Benefit payments, including refunds	(4,896)
Administrative expense	(86)
Other	2,357
Net change in plan fiduciary net position	6,832
Plan fiduciary net position - beginning	92,113
Plan fiduciary net position - ending (b)	\$ 98,945
Net pension liability - beginning	\$ 16,517
Net pension liability - ending (a) - (b)	\$ 20,865
Plan fiduciary net position as a percentage of total pension liability	83%
Covered-employee payroll (measurement as of end of fiscal year)	\$ 19,930
Net pension liability as a percentage of covered-employee payroll	105%

Actuarial Assumptions – The State’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	3.50%
<i>Investment rate of return:</i>	8.00%
<i>Projected salary increases:</i>	3.00% - 8.00% varies by service
<i>Consumer price index:</i>	3.50%
<i>Other assumptions:</i>	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2012.

Investment Policy – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class.

The Board reviews these asset allocations and capital market expectations annually. The System’s target asset allocations and current long-term expected real rates of return for each asset class included in the fund’s investment portfolio as of June 30, 2015, are included in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that contributions will be made monthly at the current contribution rate and the payment to amortize the unfunded actuarial liability is assumed to be paid at the end of the year for State and monthly for non-state agencies. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Note 11 Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the State’s proportionate share of the net pension liability using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	\$ 31,043	\$ 18,763	\$ 8,370

Pension Plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued LRS report.

Payables to the pension plan – At June 30, 2016, the State reported payables to the defined benefit pension plan of \$258,496 for legally required employer contributions not yet remitted to JRS.

D. Other Postemployment Benefits

Plan Description – The State Retirees’ Health and Welfare Benefits Fund, Public Employees’ Benefits Program (“PEBP”) of the State of Nevada (“Retirees’ Fund”) was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. NRS 287.0436 established the Retirees’ Fund as an irrevocable trust fund for the purpose of providing retirement benefits other than pensions. The Retirees’ Fund is a multiple-employer cost-sharing defined postemployment benefit plan administered by the Board of the Public Employees’ Benefits Program of the State of Nevada. The Retirees’ Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. NAC 287.530 establishes the benefit upon the retiree. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees’ Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

The Retirees’ Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retirees’ Fund as a trust fund. The Retirees’ Fund financial report may be obtained from Public Employees’ Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Summary of Significant Accounting Policies - The financial statements of the Retirees’ Fund have been prepared using the accrual basis of accounting and the economic resources measurement focus. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees’ Fund does not receive member contributions.

Method Used to Value Investments – The Retiree’s Fund and the Retirement Benefit Investment Fund (RBIF) both hold investments that are measured at fair value on a recurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments are classified in Level 1.

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees’ Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2015 through June 30, 2016 the rate assessed was 2.126% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2016, the State, its component units, State Boards and Commissions, and other participating public employers contributed \$32,213,079 to the plan, which is 100% of the contractually required contribution. For the years ended June 30, 2015 and 2014 the State, its component units, State Boards and Commissions, and other participating public employers contributed \$37,758,981, and \$32,697,856, respectively, to the plan, which equaled 100% of the contractually required contribution each year.

Note 12 - Risk Management

The State of Nevada established the Self-Insurance and Insurance Premiums funds in 1983 and 1979, respectively. Both funds are classified as internal service funds.

Interfund premiums are reported as interfund services provided and used. All State funds participate in the insurance program. Changes in the claims liabilities during the past two fiscal years were as follows (expressed in thousands):

	Self Insurance Fund	Insurance Premiums Fund
Balance June 30, 2014	\$ 47,154	\$ 65,378
Claims and changes in estimates	221,215	11,899
Claim payments	(207,711)	(12,538)
Balance June 30, 2015	60,658	64,739
Claims and changes in estimates	220,238	14,736
Claim payments	(217,882)	(15,758)
Balance June 30, 2016	\$ 63,014	\$ 63,717
Due Within One Year	\$ 63,014	\$ 16,778

In accordance with GASB, a liability for claims is reported if information received before the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Position.

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2016. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

A. Self-Insurance Fund

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are five public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their

retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and one hundred twenty-two public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of ten members, nine members appointed by the Governor, and the Director of the Department of Administration or their designee.

The Self-Insurance Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and assumes all risk for claims incurred by plan participants. Fully insured HMO products are also offered. Long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, fund rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

The management of the Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported and the unused portion of the Health Reimbursement Arrangement (HRA) liability. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

B. Insurance Premiums Fund

The Insurance Premiums Fund provides general, civil (tort), and auto liability insurance to State agencies, workers' compensation insurance for State employees excluding NSHE, and auto physical damage and property insurance for State agencies.

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible pol-

(Note 12 Continued)

ity for workers' compensation. Liabilities in the amount of \$49,841,992 as of June 30, 2016 were determined using standard actuarial techniques as estimates for the case, reserves, incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2016.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 through October 1, 2007, \$75,000 through October 1, 2011 and \$100,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

The Fund is fully self-insured for general, civil and vehicle liability. The Fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to \$250,000 for property loss with commercial insurance purchased to cover the excess above this amount, and commercially insured for losses to boilers and machinery and certain other risks.

At June 30, 2016, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged

property. The liability for estimated losses from reported and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart and lung disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the five-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart and lung disease. A range of estimated losses from \$5,224,500 to \$18,779,100 for heart disease and \$5,761,870 for lung disease have been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2016 total liabilities exceeded total assets by \$49,982,199. The Fund is liable for approximately \$50,000,000 as of June 30, 2016 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 13 - Fund Balances and Net Position

A. Net Position-Restricted by Enabling Legislation

The government-wide statement of net position reports \$2,258,085,033 of net position-restricted for the primary government, of which \$207,583,030 is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the State is bound to observe constraints imposed on the use of the resources of the fund. A summary of governmental fund balances at June 30, 2016, is shown below (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

NEVADA

(Note 13 Continued)

	Major Governmental Funds					Total Governmental
	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental Funds	
Fund balances:						
Nonspendable:						
Long term notes/loans receivable	\$ 14,915	\$ -	\$ 89,700	\$ -	\$ -	\$ 104,615
Inventory	7,383	18,842	-	-	391	26,616
Advances	2,546	-	-	-	-	2,546
Prepaid items	2,109	61	-	-	88	2,258
Permanent fund principal	-	-	-	341,238	30	341,268
Restricted for:						
Capital projects	-	-	-	-	64,155	64,155
Conservation, parks and land	30,810	-	-	-	8,754	39,564
Debt service	-	-	-	-	31,147	31,147
Economic development	3,655	-	-	-	-	3,655
Education K-12	3,090	-	-	-	-	3,090
Environmental protection	7,114	-	-	-	-	7,114
Health services	955	-	-	-	-	955
Housing, real estate & mortgage lending	3,708	-	-	-	21,401	25,109
Law and justice	2,282	-	-	-	21,907	24,189
Motor vehicles and public safety	-	32,394	-	-	-	32,394
Other purposes	1,371	-	-	-	2,916	4,287
Regulation of business	8,512	-	-	-	7,169	15,681
Social services	1,754	-	-	-	98,127	99,881
Transportation	-	448,984	-	-	-	448,984
Veterans' services	1,001	-	-	-	-	1,001
Wildlife	13,842	-	-	-	-	13,842
Committed to:						
Agriculture	4,724	-	-	-	987	5,711
Capital projects	-	-	-	-	3,040	3,040
College savings endowment	5,166	-	-	-	-	5,166
Commission on mineral resources	5,022	-	-	-	-	5,022
Conservation, parks and land	8,522	-	-	-	429	8,951
Debt service	-	-	5,627	-	138,854	144,481
Economic development	20,786	-	-	-	5,560	26,346
Education K-12	16,705	-	-	-	-	16,705
Environmental protection	62,926	-	-	-	7,555	70,481
Fiscal emergency	63,936	-	-	-	-	63,936
Health care financing and policy	46,310	-	-	-	-	46,310
Health services	19,874	-	-	-	-	19,874
Housing, real estate & mortgage lending	20,679	-	-	-	863	21,542
Law and justice	10,702	-	-	-	3,555	14,257
Legislative counsel bureau	46,900	-	-	-	-	46,900
Motor vehicles and public safety	16,141	1,470	-	-	-	17,611
Other purposes	12,980	-	-	-	-	12,980
Regulation of business	5,982	-	-	-	3,721	9,703
Silver state health insurance	8,836	-	-	-	-	8,836
Social services	12,427	-	-	-	24,718	37,145
State energy office	8,992	-	-	-	-	8,992
Tobacco settlement programs	-	-	-	-	51,371	51,371
Transportation	-	30,988	-	-	-	30,988
Veterans' services	5,333	-	-	-	-	5,333
Wildlife	16,589	-	-	-	-	16,589
Unassigned:	(126,417)	-	-	-	-	(126,417)
Total fund balances	\$ 398,162	\$ 532,739	\$ 95,327	\$ 341,238	\$ 496,738	\$ 1,864,204

C. Individual Fund Deficit

Nonmajor Enterprise Funds:

Insurance Administration and Enforcement - The Insurance Administration and Enforcement Fund accounts for activities related to the administration and enforcement of the Nevada Insurance Code and other laws and regulations enforced by the Department of Business and Industry Division of Insurance. The fund recorded a decrease in net position of \$1,519,921 for the year ended June 30, 2016, resulting in negative net position of \$2,654,268 at June 30, 2016.

(Note 13 Continued)

Nevada Magazine – The Nevada Magazine Fund accounts for the operation of the publication, Nevada Magazine, which is published to promote tourism. The fund recorded a decrease in net position of \$16,232 for the year ended June 30, 2016, resulting in a negative net position of \$689,424 at June 30, 2016.

Internal Service Funds:

Buildings and Grounds – The Buildings and Grounds Fund accounts for the maintenance, housekeeping and security of most State buildings. The fund recorded a decrease in net position of \$20,899 for the year ended June 30, 2016, resulting in a negative net position of \$3,608,157 at June 30, 2016.

Communications – The Communications Fund accounts for the operation of mail services for State agencies in Carson City, Reno, Las Vegas and Elko. The fund recorded an increase in net position of \$180,586 for the year ended June 30, 2016, resulting in a negative net position of \$172,420 at June 30, 2016.

Insurance Premiums – The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded an increase in net position of \$836,572 for the year ended June 30, 2016, resulting in negative net position of \$49,982,199 at June 30, 2016.

Administrative Services – The Administrative Services Fund provides administrative and accounting services to various divisions of the Department of Administration. The fund recorded a decrease in net position of \$226,236 for the year ended June 30, 2016, resulting in negative net position of \$2,867,990 at June 30, 2016.

Personnel – The Personnel Fund accounts for the costs of administering the State personnel system. The fund recorded an increase in net position of \$305,995 for the year ended June 30, 2016, resulting in negative net position of \$7,286,488 at June 30, 2016.

Purchasing – The Purchasing Fund provides purchasing services to State agencies and other governmental units. The fund recorded an increase in net position of \$429,670 for the year ended June 30, 2016, resulting in negative net position of \$2,606,781 at June 30, 2016.

Information Services – The Information Services Fund accounts for designing, programming, and maintaining data processing software and also operating the State's central computer facility, radio communication and telecommunication systems. The fund recorded an increase in net position of \$2,289,300 for the year ended June 30, 2016, resulting in negative net position of \$12,930,201 at June 30, 2016.

Note 14 - Principal Tax Revenues

The principal taxing authorities for the State of Nevada are the Nevada Tax Commission and the Nevada Gaming Commission.

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes. The following are the primary non-gaming tax revenues:

Sales and Use Taxes are imposed at a minimum rate of 6.85%, with county and local option up to an additional 1.25%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

Modified Business Tax is imposed at different rates for businesses, financial institutions and mining. Businesses other than financial institutions and mining are assessed a tax at a rate of 1.475% per calendar quarter for amounts the

wages exceed \$50,000. Modified Business Tax is imposed on financial institutions and mining at 2% on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

Insurance Premium Tax is imposed at 3.5% on insurance premiums written in Nevada. A "Home Office Credit" is given to insurance companies with home or regional offices in Nevada.

Motor Vehicle Fuel Tax is levied at 24.805 cents per gallon on gasoline and gasohol sales. 17.65 cents of the tax goes to the State Highway Fund, .75 cents goes to the Cleaning Up Petroleum Discharges Fund, .055 cents goes to the General Fund and the remaining 6.35 cents goes to the counties. The counties have an option to levy up to an additional 9 cents per gallon.

(Note 14 Continued)

Cigarette Tax is imposed at a rate of 90 mills per cigarette. A tax on tobacco products, other than cigarettes, is imposed at a rate of 30% of the wholesale price.

Commerce Tax is imposed upon each business entity whose Nevada gross revenue in a taxable year exceeds \$4 million. The business entity is entitled to deduct certain amounts. The tax rate is based on the primary business industry classification.

Lodging Tax is imposed at a rate of at least 1% of the gross receipts from the rental of transient lodging with three-eighths of the first 1% paid to the State for the Tourism Promotion Fund. In counties with populations greater than 300,000, an additional tax of up to 3% is remitted to the State for distribution to the State Supplemental School Support Account.

Other Sources of tax revenues include: Controlled Substance Tax, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments), Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Real Property Transfer Tax, Short-Term Lessor Fees and Tire Tax.

The Nevada Gaming Commission was created under NRS 463.022 and is charged with collecting State gaming taxes and fees. The following sources account for gaming tax revenues:

Percentage Fees are the largest of several State levies on gaming. They are based upon gross revenue and are col-

lected monthly. The fee is applied on a graduated basis at the following monthly rates: 3.5% of the first \$50,000 of gross revenue; 4.5% of the next \$84,000 of gross revenue; and 6.75% of the gross revenue in excess of \$134,000.

Live Entertainment Taxes, prior to October 1, 2015, were imposed at 10% of all amounts paid for admission, food, merchandise or refreshment, while the establishment provided entertainment in facilities with less than occupancy/seating of 7,500. A 5% rate was imposed for facilities with at least 7,500 occupancy/seating. Beginning October 1, 2015 taxes are imposed at a rate of 9% on admission to a facility where live entertainment is provided with an occupancy over 200. Live entertainment provided by escort services is also subject to the tax.

Flat Fee Collections are levied on the number of gambling games and slot machines operated. Licensees pay fees at variable rates on the number of gaming devices operated per quarter.

Other Sources of gaming tax revenues include: Unredeemed Slot Machine Wagering Vouchers, Annual State Slot Machine Taxes, Annual License Fees and Miscellaneous Collections, which consists of penalties and fines, manufacturer's, distributor's and slot route operator's fees, advance payments, race wire fees, pari-mutuel wagering tax and other nominal miscellaneous items.

Note 15 - Works of Art and Historical Treasures

The State possesses certain works of art, historical treasures, and similar assets that are not included in the capital assets shown in Note 7. The mission of the Lost City Museum in Overton is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs. In Reno, the Nevada Historical Society exhibits and maintains a large number of historical collections preserving the cultural heritage of Nevada. These collections are divided into four sections: library, manuscripts, photography, and museum. The Nevada State Museum in Carson City collects, preserves, and documents three general types of collections: anthropology, history, and natural history as it relates to Nevada and the Great Basin. The mission of the Nevada State Museum, Las Vegas, is to inspire and educate a diverse public about the history and natural history of Nevada. Its major collections include transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, business records, and photography. The Nevada State Railroad Museum, which is located in Carson City, is dedicated to educating visitors and the community through the collection, preserva-

tion and interpretation of objects directly related to railroads and railroading in Nevada. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the State and make excellence in the arts accessible to all Nevadans.

These collections are not capitalized by the State because they are:

- Held for public exhibition, education or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Note 16 - Commitments and Contingencies

A. Primary Government

Lawsuits - The State Attorney General’s Office reported that the State of Nevada or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State, the State Attorney General is of the opinion that the State’s financial condition will not be materially affected by this litigation, based on information known at this time.

Several of the actions pending against the State are based upon the State’s (or its agents’) alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State’s liability of \$50,000 per cause of action through October 1, 2007 and \$75,000 per cause of action through October 1, 2011 and \$100,000 per cause of action thereafter. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Building and contents are insured on a blanket replacement cost basis for all risk except certain specified exclusions.

The State and/or its officers and employees are parties to a number of lawsuits filed under the federal civil rights statutes. However, the State is statutorily required to indemnify its officers and employees held liable in damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several claims may thus be filed against the State based on alleged civil rights violations by its officers and employees. Since the statutory limit of liability (discussed above) does not apply in federal civil rights cases, the potential liability of the State is not ascertainable at the present time. Currently, the State is involved in several actions alleging federal civil rights violations that could result in substantial liability to the State.

In litigation filed against the Department of Taxation (DOT), the plaintiff is seeking a declaration that the Live Entertainment Tax is unconstitutional on its face and that they do not have to pay the tax. The Live Entertainment Tax is collected by the DOT as well as the Gaming Control Board. The Gaming Control Board’s collection of the Live Entertainment Tax has not been challenged. Should a refund be granted, the estimated amount to date is \$145.1 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The Department of Taxation has litigated vigorously a lawsuit against a utility company. The lawsuit arose out of a claim for the refund of \$200.0 million in use tax paid, plus interest, on coal purchased out of the state and used in Nevada. The company claims the use tax is unconstitutional. The State won the case in the 1st Judicial District Court. The utility company appealed to the Nevada Supreme Court and is waiting for a decision. The use tax distribution is shared between the State,

counties and local governments. If the utility company’s appeal is successful, the State’s exposure upon a potentially unfavorable outcome is \$26.6 million.

Leases - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Position. Primary government lease expense for the year ended June 30, 2016 amounted to \$38.9 million. The following is the primary government’s schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016 (expressed in thousands):

<u>For the Year</u> <u>Ending June 30</u>	<u>Amount</u>
2017	\$ 32,838
2018	27,681
2019	21,906
2020	17,367
2021	12,695
2022-2026	35,377
2027-2031	3,708
2032-2036	273
Total	\$ 151,845

Federal Grants - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2016, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage is \$972,000 and has been recorded as a liability in the Statement of Net Position at June 30, 2016. Future calculations might result in different rebateable arbitrage amounts.

(Note 16 Continued)

Nonexchange Financial Guarantees – The 1997 Nevada Legislature added NRS 387.513 through 387.528, allowing school districts to enter into guarantee agreements with the State Treasurer whereby money in the Permanent School Fund may be used to guarantee the debt service payments on certain bonds issued by Nevada school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Total bond guarantees at June 30, 2016 were \$238.4 million which includes accrued interest of \$1.4 million. The bonds mature at various intervals through fiscal year 2042. In the event any school district was unable to make a required payment, the State Treasurer would withdraw from the State Permanent School Fund the amount needed to cover the debt service payment. Any amount withdrawn would be deemed a loan to the school district from the State Permanent School Fund, and the State Treasurer would determine the rate of interest on the loan. Repayment would be taken from distributions from the State Distributive School Account.

Encumbrances – As of June 30, 2016, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	<u>Amount</u>
General Fund	\$ 7,412
State Highway	5,017
Nonmajor governmental funds	119
Total	<u>\$ 12,548</u>

Construction Commitments – As of June 30, 2016, the Nevada Department of Transportation had total contractual commitments of approximately \$231.1 million for construction of various highway projects. Other major non-highway construction commitments for the primary government’s budgeted capital projects funds total \$66.8 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2016, NSHE is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, NSHE management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially adversely affect the net position, changes in net position or cash flows of NSHE.

The NSHE has an actuarial study of its workers’ compensation losses completed every other year. The study addresses the reserves necessary to pay open claims from prior years and projects the rates needed for the coming year. The NSHE uses a third party administrator to adjust its workers’ compensation claims.

The NSHE is self-insured for its unemployment liability. The NSHE is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the NSHE budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the NSHE cannot be reasonably determined as of June 30, 2016.

The NSHE receives Federal grants and awards, and amounts are subject to change based on outcomes of Federal audits. Management believes any changes made will not materially affect the net position, changes in net position or cash flows of the NSHE.

The estimated cost to complete property authorized or under construction at June 30, 2016 is \$122.5 million. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents, at its March 4, 2016 meeting, approved the issuance of a Promissory Note in an amount up to \$5.0 million. The authorized note is expected to be issued in calendar year 2017.

Colorado River Commission (CRC) - The CRC may from time to time be a party in various litigation matters. It is management’s opinion, based upon advice from legal counsel, that the risk of financial losses to CRC from such litigation, if any, will not have a material adverse effect on CRC’s future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

The CRC does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

Nevada Capital Investment Corporation (NCIC) - The NCIC currently has commitments to the Silver State Opportunity Fund of \$50.0 million (the First Tranche). As of June 30, 2016, the NCIC has fulfilled \$35.9 million of its total commitment. The NCIC has the right, but not the obligation, to increase its capital commitment by which would be effective after the end of the First Tranche (or such other date as the NCIC and Manager may agree). If the NCIC elects to make such an additional commitment, both the amount of the NCIC’s additional commitment and an additional commitment from the Manager shall be established by agreement between the NCIC and the Manager (the Second Tranche).

Note 17 - Subsequent Events**A. Primary Government**

Bonds – On November 9, 2016, the State issued \$48,790,000 in General Obligation Bonds. The Series 2016C bonds were issued primarily to finance various capital improvement projects, to award financial assistance to certain governmental entities and nonprofit organizations for the actual expenses of preserving or protecting historical buildings to be used to develop a network of cultural centers and activities. The Series 2016D bonds were issued to finance costs of environmental improvement projects for the Lake Tahoe Basin and to refund certain outstanding bonds.

On August 30, 2016, the State issued \$1,023,500 in General Obligation (Limited Tax) Open Space, Parks, and Natural Resources Bonds, Series 2016B (not subject to the Constitutional Debt Limit). These “Question 1” project bonds as set forth in Section 28 of Chapter 445 statutes of Nevada 2013 will be used for Wildlife Projects.

Certificates of Participation – On August 9, 2016, the State approved the issuance of Series 2016, Certificates of Participation for \$3,730,000. The Certificates refund the 2006 Certificates for the Nevada Legislative Counsel Bureau’s warehouse remodel. The Series evidences an undivided interest in the right to receive base rent under a lease purchase agreement to be paid by the State. The lease purchase agreement is with Nevada Real Property Corporation. The Certificates are not general obligations of the State.

B. Discretely Presented Component Units

Nevada System of Higher Education – The Board of Regents, at its September 9, 2016 meeting, approved a resolution authorizing the issuance of up to \$14,800,000 of universities revenue bonds. The System issued the bonds in October 2016.

C. New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and

financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support of OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80), which improves financial reporting by clarifying the financial statement requirements for certain component units. The statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 is effective for fiscal years beginning after June 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* which addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68* (GASB 82). Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

Note 18 - Accounting Changes and Restatements

A. Primary Government

Net position as of July 1, 2015 has been restated in the Governmental Activities and the Business-type Activities to reflect a conversion from the straight line method of amortizing premiums and discounts to the interest method, for bond obligations. The change to the interest method affected the Unemployment Compensation Fund and the Water Projects Loans Fund which are major enterprise funds under Business-type Activities.

In addition, a prior period adjustment was made to decrease the General Fund balance and to increase the State Highway Fund balance to correct for the allocation of an investment loss related to the 2008 Lehman Brothers bankruptcy.

The following table shows the changes to the beginning net position as of July 1, 2015 for the primary government (expressed in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2015 as previously reported	\$ 3,648,254	\$ 743,907
Conversion from straight line amortization to the interest method for bond premiums/discounts	37,069	11,411
Net position at June 30, 2015 as restated	<u>\$ 3,685,323</u>	<u>\$ 755,318</u>

The following table shows the changes to the beginning fund balance/net position as of July 1, 2015 for the General Fund, State Highway Fund and proprietary funds (expressed in thousands):

	<u>Major Governmental Funds</u>		<u>Major Enterprise Funds</u>	
	<u>General</u>	<u>State Highway</u>	<u>Unemployment Compensation</u>	<u>Water Projects Loans</u>
Fund balance/net position at June 30, 2015 as previously reported	\$ 207,288	\$ 333,930	\$ 109,846	\$ 367,277
Conversion from straight line amortization to the interest method for bond premiums/discounts	-	-	10,434	977
Allocation of investment loss	(4,086)	4,086	-	-
Fund balance/net position at June 30, 2015 as restated	<u>\$ 203,202</u>	<u>\$ 338,016</u>	<u>\$ 120,280</u>	<u>\$ 368,254</u>

Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources				
Fund balances, July 1	\$ 632,860,852	\$ 632,860,852	\$ 632,860,852	\$ -
Revenues:				
Sales taxes	1,098,069,300	1,098,069,300	1,077,003,771	(21,065,529)
Gaming taxes, fees, licenses	858,556,838	858,706,838	847,477,237	(11,229,601)
Intergovernmental	3,589,248,446	4,003,097,067	3,617,438,749	(385,658,318)
Other taxes	1,804,714,693	1,834,213,861	1,874,012,350	39,798,489
Sales, charges for services	252,261,681	265,739,371	251,172,922	(14,566,449)
Licenses, fees and permits	657,700,562	696,822,230	689,649,422	(7,172,808)
Interest	9,736,894	10,908,575	4,136,765	(6,771,810)
Other	343,484,878	391,627,272	309,485,986	(82,141,286)
Other financing sources:				
Proceeds from sale of bonds	-	2,000,000	2,007,920	7,920
Transfers	622,789,471	696,676,154	608,005,785	(88,670,369)
Reversions from other funds	-	-	2,740,197	2,740,197
Total sources	9,869,423,615	10,490,721,520	9,915,991,956	(574,729,564)
Uses of Financial Resources				
Expenditures and encumbrances:				
Elected officials	131,221,293	132,313,663	96,754,559	35,559,104
Legislative and judicial	111,838,179	112,652,389	64,480,573	48,171,816
Finance and administration	79,725,162	82,280,285	63,244,313	19,035,972
Education - K to 12	2,176,806,987	2,330,769,007	2,168,109,773	162,659,234
Education - higher education	829,811,281	855,155,493	847,424,499	7,730,994
Human services	4,965,026,828	5,220,399,101	4,852,689,713	367,709,388
Commerce and industry	350,690,352	413,856,904	304,808,075	109,048,829
Public safety	419,919,261	434,717,839	388,918,193	45,799,646
Infrastructure	349,990,652	420,192,661	180,793,194	239,399,467
Special purpose agencies	72,708,044	91,880,798	52,226,365	39,654,433
Other financing uses:				
Transfers to other funds	37,302,768	44,055,715	44,055,715	-
Reversions to other funds	-	-	1,347,400	(1,347,400)
Projected reversions	(40,000,000)	(40,000,000)	-	(40,000,000)
Total uses	9,485,040,807	10,098,273,855	9,064,852,372	1,033,421,483
Fund balances, June 30	\$ 384,382,808	\$ 392,447,665	\$ 851,139,584	\$ 458,691,919

State Highway Fund				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 317,361,548	\$ 317,361,548	\$ 317,361,548	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
322,144,038	473,184,803	454,387,049	(18,797,754)	-	-	-	-
297,815,566	341,330,129	338,690,791	(2,639,338)	-	-	-	-
18,554,524	20,685,475	18,642,913	(2,042,562)	-	-	-	-
214,131,340	225,492,494	221,857,563	(3,634,931)	-	-	-	-
769,792	1,590,529	2,614,576	1,024,047	10,903,442	10,903,442	2,263,977	(8,639,465)
40,482,587	47,782,217	42,436,379	(5,345,838)	16,702,047	16,702,047	4,825,000	(11,877,047)
100,000,000	205,000,000	200,007,547	(4,992,453)	-	-	-	-
8,454,648	15,361,920	14,977,819	(384,101)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,319,714,043</u>	<u>1,647,789,115</u>	<u>1,610,976,185</u>	<u>(36,812,930)</u>	<u>27,605,489</u>	<u>27,605,489</u>	<u>7,088,977</u>	<u>(20,516,512)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
223,272,592	234,726,653	207,216,440	27,510,213	-	-	-	-
811,738,919	1,163,029,686	799,977,670	363,052,016	-	-	-	-
-	-	-	-	-	-	-	-
84,314,793	85,130,931	85,130,931	-	27,605,489	27,605,489	7,087,775	20,517,714
-	-	32,371	(32,371)	-	-	-	-
(55,507,960)	(113,507,960)	-	(113,507,960)	-	-	-	-
<u>1,063,818,344</u>	<u>1,369,379,310</u>	<u>1,092,357,412</u>	<u>277,021,898</u>	<u>27,605,489</u>	<u>27,605,489</u>	<u>7,087,775</u>	<u>20,517,714</u>
<u>\$ 255,895,699</u>	<u>\$ 278,409,805</u>	<u>\$ 518,618,773</u>	<u>\$240,208,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202</u>	<u>\$ 1,202</u>

Notes to Required Supplementary Information Budgetary Reporting

NEVADA

For the Fiscal Year Ended June 30, 2016

The accompanying Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds presents both the original and the final legally adopted budgets, as well as actual data on a budgetary basis. (Note 2 of the basic financial statements identifies the budgeting process and control.)

The original budget is adopted through passage of the General Appropriations Act, which allows for expenditures from unrestricted revenues, while the Authorized Expenditures Act allows for expenditures from revenues collected for specific purposes (restricted revenues). For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of August 23 are reported instead of the amounts disclosed in the original budget. The August 23, 2016 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2016 budget as permitted by NRS 353.220.

Since the budgetary and GAAP presentations of actual data differ, a reconciliation of ending fund balances is presented below (expressed in thousands):

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Fund balances (budgetary basis) June 30, 2016	\$ 851,140	\$ 518,619	\$ 1
Adjustments:			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	5,673	145	-
Investments not recorded on the budgetary basis	11,889	-	-
Loans not recorded on the budgetary basis	-	-	94,240
Accrual of certain other receivables	242,056	8,124	1,086
Inventory	7,383	18,903	-
Advances to other funds	2,798	-	-
Accrual of certain accounts payable and other liabilities	(423,533)	(17,190)	-
Unearned revenues	(122,092)	-	-
Deferred inflows - unavailable	(194,972)	(2,642)	-
Encumbrances	7,413	5,017	-
Other	(3,018)	1,763	-
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	13,425	-	-
Fund balances (GAAP basis) June 30, 2016	<u>\$ 398,162</u>	<u>\$ 532,739</u>	<u>\$ 95,327</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2016, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

Total fund balance (budgetary basis)	\$ 851,140
Restricted funds	<u>(442,130)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 409,010</u>

Pension Plan Information

For the Fiscal Year Ended June 30, 2016

A. Multiple-employer Cost Sharing Plan

The following schedule presents the State's (primary government's) proportionate share of the net pension liability for the Public Employees' Retirement System at June 30, 2015 (expressed in thousands):

	2015	2014
State's proportion of the net pension liability	16.4%	16.6%
State's proportionate share of the net pension liability	\$ 1,879,626	\$ 1,730,601
State's covered-employee payroll	\$ 874,098	\$ 872,316
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	215%	198%
Plan fiduciary net position as a percentage of the total pension liability	75%	76%

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents a ten year history of the State's (primary government's) contributions to the Public Employees' Retirement System (expressed in thousands):

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contributions	\$ 190,528	\$ 176,579	\$ 174,712	\$ 162,484	\$ 163,219	\$ 160,959	\$ 164,630	\$ 153,768	\$ 146,754	\$ 136,270
Contributions in relation to the										
statutorily required contribution	190,528	176,579	174,712	162,484	163,219	160,959	164,630	153,768	146,754	136,270
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	906,687	874,098	872,316	855,179	859,047	946,818	968,412	961,050	917,213	851,688
Contributions as a percentage of covered employee payroll	21%	20%	20%	19%	19%	17%	17%	16%	16%	16%

B. Single-employer Plan

The following schedule presents the changes in the net pension liability for the Legislators' Retirement System for the year ended June 30, 2015 (expressed in thousands):

	2015	2014
Total pension liability		
Service cost	\$ 39	\$ 37
Interest	426	428
Differences between expected and actual experience	(109)	-
Benefit payments, including refunds	(497)	(494)
Net change in total pension liability	(141)	(29)
Total pension liability - beginning	5,531	5,560
Total pension liability - ending (a)	\$ 5,390	\$ 5,531
Plan fiduciary net position		
Contributions - employer	\$ 156	\$ 213
Contributions - employee	23	27
Net investment income	179	804
Benefit payments, including refunds	(497)	(494)
Administrative expense	(85)	(46)
Other	86	46
Net change in plan fiduciary net position	(138)	550
Plan fiduciary net position - beginning	4,873	4,323
Plan fiduciary net position - ending (b)	\$ 4,735	\$ 4,873
Net pension liability - beginning	\$ 658	\$ 1,237
Net pension liability - ending (a) - (b)	\$ 655	\$ 658
Plan fiduciary net position as a percentage of total pension liability	88%	88%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

(Continued)

The following schedule presents the State's (primary government's) contributions to the Legislators' Retirement System (expressed in thousands):

	2016	2015
Statutorily required contributions	\$ -	\$ 312
Contributions in relation to the statutorily required contribution	\$ -	\$ 312
Contribution (deficiency) excess	\$ -	\$ -
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented

C. Agent Multiple-employer Plan

The following schedule presents the changes in the net pension liability for the Judicial Retirement System for the year ended June 30, 2015 (expressed in thousands):

	2015	2014
Total pension liability		
Service cost	\$ 3,593	\$ 3,411
Interest	8,876	8,367
Differences between expected and actual experience	1,250	(2,666)
Benefit payments, including refunds	(4,896)	(4,295)
Other	2,357	990
Net change in total pension liability	11,180	5,807
Total pension liability - beginning	108,630	102,823
Total pension liability - ending (a)	\$ 119,810	\$ 108,630
Plan fiduciary net position		
Contributions - employer	\$ 6,155	\$ 6,002
Contributions - employee	96	-
Net investment income	3,206	14,252
Benefit payments, including refunds	(4,896)	(4,295)
Administrative expense	(86)	(83)
Other	2,357	990
Net change in plan fiduciary net position	6,832	16,866
Plan fiduciary net position - beginning	92,113	75,247
Plan fiduciary net position - ending (b)	\$ 98,945	\$ 92,113
Net pension liability - beginning	\$ 16,517	\$ 27,576
Net pension liability - ending (a) - (b)	\$ 20,865	\$ 16,517
Plan fiduciary net position as a percentage of total pension liability	83%	85%
Covered-employee payroll (measurement as of end of fiscal year)	\$ 19,930	\$ 18,934
Net pension liability as a percentage of covered-employee payroll	105%	87%

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents the State's (primary government's) contributions to the Judicial Retirement System (expressed in thousands):

	2016	2015
Actuarially determined contribution	\$ 5,443	\$ 5,266
Contributions in relation to the actuarially determined contribution	\$ 5,227	\$ 5,535
Contribution (deficiency) excess	\$ (216)	\$ 269
Covered-employee payroll	\$ 17,425	\$ 17,132
Contributions as a percentage of covered-employee payroll	30%	32%

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented

Notes to Required Supplementary Information – actuarial assumptions used in calculating the actuarially determined contributions can be found in Note 11C.

Schedule of Infrastructure Condition and Maintenance Data

NEVADA

For the Fiscal Year Ended June 30, 2016

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of 5,400 centerline miles of roads and 1,160 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 400 vehicles. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State realigned its goals to maintain a certain percentage of each category of its roadways. The realignment was based on the Pavement and Bridge Condition Notice of Proposed Rulemaking released by the Federal Highway Administration (FHWA). The new policy is to maintain each category with an IRI of 95 or less. The prior policy was to maintain each category with an IRI of 80 or less. Therefore, the first table shows the most current condition assessment under the new policy and the second table shows the condition assessment under the prior policy.

Condition Level of the Roadways					
Percentage of roadways with an IRI of 95 or less					
	I	II	Category III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

Condition Level of the Roadways					
Percentage of roadways with an IRI of 80 or less					
	I	II	Category III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%
Actual results of 2012 condition assessment	84%	85%	84%	32%	9%

The State has set a policy to maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following tables show the State's policy and the condition level of the roadways and bridges.

Condition Level of the Bridges			
Percentage of substandard bridges			
	2015	2014	2012
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	4%	4%

The following table shows the State's estimate of spending necessary to preserve and maintain the roadway network at, or above, the established condition level and the actual amount spent during the past five fiscal years.

Maintenance and Preservation Costs					
(Expressed in Thousands)					
	2016	2015	2014	2013	2012
Estimated	\$ 306,532	\$ 386,093	\$ 433,338	\$ 402,650	\$ 322,210
Actual	295,244	329,677	360,904	325,313	304,333

Maintenance and preservation costs are primarily funded with highway user revenue, fuel taxes, vehicle registration and license fees. The funding level for maintenance and preservation costs is affected by the amount of taxes and fees collected and the amount appropriated for construction of new roadways.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Ronald Knecht, MS, JD & PE
State Controller
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Nevada's basic financial statements, and have issued our report thereon dated December 21, 2016. Our report includes a reference to other auditors who audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, the Retirement Benefits Investment Fund – Investment Trust Fund, and the Division of Museums and History Dedicated Trust Fund Special Revenue Fund, as described in our report on the State of Nevada's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Division of Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Nevada's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Nevada's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-A, 2016-B, and 2016-C to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Nevada's Response to Findings

The State of Nevada's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State of Nevada's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Nevada's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nevada's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
December 21, 2016

**Independent Auditor’s Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

Legislative Auditor
Legislative Counsel Bureau
Capitol Complex
Carson City, Nevada

Report on Compliance for Each Major Federal Program

We have audited the State of Nevada’s (the State’s) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State’s major Federal programs for the year ended June 30, 2016. The State’s major Federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

The State’s basic financial statements include the operations of the Nevada System of Higher Education, a discretely presented component unit, which received \$551,177,614 in Federal awards that are not included in the State’s schedule of expenditures of Federal awards for the year ended June 30, 2016. Our audit, as described below, did not include the operations of the Nevada System of Higher Education because the Nevada System of Higher Education engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management’s Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the State’s major Federal programs based on our audit of the types of compliance requirements referred to above. As described in our report dated December 21, 2016, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on SNAP Cluster, Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services_Vocational Rehabilitation Grants to States, CCDF Cluster, Foster Care – Title IV-E, Adoption Assistance, and Social Services Block Grant.

As described in Findings 2016-001, 2016-010, 2016-014, 2016-021 through 2016-027, 2016-034, 2016-035, 2016-041, 2016-043, 2016-044 and 2016-046 in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-001	10.551	SNAP Cluster	Other
2016-010	10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Subrecipient Monitoring
2016-014	17.225	Unemployment Insurance	Special Test and Provisions
2016-021	84.010/84.027/ 84.173	Title I Grants to Local Educational Agencies/ Special Education Cluster	Matching, Level of Effort, Earmarking
2016-022	84.010/84.027/ 84.173	Title I Grants to Local Educational Agencies/ Special Education Cluster	Allowable Cost/Cost Principles
2016-023	84.010/84.027/ 84.173	Title I Grants to Local Educational Agencies/ Special Education Cluster	Cash Management
2016-024	84.027/84.173	Special Education Cluster	Subrecipient Monitoring
2016-025	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Eligibility
2016-026	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Eligibility
2016-027	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Special Tests and Provisions
2016-034	93.558/93.575/ 93.596	TANF Cluster/CCDF Cluster	Reporting
2016-035	93.575/93.596	CCDF Cluster	Subrecipient Monitoring
2016-041	93.658/93.659	Foster Care – Title IV-E/Adoption Assistance	Subrecipient Monitoring
2016-043	93.667	Social Services Block Grant	Other
2016-044	93.667	Social Services Block Grant	Allowable Cost/Cost Principles
2016-046	93.667	Social Services Block Grant	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the programs.

Qualified Opinion on SNAP Cluster, Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services_Vocational Rehabilitation Grants to States, CCDF Cluster, Foster Care – Title IV-E, Adoption Assistance, and Social Services Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster, Special Supplemental Nutrition Program for

Women, Infants and Children (WIC), Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster, Rehabilitation Services_Vocational Rehabilitation Grants to States, CCDF Cluster, Foster Care – Title IV-E, Adoption Assistance, and Social Services Block Grant for the year ended June 30, 2016.

Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-003 and 2016-040. Our opinion on each major Federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 through 2016-003, 2016-007, 2016-008, 2016-010 through 2016-012, 2016-014, 2016-016, 2016-018 through 2016-029, 2016-032 through 2016-035, 2016-040, 2016-041, 2016-043, 2016-044, 2016-046, and 2016-048 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-004 through 2016-006, 2016-009, 2016-013, 2016-015, 2016-017, 2016-030, 2016-031, 2016-036 through 2016-039, 2016-042, 2016-045, and 2016-047 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Reno, Nevada
March 15, 2017

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of the Interior				
Research and Development CLUSTER				
U.S. Geological Survey: Research and Data Collection	15.808	G15AC00393	\$ 26,000	\$ -
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	25,521	25,521
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	11,578	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	1,746	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2010	2,971	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2011	66,207	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2012	118,092	75,750
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2013	76,499	76,499
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2014	186,735	-
			489,349	177,770
			515,349	177,770
			515,349	177,770
Total Research and Development CLUSTER				
Total Department of the Interior				
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	99T08101	51,672	-
Regional Wetland Program Development Grants	66.461	CD-00T73101-0	14,499	-
			66,171	-
			66,171	-
Total Research and Development CLUSTER				
Total Environmental Protection Agency				
Department of Health and Human Services				
Research and Development CLUSTER				
Food and Drug Administration_Research	93.103	1R13FD005497.01	19,107	-
Food and Drug Administration_Research	93.103	1R13FD005541-01	5,940	-
Food and Drug Administration_Research	93.103	1U18FD004436-01	5,041	-
Food and Drug Administration_Research	93.103	4U18FD004436-04	152,842	-
Food and Drug Administration_Research	93.103	5U18FD004436-03	20,738	-
			203,668	-
Primary Care Services_Resource Coordination and Development	93.130	5U68HP11441-07-00	130,911	-
Primary Care Services_Resource Coordination and Development	93.130	5U68HP11441-08-00	34,955	-
Primary Care Services_Resource Coordination and Development	93.130	6U68HP11441-08-01	100	-
			165,966	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	1U17CE002737-01	1,156	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Expenditures	Payments to Subrecipients	Subrecipients
Injury Prevention and Control Research and State and Community Based Programs	93.136	5UF2CE002430-02		216,497	140,098
Injury Prevention and Control Research and State and Community Based Programs	93.136	5UF2CE002430-03		127,319	97,079
				<u>344,972</u>	<u>237,177</u>
Total Research and Development CLUSTER				<u>714,606</u>	<u>237,177</u>
Total Department of Health and Human Services				<u>714,606</u>	<u>237,177</u>
Grand Total Research and Development CLUSTER				<u>1,296,126</u>	<u>414,947</u>
Department of Agriculture					
Child Nutrition CLUSTER					
School Breakfast Program	10.553	7NV300AG3		36,183,315	35,992,275
National School Lunch Program	10.555	7NV300AG3 2015IN109947		23,725,660	23,659,424
National School Lunch Program	10.555	7NV300AG3 201616N109947		83,912,220	83,712,081
National School Lunch Program	10.555	National School Lunch Program Commodities		11,185,188	11,185,188
				<u>118,823,068</u>	<u>118,556,693</u>
Special Milk Program for Children	10.556	7NV300AG3		78,047	78,047
Summer Food Service Program for Children	10.559	7NV300AG3		1,954,024	1,870,456
Summer Food Service Program for Children	10.559	Summer Food Service Program Commodities		9,615	9,615
				<u>1,963,639</u>	<u>1,880,071</u>
				<u>157,048,069</u>	<u>156,507,086</u>
Total Child Nutrition CLUSTER					
Food Distribution CLUSTER					
Commodity Supplemental Food Program	10.565	7NV810AG1		153,808	-
Commodity Supplemental Food Program	10.565	7NV810AG1 201616Y800547		361,026	-
Commodity Supplemental Food Program	10.565	Commodity Supplemental Food Program Commodities		1,564,473	1,564,473
				<u>2,079,307</u>	<u>1,564,473</u>
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810AG8		581,317	186,841
Emergency Food Assistance Program (Food Commodities)	10.569	Emergency Food Assistance Commodities		5,254,937	5,254,937
				<u>7,915,561</u>	<u>7,006,251</u>
Total Food Distribution CLUSTER					
Forest Service Schools and Roads CLUSTER					
Schools and Roads_Grants to States	10.665	Schools and Roads Grants to States		3,459,359	3,459,359
				<u>3,459,359</u>	<u>3,459,359</u>
Total Forest Service Schools and Roads CLUSTER					
SNAP CLUSTER					
Supplemental Nutrition Assistance Program (SNAP)	10.551	SNAP		627,412,834	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV300AG2		105,949	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV4004NV	201616S803647	2,939	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4	2015IS251447	558,412	476,020
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4	2015IS252047	5,243	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4	201616S251447	17,560,674	847,634
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4	201616S252047	26,975	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV4004NV	2015	2,796	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4	2015	7,181,557	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4	2015IQ750347	199,297	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV4	201616Q750347	358,694	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV5	2015IQ390347	1,647,647	1,591,771
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV5	201616Q390347	24,159	9,063
Total SNAP CLUSTER				27,674,342	2,924,488
				655,087,176	2,924,488
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA		133,731	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-8532-0016-CA		56,570	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-8532-0526-CA		8,189	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-8532-1449-CA		416	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-8532-1655-CA		22,070	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-8532-1691-CA		4,364	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14-9732-2244-CA		12,767	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-0016-CA		102,616	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-0526-CA		18,303	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1449-CA		21,269	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1655-CA		12,632	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1691-CA		2,742	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1844-CA		1,174	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-8532-1849-CA		1,025	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-9732-2167-CA		45,555	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-9732-2214-CA		20,908	-
				464,331	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Federal-State Marketing Improvement Program	10.156	14-FSMIP-NV-0009	2,930	-
Market Protection and Promotion	10.163	12-25-A-5433	24,949	-
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1474	38,498	25,539
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1683	46,078	16,751
Specialty Crop Block Grant Program - Farm Bill	10.170	14-SCBGP-NV-0032	125,847	111,882
Specialty Crop Block Grant Program - Farm Bill	10.170	15SCBGNV0036	35,524	32,933
			245,947	187,105
Organic Certification Cost Share Programs	10.171	15-AMAXX-NV-0007	13,121	-
Organic Certification Cost Share Programs	10.171	15-NOCCS-NV-0031	9,735	-
			22,856	-
Homeland Security_Agricultural	10.304	2012-37620-19626	18,506	-
Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants	10.546	8NV420002 201514E260321	1,173,237	-
Professional Standards for School Nutrition Employees	10.547	8NV310150	47,058	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV7000NV7-20151347&1647	12,213,099	2,942,398
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1-20145347	122,839	122,839
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1-20150347	403,692	403,692
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-2016161347	11,793,541	8,766,634
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7-2016161647	21,781,185	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIC Program Income	7,409	7,409
			46,321,765	12,242,972
Child and Adult Care Food Program	10.558	7NV300AG3	3,004,862	2,973,114
Child and Adult Care Food Program	10.558	7NV300AG3 201616N202047	7,304,026	7,223,216
Child and Adult Care Food Program	10.558	7NV300AG4	33,840	33,840
Child and Adult Care Food Program	10.558	7NV300AG4 201616N105047	530,509	530,509
Child and Adult Care Food Program	10.558	Child & Adult Food Care Program Commodities	50,528	50,528
			10,923,765	10,811,207
State Administrative Expenses for Child Nutrition	10.560	7NV300AG2	459,575	-
State Administrative Expenses for Child Nutrition	10.560	7NV300AG2 201616N253347	1,483,011	-
			1,942,586	-
Food Distribution Program on Indian Reservations	10.567	7NV400AG4	328,220	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Food Distribution Program on Indian Reservations	10.567	Food Distribution Prgrm on Indian Res. Commodities	367,953	-
			696,173	-
Farm to School Grant Program	10.575	CN-F2S-TRN-16-NV-01	17,140	-
Senior Farmers Market Nutrition Program	10.576	7NV810AG2	137,946	121,966
WIC Grants to States (WGS)	10.578	7NV700NV6-20142147	52,850	-
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV300AG5	26,905	26,905
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV8-2015L347	476,303	-
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV8-2016L347	255,809	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV300013	1,618	1,618
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310016-2015L330	61,778	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310153-2016L330	79,641	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV350000-20153313	126,673	-
Child Nutrition Discretionary Grants Limited Availability	10.579	NSLP-15-NV-01	223,019	201,039
			1,251,746	229,562
Fresh Fruit and Vegetable Program	10.582	7NV310AG1	1,999,072	1,994,017
Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants	10.598	SNAP-RTPG-NV-2015	182,794	-
Cooperative Forestry Assistance	10.664	10-DG-11046000-631	106,153	-
Cooperative Forestry Assistance	10.664	11-DG-11046000-607	141,084	50,681
Cooperative Forestry Assistance	10.664	12-DG-11046000-603	384,426	300,682
Cooperative Forestry Assistance	10.664	12-DG-11046000-614	81,120	-
Cooperative Forestry Assistance	10.664	13-DG-11046000-608	578,279	142,962
Cooperative Forestry Assistance	10.664	13-DG-11046000-612	21,355	-
Cooperative Forestry Assistance	10.664	14-DG-11046000-611	789,650	171,090
Cooperative Forestry Assistance	10.664	14-DG-11046000-614	214,995	-
Cooperative Forestry Assistance	10.664	15-DG-11046000-611	396,229	3,978
Cooperative Forestry Assistance	10.664	15-DG-11046000-612	99,461	-
Cooperative Forestry Assistance	10.664	15-DG-11046000-616	24,618	-
Cooperative Forestry Assistance	10.664	16-DG-11046000-606	1,885	-
			2,839,255	669,393
Forest Legacy Program	10.676	11-DG-11046000-624	2,958	-
Forest Legacy Program	10.676	14-DG-11046000-601	11,340	-
			14,298	-
Forest Health Protection	10.680	11-DG-11046000-609	16,249	1,159

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Forest Health Protection	10.680	12-DG-11046000-612	111	-
Forest Health Protection	10.680	13-DG-11046000-609	11,952	-
Forest Health Protection	10.680	14-DG-11046000-606	49,046	45,319
Forest Health Protection	10.680	15-DG-11046000-604	7,606	-
Forest Health Protection	10.680	15-DG-11046000-606	3,081	-
			88,045	46,478
Soil and Water Conservation	10.902	68-9327-14-16	43,840	-
Soil and Water Conservation	10.902	68-9327-15-10	44,833	40,000
			88,673	40,000
Environmental Quality Incentives Program	10.912	68-9327-14-10	4,312	-
Total Department of Agriculture			892,070,399	196,239,884
Department of Commerce				
State and Local Implementation Grant Program	11.549	32-10-S13032	505,856	-
Total Department of Commerce			505,856	-
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-14-2-1424	41,514	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-15-2-1524	503,046	-
			544,560	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-14-2-230	254,150	-
Military Construction, National Guard	12.400	W9124X-08-2-2001	153,072	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	821,261	-
			974,333	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001	1,592,411	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY11	385,609	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY12	2,090	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002	143,363	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1003	307,607	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005	46,261	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1040	12,709	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1001	6,232,202	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1002	184,149	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1003	534,789	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1004	88,459	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Program Description	Through Number	Expenditures		Payments to	
								Subrecipients	Subrecipients
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1005	12.401			510,389	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1010	12.401			22,605	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1011	12.401			66,849	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1014	12.401			36,686	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1021	12.401			291,582	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1023	12.401			95,000	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1024	12.401			396,954	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-15-2-1040	12.401			95,425	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1001	12.401			3,550,004	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1002	12.401			229,447	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1003	12.401			1,450,501	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1004	12.401			136,603	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1005	12.401			563,317	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1010	12.401			65,284	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1011	12.401			65,472	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1014	12.401			32,179	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1021	12.401			737,361	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1023	12.401			272,714	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1024	12.401			1,130,506	-	-	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-16-2-1040	12.401			34,075	-	-	-
						19,312,602			
						21,085,645			
Total Department of Defense									
Department of Housing and Urban Development									
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001	14.228			2,244	2,222		
Community Development Block Grants/State's Program	14.228	B-13-DC-32-0001	14.228			171,358	171,358		
Community Development Block Grants/State's Program	14.228	B-14-DC-32-0001	14.228			1,690,798	1,646,766		
Community Development Block Grants/State's Program	14.228	B-15-DC-32-0001	14.228			1,267,929	1,112,866		
						3,132,329	2,933,212		
Emergency Solutions Grants Program	14.231	E14-DC-32-0001	14.231			80,556	79,047		
Emergency Solutions Grants Program	14.231	E15-DC-32-0001	14.231			282,085	280,679		
						362,641	359,726		
Home Investment Partnerships Program	14.239	M10-SG320100	14.239			69,858	25,831		
Home Investment Partnerships Program	14.239	M11-SG320100	14.239			214,477	15,540		
Home Investment Partnerships Program	14.239	M12-SG320100	14.239			323,089	323,089		

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Number	Expenditures	Payments to Subrecipients
	Number	Through Number				
Home Investment Partnerships Program	14.239	M13-SG320100			966,278	966,278
Home Investment Partnerships Program	14.239	M14-SG320100			829,283	829,283
Home Investment Partnerships Program	14.239	M15-SG320100			1,594,862	1,594,862
					3,997,847	3,754,883
Housing Opportunities for Persons with AIDS	14.241	NVH14F999			108,099	108,099
Housing Opportunities for Persons with AIDS	14.241	NVH15F999			194,537	183,679
					302,636	291,778
Continuum of Care Program	14.267	NV0005L9T001407			1,134,611	2,094
Continuum of Care Program	14.267	NV0005L9T001508			340,838	-
Continuum of Care Program	14.267	NV0018L9T011407			239,447	204,054
Continuum of Care Program	14.267	NV0023L9T021305			59,696	59,696
Continuum of Care Program	14.267	NV0023L9T021406			174,228	174,228
Continuum of Care Program	14.267	NV0032L9T011406			57,791	52,191
Continuum of Care Program	14.267	NV0060L9T001301			98,908	-
Continuum of Care Program	14.267	NV0060L9T001402			278,393	-
Continuum of Care Program	14.267	NV0075L9T001200			92,646	-
Continuum of Care Program	14.267	NV0081L9T001300			112,073	-
					2,588,631	492,263
					10,384,084	7,831,862
Total Department of Housing and Urban Development						
Department of the Interior						
Fish and Wildlife CLUSTER						
Sport Fish Restoration	15.605	F12AF00286			133,625	-
Sport Fish Restoration	15.605	F13AF01043			103,047	-
Sport Fish Restoration	15.605	F14AF00494			29,010	-
Sport Fish Restoration	15.605	F14AF01085			20,183	-
Sport Fish Restoration	15.605	F15AF00268			23,827	-
Sport Fish Restoration	15.605	F15AF00339			363,543	-
Sport Fish Restoration	15.605	F15AF00342			44,890	-
Sport Fish Restoration	15.605	F15AF00343			226,212	-
Sport Fish Restoration	15.605	F15AF00349			1,765,507	-
Sport Fish Restoration	15.605	F15AF00350			1,625,688	-
Sport Fish Restoration	15.605	F15AF00363			10,789	-
Sport Fish Restoration	15.605	F15AF00364			309,167	-
Sport Fish Restoration	15.605	F15AF00366			93,986	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Program Title						
Sport Fish Restoration	15.605	F15AF00457			7,026	-
Sport Fish Restoration	15.605	F15AF00465			700,000	-
					5,456,500	-
Wildlife Restoration	15.611	F13AF00313			84,563	-
Wildlife Restoration	15.611	F15AF00267			157,873	-
Wildlife Restoration	15.611	F15AF00268			48,626	-
Wildlife Restoration	15.611	F15AF00340			797,617	-
Wildlife Restoration	15.611	F15AF00342			835,350	11,744
Wildlife Restoration	15.611	F15AF00343			1,062,747	-
Wildlife Restoration	15.611	F15AF00346			710,063	290,457
Wildlife Restoration	15.611	F15AF00365			4,138,853	116,937
Wildlife Restoration	15.611	F15AF00393			970,680	-
Wildlife Restoration	15.611	F15AF01179			449,632	-
Wildlife Restoration	15.611	F15AF00341			942,460	178,292
					10,198,464	597,430
Total Fish and Wildlife CLUSTER					15,654,964	597,430
Cultural Resource Management	15.224	L11AC20132			9,533	-
Cultural Resource Management	15.224	L16AC00011			5,951	-
					15,484	-
Distribution of Receipts to State and Local Governments	15.227	OIL AND GAS LEASE DISTRIBUTION			93,034	93,034
Distribution of Receipts to State and Local Governments	15.227	TAYLOR GRAZING			209,413	209,413
					302,447	302,447
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L14AC00100			7,500	-
Wild Horse and Burro Resource Management	15.229	L12AC20363			1,671,910	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164			41,321	41,321
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20202			13,321	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20241			30,400	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20542			65,983	40,378
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00070			220,957	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00076			3,094	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L15AC00077			112,719	30,000
					487,795	111,699
Forests and Woodlands Resource Management	15.233	L15AC00102			2,963	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Program Title						
Southern Nevada Public Land Management Act	15.235	L11AC20351			11,364	-
Southern Nevada Public Land Management Act	15.235	L12AC20360			22,234	-
Southern Nevada Public Land Management Act	15.235	L12AC20374			7,321	-
					40,919	-
Challenge Cost Share	15.238	L12AC20564			3,797	-
Challenge Cost Share	15.238	L14AC00140			35,653	-
					39,450	-
Minerals Leasing Act	15.437	MINERAL LEASES			3,916,698	3,916,698
Water Reclamation and Reuse Program	15.504	R14AP00015			123,461	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301			101,205	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	20100059403			9,780	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R13AP20030			338,051	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R15AP00035			99,559	-
					548,595	-
Recreation Resources Management	15.524	R15AC00097			234,751	-
Lower Colorado River Multi-Species Conservation Program	15.538	R14AC00106			257,722	-
Fish and Wildlife Management Assistance	15.608	F10AC00889			13,945	-
Fish and Wildlife Management Assistance	15.608	F11AC01241			2,305	-
Fish and Wildlife Management Assistance	15.608	F12AP01236			100,889	-
Fish and Wildlife Management Assistance	15.608	F13AC00274			24,678	-
Fish and Wildlife Management Assistance	15.608	F14AC00418			156,985	-
					298,802	-
Cooperative Endangered Species Conservation Fund	15.615	F10AP00828			8,694	-
Cooperative Endangered Species Conservation Fund	15.615	F15AP00052			744	-
Cooperative Endangered Species Conservation Fund	15.615	F15AP00525			78,090	-
Cooperative Endangered Species Conservation Fund	15.615	F15AP00526			98,522	8,855
Cooperative Endangered Species Conservation Fund	15.615	F15AP00527			33,514	22,215
Cooperative Endangered Species Conservation Fund	15.615	F15AP00528			35,417	3,735
Cooperative Endangered Species Conservation Fund	15.615	F15AP00529			38,775	867
					293,756	35,672
Clean Vessel Act	15.616	F15AP01022			108,671	-
Hunter Education and Safety Program	15.626	F15AF00340			79,920	-
State Wildlife Grants	15.634	F10AF00664			20,729	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA		Award or Pass-		Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Through Number	Number		
State Wildlife Grants	15.634	F11AF00997			24,724	-
State Wildlife Grants	15.634	F11AF01000			1,064,728	-
State Wildlife Grants	15.634	F13AF00640			166,966	-
State Wildlife Grants	15.634	F15AF00268			6,317	-
State Wildlife Grants	15.634	F15AF00797			150	-
					1,283,614	-
Endangered Species Conservation - Recovery Implementation Funds	15.657	F15AP00543			14,151	-
Historic Preservation Fund Grants-In-Aid	15.904	P14AF00036			136,931	13,712
Historic Preservation Fund Grants-In-Aid	15.904	P15AF00038			454,352	82,948
Historic Preservation Fund Grants-In-Aid	15.904	P16AF00005			180,282	-
					771,565	96,660
Natural Resource Stewardship	15.944	P14AC01675			179,257	-
					26,334,395	5,060,606
Total Department of the Interior						
Department of Justice						
Sexual Assault Services Formula Program	16.017	2014-KF-AX-0050			144,679	144,497
Sexual Assault Services Formula Program	16.017	2015-KF-AX-0056			163,134	163,134
					307,813	307,631
Juvenile Accountability Incentive Block Grants	16.523	2013-JB-FX-0049			47,955	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2013-MU-FX-0052			133,088	13,300
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2015-JF-FX-0050			89,074	76,351
					222,162	89,651
National Criminal History Improvement Program (NCHIP)	16.554	2013-RU-BX-K002			96,580	-
National Criminal History Improvement Program (NCHIP)	16.554	2014-RU-BX-K039			207,896	-
National Criminal History Improvement Program (NCHIP)	16.554	2015-RU-BX-K020			294,543	-
					599,019	-
Crime Victim Assistance	16.575	2014-VA-GX-0057			2,016,583	2,004,496
Crime Victim Assistance	16.575	2015-VA-GX-0024			3,226,454	3,165,442
					5,243,037	5,169,938
Crime Victim Assistance/Discretionary Grants	16.582	2012-VF-GX-K015			30,250	4,094
Crime Victim Assistance/Discretionary Grants	16.582	2015-VF-GX-0023			6,982	738
					37,232	4,832
Violence Against Women Formula Grants	16.588	2013-WF-AX-0051			178,144	137,600
Violence Against Women Formula Grants	16.588	2014-WF-AX-0056			744,143	687,548

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Violence Against Women Formula Grants	16.588	2015-WF-AX-0030	852,670	823,837
			1,774,957	1,648,985
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	31,681	30,521
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	8,492	4,947
Residential Substance Abuse Treatment for State Prisoners	16.593	2011-RT-BX-0047	43,013	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2012-RT-BX-0029	38,183	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2013-RT-BX-0050	62,384	-
			143,580	-
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0287	1,291,184	-
Enforcing Underage Drinking Laws Program	16.727	2012-AH-FX-K001	238,766	238,766
Special Data Collections and Statistical Studies	16.734	2015-R2-CX-K043	115,337	-
PREA Program: Demonstration Projects to Establish Zero Tolerance "Cultures for Sexual Assault in Correctional Facilities"	16.735	2014-JF-FX-0144	2,980	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0508	96,265	96,265
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-MU-BX-0002	375,424	159,662
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-MU-BX-0003	590,909	270,666
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-MU-BX-1065	993,270	829,327
			2,055,868	1,355,920
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2014-CD-BX-0021	34,337	29,899
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2015-CD-BX-0058	36,613	34,414
			70,950	64,313
Support for Adam Walsh Act Implementation Grant Program	16.750	2014-AW-BX-0039	140,178	30,087
Support for Adam Walsh Act Implementation Grant Program	16.750	2015-AW-BX-0030	816	-
			140,994	30,087
Edward Byrne Memorial Competitive Grant Program	16.751	2014-XT-BX-0056	1,250	-
Second Chance Act Prisoner Reentry Initiative	16.812	2015-CZ-BX-0007	9,254	-
NICS Act Record Improvement Program	16.813	2013-NS-BX-K003	3,399	-
NICS Act Record Improvement Program	16.813	2014-NS-BX-K005	120,583	-
NICS Act Record Improvement Program	16.813	2015-NS-BX-K005	137,715	-
			261,897	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2015-RJ-BX-0008	32,432	-
National Sexual Assault Kit Initiative	16.833	2015-AK-BX-K005	22,568	-

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Equitable Sharing Program	16.922	DPS FEDERAL FORFEITURES	1,010,750	-
Equitable Sharing Program	16.922	Justice Forfeiture Gaming	28,000	-
			1,038,750	-
Total Department of Justice			13,697,958	8,945,591
Department of Labor				
Employment Service CLUSTER				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-26037-14-55-A-32	2,138,959	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-27509-15-55-A-32	4,609,406	-
			6,748,365	-
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-26623-15-55-5-32	763,634	-
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-26623-16-55-5-32	831,295	-
			1,594,929	-
Total Employment Service CLUSTER			8,343,294	-
WIA/WIOA CLUSTER				
Job Training Partnership Act	17.U01	AG60008	2,004	-
WIA Adult Program	17.258	AA-25372-14-55-A-32	1,154,729	1,154,729
WIA Adult Program	17.258	AA-26798-15-55-A-32	7,316,994	6,436,071
			8,471,723	7,590,800
WIA Youth Activities	17.259	AA-25372-14-55-A-32	3,883,428	3,883,428
WIA Youth Activities	17.259	AA-26798-15-55-A-32	4,736,659	3,959,340
			8,620,087	7,842,768
WIA Dislocated Worker Formula Grants	17.278	AA-25372-14-55-A-32	6,504,922	6,160,676
WIA Dislocated Worker Formula Grants	17.278	AA-26798-15-55-A-32	4,865,655	3,531,023
			11,370,577	9,691,699
Total WIA/WIOA CLUSTER			28,464,391	25,125,267
Labor Force Statistics	17.002	LM-22568-15-75-J-32	208,355	-
Labor Force Statistics	17.002	LM-26932-16-75-J-32	475,243	-
			683,598	-
Compensation and Working Conditions	17.005	OS-25612-15-75-J-32	6,481	-
Compensation and Working Conditions	17.005	OS-26975-16-75-J-32	15,182	-
			21,663	-
Unemployment Insurance	17.225	UI Trust Fund	349,376,899	-
Unemployment Insurance	17.225	UI-23910-13-55-A-32	668,561	-
Unemployment Insurance	17.225	UI-25224-14-55-A-32	367,338	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Unemployment Insurance	17.225	UI-26553-15-55-A-32	5,294,624	-
Unemployment Insurance	17.225	UI-27123-15-55-A-32	1,771,319	-
Unemployment Insurance	17.225	UI-27995-16-55-A-32	17,973,715	-
Unemployment Insurance	17.225	UI-28150-16-60-A-32	555,452	-
			376,007,908	-
Senior Community Service Employment Program	17.235	AD-26875-15-55-A-32	459,603	443,073
Trade Adjustment Assistance	17.245	TA-24360-13-55-A-32	188,924	-
Trade Adjustment Assistance	17.245	TA-25305-14-55-A-32	136,015	-
Trade Adjustment Assistance	17.245	TA-28068-16-55-A-32	2,131	-
			327,070	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-26037-14-55-A-32	16,694	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-27509-15-55-A-32	77,102	-
			93,796	-
Temporary Labor Certification for Foreign Workers	17.273	FL-27180-15-55-A-32	96,296	-
Temporary Labor Certification for Foreign Workers	17.273	FL-29106-16-55-A-32	2,157	-
			98,453	-
Workforce Investment Act (WIA) National Emergency	17.277	EM-24462-13-60-A-32	209,502	-
Workforce Investment Act (WIA) National Emergency	17.277	EM-25871-14-60-A-32	396,836	-
			606,338	-
Occupational Safety and Health_State Program	17.503	SP-26126-SP5	208,031	-
Occupational Safety and Health_State Program	17.503	SP-27561-SP6	712,109	-
Occupational Safety and Health_State Program	17.503	SP-24809-SP4	619,499	-
			1,539,639	-
Consultation Agreements	17.504	CS-26087-CS5	118,549	-
Consultation Agreements	17.504	CS-27075-CS6	172,793	-
			291,342	-
Mine Health and Safety Grants	17.600	MS-25680-14-55-R-32	170	-
Mine Health and Safety Grants	17.600	MS-27485-15-55-R-32	32,852	-
Mine Health and Safety Grants	17.600	MS-28498-16-55-R-32	60,714	-
			93,736	-
			417,030,831	25,568,340
Total Department of Labor				
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	8,440	8,440

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Bus and Bus Facilities Formula Program	20.526	NV-34-0002	566,850	566,850
Bus and Bus Facilities Formula Program	20.526	NV-34-0005	103,605	103,605
Bus and Bus Facilities Formula Program	20.526	NV-34-0006	943,384	943,384
			1,613,839	1,613,839
Total Federal Transit Cluster			1,622,279	1,622,279
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	Highway SFY 16	442,917,288	137,097,177
Recreational Trails Program	20.219	NRTP-011	11,027	11,027
Recreational Trails Program	20.219	NRTP-012	48,147	48,147
Recreational Trails Program	20.219	NRTP-013	416,978	259,055
Recreational Trails Program	20.219	NRTP-014	239,317	239,317
Recreational Trails Program	20.219	NRTP-015	141,733	141,733
			857,202	699,279
Total Highway Planning and Construction Cluster			443,774,490	137,796,456
Highway Safety Cluster				
State and Community Highway Safety	20.600	NHTSA 402 FY14	1,968,732	1,092,622
Incentive Grant Program to Increase Motorcyclist Safety	20.612	2010 MOTORCYCLE SAFETY	603	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FY12	46,648	-
			47,251	-
National Priority Safety Programs	20.616	MAP21 405B OP	439,222	298,006
National Priority Safety Programs	20.616	MAP21 405C DATA	436,419	353,409
National Priority Safety Programs	20.616	MAP21 405D IMPAIRED	1,359,698	692,060
National Priority Safety Programs	20.616	MAP21 405F MOTORCYCLE	3,470	-
			2,238,809	1,343,475
Total Highway Safety Cluster			4,254,792	2,436,097
Transit Services Programs Cluster				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0037	34,371	34,371
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0038	113,073	80,281
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0039	102,576	102,576
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-X002	170,133	170,133
			420,153	387,361

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Job Access And Reverse Commute Program	20.516	NV-37-X022	4,838	4,838
Total Transit Services Programs CLUSTER			424,991	392,199
Airport Improvement Program	20.106	3-32-0041-001	59,311	59,311
Airport Improvement Program	20.106	Airport Improvement Program-1	9,750	9,750
Airport Improvement Program	20.106	Airport Improvement Program-2	6,500	6,500
			75,561	75,561
National Motor Carrier Safety	20.218	FM-MCG-0177-14-01-01	351,697	-
National Motor Carrier Safety	20.218	FM-MCG-0253-15-01-00	983,547	-
National Motor Carrier Safety	20.218	FM-MHP-0183-14-01-00	39,798	-
National Motor Carrier Safety	20.218	FM-MNE-0179-14-01-00	51,356	-
National Motor Carrier Safety	20.218	FM-MNE-0206-15-01-01	120,803	-
			1,547,201	-
Performance and Registration Information Systems Management	20.231	FM-PZG-0061-15-01-00	15,914	-
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0129-13-01-00	300,233	-
Commercial Vehicle Information Systems and Networks	20.237	FM-CVN-0094-15-01-00	9,242	-
Federal Transit_Metropolitan Planning Grants	20.505	NV-80-0016	42,954	42,954
Federal Transit_Metropolitan Planning Grants	20.505	NV-80-0017	45,002	45,002
Federal Transit_Metropolitan Planning Grants	20.505	NV-80-X015-00	42,945	42,945
			130,901	130,901
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	32,146	32,146
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X031	53,646	53,646
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X032	155,238	77,698
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X035	1,955,369	1,924,839
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X038	2,735,461	2,687,756
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X039	3,138,625	2,964,136
			8,070,485	7,740,221
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	DTNH22-12-H-00149	59,337	-
Pipeline Safety	20.700	DTPH56-15-G-PHPG25	511,755	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0416-14	137,722	137,722
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0479-15-01-00	100,916	99,874
			238,638	237,596
State Damage Prevention Program Grants	20.720	DTPH5614GPPS17	23,954	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
State Damage Prevention Program Grants	20.720	DTPH5615GPPS12			22,197	-
					46,151	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-15-G-PHPC15			35,625	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-16-G-SOC15			9,833	-
					45,458	-
Total Department of Transportation					461,127,428	150,431,310
Department of Treasury						
National Foreclosure Mitigation Counseling Program	21.U01	PL113-235X1350			120,425	110,700
National Foreclosure Mitigation Counseling Program	21.U01	PL113-6X1350			7,323	7,323
National Foreclosure Mitigation Counseling Program	21.U01	PL113-76X1350			10,069	4,512
National Foreclosure Mitigation Counseling Program	21.U01	Treasury Forfeiture Gaming			156,605	-
					294,422	122,535
Total Department of Treasury					294,422	122,535
Equal Employment Opportunity Commission						
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.U01	EEC45015COO42			456,000	-
					456,000	-
Total Equal Employment Opportunity Commission						
National Foundation on the Arts and the Humanities						
Promotion of the Arts_Partnership Agreements	45.025	15-6100-2030			673,600	395,477
Institute of Museum and Library Services	45.301	MA-31-14-0367-14			6,537	-
Grants to States	45.310	LS-00-14-0029-14			123,077	17,257
Grants to States	45.310	LS-00-15-0029-15			1,307,196	518,853
					1,430,273	536,110
Total National Foundation on the Arts and the Humanities					2,110,410	931,587
Small Business Administration						
State Trade and Export Promotion Pilot Grant Program	59.061	SBAHQ-15-IT-0035			30,741	19,464
					30,741	19,464
Department of Veterans Affairs						
Veterans Transportation Program	64.035	2014-HRTG-004			9,737	9,737
Veterans Transportation Program	64.035	742-2015-HRTG-004			38,484	38,484
					48,221	48,221
State Cemetery Grants	64.203	NV-10-14			100	-
Total Department of Veterans Affairs					48,321	48,221

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Environmental Protection Agency				
Clean Water State Revolving Fund CLUSTER				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000113-0	77,867	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000114	3,942,387	486,162
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000115	1,124,512	477,446
			5,144,766	963,608
			5,144,766	963,608
Total Clean Water State Revolving Fund CLUSTER				
Drinking Water State Revolving Fund CLUSTER				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996013-0	11,721	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996014	4,446,026	686,304
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996015	8,813,894	379,942
			13,271,641	1,066,246
			13,271,641	1,066,246
Total Drinking Water State Revolving Fund CLUSTER				
State Indoor Radon Grants	66.032	K1-96963516	268,192	254,999
State Clean Diesel Grant Program	66.040	DS-99T26301	74,213	74,213
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20616	5,000	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933611	313,018	1,350
Water Pollution Control_State and Interstate Program Support	66.419	I-97933616	546,773	106,842
Water Pollution Control_State and Interstate Program Support	66.419	I-97933716	134,906	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972813	283,247	23,732
			1,282,944	131,924
State Public Water System Supervision	66.432	F-00910516	817,000	96,152
State Underground Water Source Protection	66.433	G-00945615	80,000	-
Water Quality Management Planning	66.454	C6-97965914	5,013	5,013
Water Quality Management Planning	66.454	C6-97965915	62,620	2,620
Water Quality Management Planning	66.454	C6-97965916	32,152	-
			99,785	7,633
Nonpoint Source Implementation Grants	66.460	C9-97908112	305,873	301,199
Nonpoint Source Implementation Grants	66.460	C9-97908113	28,507	10,924
Nonpoint Source Implementation Grants	66.460	C9-97908114	230,367	52,305
Nonpoint Source Implementation Grants	66.460	C9-97908115	561,018	135,451
Nonpoint Source Implementation Grants	66.460	C9-97908116	74,381	51,310
			1,200,146	551,189

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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Expenditures	Subrecipients	Subrecipients
Performance Partnership Grants	66.605	BG-00T87015-0	407,725	3,403	
Performance Partnership Grants	66.605	BG-97958816	1,517,261	-	
			1,924,986	3,403	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83566001	70,809	-	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-00T84801-0	95,335	-	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T28801	175,505	-	
			270,840	-	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-99T10501-0	296,130	74,474	
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-99T10401-0	501,580	95,298	
State and Tribal Response Program Grants	66.817	RP-00T84901	627,247	-	
			25,930,279	3,319,139	
Total Environmental Protection Agency					
Department of Energy					
State Energy Program	81.041	DE-EE0006992	221,053	17,846	
State Energy Program	81.041A	Program Income ARRA SEP Grant Revolving Loan Fund	180,893	-	
ARRA - State Energy Program	81.041A	DE-EE-0000084	45,761	-	
			447,707	17,846	
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0006168	818,343	717,266	
Office of Environmental Waste Processing	81.104	DE-EM0001053	1,542,379	-	
Office of Environmental Waste Processing	81.104	DE-EM0004215	4,340	-	
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	588,888	-	
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13568	612,208	9,640	
			2,747,815	9,640	
State Energy Program Special Projects	81.119	DE-EE0005868	52,274	-	
Nuclear Waste Disposal Siting	81.U01	Yucca Mtn FFY2006 Appropriation Act	139,931	-	
Miscellaneous Federal Activities Actions	81.U02	DE-FG52-00NV13804	559,571	551,860	
			4,765,641	1,296,612	
Total Department of Energy					
Department of Education					
Special Education CLUSTER					
Special Education_Grants to States	84.027	H027A130150-13A	270,745	204,808	
Special Education_Grants to States	84.027	H027A140043	11,966,137	9,593,731	

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Special Education_Grants to States	84.027	H027A150043			52,441,152	52,089,602
					64,678,034	61,888,141
Special Education_Preschool Grants	84.173	H173A130046			25,252	21,535
Special Education_Preschool Grants	84.173	H173A140046			267,401	240,320
Special Education_Preschool Grants	84.173	H173A150046			1,607,196	1,518,418
					1,899,849	1,780,273
Total Special Education CLUSTER					66,577,883	63,668,414
Adult Education_State Grant Program	84.002	V002A130029			6,039	-
Adult Education_State Grant Program	84.002	V002A140029			1,981,583	1,829,026
Adult Education_State Grant Program	84.002	V002A150029			3,754,235	3,752,928
					5,741,857	5,581,954
Title I Grants to Local Educational Agencies	84.010	S010A140028			40,767,052	39,891,486
Title I Grants to Local Educational Agencies	84.010	S010A150028			84,613,706	84,453,689
					125,380,758	124,345,175
Migrant Education_State Grant Program	84.011	S011A130028			11,546	11,472
Migrant Education_State Grant Program	84.011	S011A140028			114,868	76,599
Migrant Education_State Grant Program	84.011	S011A150028			139,151	122,828
					265,565	210,899
Title I Program for Neglected and Delinquent Children	84.013	S013A130028			27,398	27,398
Title I Program for Neglected and Delinquent Children	84.013	S013A140028			138,579	97,362
Title I Program for Neglected and Delinquent Children	84.013	S013A150028			241,771	180,899
					407,748	305,659
Career and Technical Education_Basic Grants to States	84.048	V048A130028			119,970	791
Career and Technical Education_Basic Grants to States	84.048	V048A140028			1,254,626	937,467
Career and Technical Education_Basic Grants to States	84.048	V048A150028-15A			6,989,805	6,363,590
					8,364,401	7,301,848
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A150041			3,705,409	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A160041			12,203,622	30,052
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST15			257,852	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST16			165,393	-
					16,332,276	30,052
Migrant Education_Coordination Program	84.144	S144F130028			19,065	16,805
Migrant Education_Coordination Program	84.144	S144F140028			86,833	-

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Migrant Education_Coordination Program	84.144	S144F150028	10,919	10,919
			116,817	27,724
Rehabilitation_Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B150028	50,398	-
Rehabilitation_Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B160028	192,750	-
			243,148	-
Special Education-Grants for Infants and Families	84.181	H181A140019	1,340,339	12,718
Special Education-Grants for Infants and Families	84.181	H181A150019	2,407,559	638
			3,747,898	13,356
Safe and Drug-Free Schools and Communities_National Programs	84.184	S184F140007	722,459	703,083
Safe and Drug-Free Schools and Communities_National Programs	84.184	S184Q140011	48,091	2,254
			770,550	705,337
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A160042	132,463	-
Education of Homeless Children and Youth	84.196	S196A130029	57,774	15,886
Education of Homeless Children and Youth	84.196	S196A140029	238,468	136,411
Education of Homeless Children and Youth	84.196	S196A150029	313,557	313,364
			609,799	465,661
Rehabilitation Training_State Vocational Rehabilitation Unit In- Service	84.265	H265A100026-14	6,400	-
Charter Schools	84.282	U282A150016	37,850	-
Twenty-First Century Community Learning Centers	84.287	S287C130028	1,699,811	1,620,751
Twenty-First Century Community Learning Centers	84.287	S287C140028	4,425,672	4,077,811
			6,125,483	5,698,562
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A150012	148,507	29,116
Advanced Placement Program	84.330	S330B140013	407,993	12,630
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S120028	4,204,307	3,708,630
Rural Education	84.358	S358B140028	88,929	88,929
Rural Education	84.358	S358B150028	20,999	20,999
			109,928	109,928
English Language Acquisition Grants	84.365	S365A130028	16,388	-
English Language Acquisition Grants	84.365	S365A140028	2,072,902	1,844,526
English Language Acquisition Grants	84.365	S365A150028	4,619,561	4,268,964

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
English Language Acquisition Grants	84.365	S365B150028	69,913	69,913
			6,778,764	6,183,403
Mathematics and Science Partnerships	84.366	S366B130029	469,295	469,295
Mathematics and Science Partnerships	84.366	S366B140029	574,883	520,538
Mathematics and Science Partnerships	84.366	S366B150029	26,769	-
			1,070,947	989,833
Improving Teacher Quality State Grants	84.367	S367A140027	4,087,828	3,692,426
Improving Teacher Quality State Grants	84.367	S367A150027	5,009,831	4,997,025
			9,097,659	8,689,451
Grants for State Assessments and Related Activities	84.369	S369A140029	3,405,746	-
Grants for State Assessments and Related Activities	84.369	S369A150029	4,848,970	-
			8,254,716	-
Striving Readers	84.371	S371C110026	12,168,245	11,630,838
Statewide Data Systems	84.372	R372A120020-14	726,429	96,494
School Improvement Grants	84.377	S377A110029	250,762	177,133
School Improvement Grants	84.377	S377A120029	561,667	505,941
School Improvement Grants	84.377	S377A130029-13A	1,238,083	1,238,083
			2,050,512	1,921,157
Preschool Development Grants	84.419	S419A150004-15A	4,132,990	4,030,414
			284,011,893	245,756,535
Total Department of Education				
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR15-RC-10253-15	2,111	-
			2,111	-
Total National Archives and Records Administration				
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	NV09RP01	93,614	-
Help America Vote Act Requirements Payments	90.401	NV10RP01	246,064	-
Help America Vote Act Requirements Payments	90.401	NV11RP01	10,905	-
			350,583	-
			350,583	-
Total Election Assistance Commission				
Department of Health and Human Services				
Aging CLUSTER				
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	14AANVT3SS	172,843	172,843
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	15AANVT3SS	1,889,520	1,839,143

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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Expenditures	Payments to Subrecipients	Subrecipients
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	16AANVT3SS	378,048	-	-
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	15AANVT3CM	2,440,411	2,011,986	2,011,986
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	15AANVT3HD	1,388,217	1,182,213	1,182,213
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	16AANVT3CM	2,983,159	2,983,159	2,983,159
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	16AANVT3HD	900,273	160,474	160,474
	93.045	16AANVT3HD	344,850	344,850	344,850
	93.053	15AANVNSIP	5,616,499	4,670,696	4,670,696
Nutrition Services Incentive Program	93.053	15AANVNSIP	833,554	833,554	833,554
Nutrition Services Incentive Program	93.053	16AANVNSIP	679,644	679,644	679,644
Nutrition Services Incentive Program	93.053	Nutrition Services Incentive Program Commodities	35,848	-	-
	93.575	G-1401NVCCDF 2014G996005	1,549,046	1,513,198	1,513,198
	93.575	G-1501NVCCDF 2015G996005	9,605,956	8,195,880	8,195,880
Total Aging CLUSTER					
CCDF CLUSTER					
Child Care and Development Block Grant	93.575	G-1401NVCCDF 2014G996005	44,269	39,737	39,737
Child Care and Development Block Grant	93.575	G-1501NVCCDF 2015G996005	21,580,009	17,911,992	17,911,992
Child Care and Development Block Grant	93.575	G-1601NVCCDF 2016G996005	3,205,245	1,946,094	1,946,094
	93.596	G-1501NVCCDF 2015G999005	24,829,523	19,897,823	19,897,823
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1501NVCCDF 2015G999005	8,813,869	8,767,785	8,767,785
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1501NVCCDF 2015G999004	263,616	263,616	263,616
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1501NVCCDF 2015G999WREL	283,324	283,324	283,324
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1601NVCCDF 2016G999004	2,064,337	2,064,777	2,064,777
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1601NVCCDF 2016G999005	2,276,716	2,270,017	2,270,017
	93.775	01-0601-NV-5050	13,701,862	13,649,519	13,649,519
	93.775	1501NV5050	38,531,385	33,547,342	33,547,342
Total CCDF CLUSTER					
Medicaid CLUSTER					
State Medicaid Fraud Control Units	93.775	01-0601-NV-5050	1,736,688	-	-
State Medicaid Fraud Control Units	93.775	1501NV5050	89,183	-	-
State Medicaid Fraud Control Units	93.775	1601NV5050	317,531	-	-
	93.777	05-1505-NV-5000	2,143,402	-	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1505-NV-5000	389,739	28,941	28,941
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1505-NV-5002	41,652	-	-

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State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1505-NV-IMPACT		7,977	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1605-NV-5000		1,002,219	92,023
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1605-NV-5002		120,658	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1605-NV-IMPACT		3,398	-
				1,565,643	120,964
Medical Assistance Program	93.778	05-1405NVBIPP		532,384	-
Medical Assistance Program	93.778	05-1505NV5ADM		11,200,512	-
Medical Assistance Program	93.778	05-1505NV5MAP		606,666,311	-
Medical Assistance Program	93.778	05-1505NVBIPP		2,055,548	-
Medical Assistance Program	93.778	05-1505NV/IMPL		154,638	-
Medical Assistance Program	93.778	05-1505NV/INCT		1,010,118	-
Medical Assistance Program	93.778	05-1605NV5ADM		105,111,552	-
Medical Assistance Program	93.778	05-1605NV5MAP		1,849,356,658	-
Medical Assistance Program	93.778	05-1605NV/IMPL		729,946	-
Medical Assistance Program	93.778	05-1605NV/INCT		3,952,641	-
				2,580,770,308	120,964
				2,584,479,353	120,964
Total Medicaid CLUSTER					
TANF CLUSTER					
Temporary Assistance for Needy Families	93.558	G-02NVTANF		4,870,798	-
Temporary Assistance for Needy Families	93.558	G-1502NVTANF 2015-G996115		18,007,981	1,606,361
Temporary Assistance for Needy Families	93.558	G-1601NVTANF 2016G996115		21,221,871	152,287
				44,100,650	1,758,648
				44,100,650	1,758,648
Special Programs for the Aging, Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	15AANVT7EA		13,407	-
Special Programs for the Aging, Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	16AANVT7EA		18,957	-
				32,364	-
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	14AANVT7OM		26,293	26,293
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	15AANVT7OM		44,849	9,057
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	16AANVT7OM		41,143	-
				112,285	35,350

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Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services	93.043	15AANVT3PH	133,775	133,775
Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services	93.043	16AANVT3PH	12,976	12,976
			146,751	146,751
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90DR0042-04-00	68,721	39,600
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90MP0209-01	176,293	-
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90MP0209-02-00	16,161	-
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90NW0005-01	74,617	-
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	90SP0103-02	96,343	-
			432,135	39,600
Alzheimer's Disease Demonstration Grants to States	93.051	90DS2011-01	170,195	138,071
National Family Caregiver Support	93.052	15AANVT3FC	962,296	813,826
National Family Caregiver Support	93.052	16AANVT3FC	361,165	286,467
			1,323,461	1,100,293
Public Health Emergency Preparedness	93.069	5U90TP000534-04	6,745,643	4,984,226
Medicare Enrollment Assistance Program	93.071	13AANVMAAA	1,109	-
Medicare Enrollment Assistance Program	93.071	14AANVMAAA	59,142	-
Medicare Enrollment Assistance Program	93.071	14AANVMADR	69,736	50,048
Medicare Enrollment Assistance Program	93.071	14AANVMSHI	47,004	39,976
			176,991	90,024
Lifespan Respite Care Program	93.072	90L10016-01-00	14,284	9,728
Lifespan Respite Care Program	93.072	90L10016-02-00	72,480	43,455
			86,764	53,183
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	3U90TP000534-03S2	591,272	404,384
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	5U87PS004194-02	31,867	31,867
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	5U87PS004194-03	25,583	25,583
			57,450	57,450
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0060-04	321,018	314,429
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU006003	187,862	179,181
			508,880	493,610

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Program Title	Number	Through Number	Program Title	Expenditures	Payments to Subrecipients
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1301NVPREP		93,358	83,440
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1401NVPREP		252,936	193,380
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1501NVPREP		319	-
				346,613	276,820
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1U79SM062474-01		610,801	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-22-02		37,019	7,932
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-23-01		40,291	-
Maternal and Child Health Federal Consolidated Programs	93.110	H25MC28321-02-01		119,614	-
Maternal and Child Health Federal Consolidated Programs	93.110	H25MC28321-02-02		18,847	-
				215,771	7,932
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1U52PS004681-01		371,630	303,794
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS004681-02		348,030	259,142
				719,660	562,936
Emergency Medical Services for Children	93.127	5 H33MC06694-11-00		10,629	7,729
Emergency Medical Services for Children	93.127	6H33MC06694-10-02		127,736	19,783
				138,365	27,512
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-14		159,648	159,640
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-15		408,883	400,050
				568,531	559,690
Family Planning_Services	93.217	1 FPHPA006189-01-00		16,207	-
Family Planning_Services	93.217	4FPHPA096158-02-01		478,406	65,000
				494,613	65,000
Abstinence Education Program	93.235	1401NVAEGP		161,900	60,048
Abstinence Education Program	93.235	1501NVAEGP		231,005	175,437
				392,905	235,485
Policy Research and Evaluation Grants	93.239	90I0008/01-00		86,640	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79SM062101-01		1,208,361	694,355
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79SM062445-01		86,543	86,543
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79TI026028-01		37,906	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79TI025345-02		269,070	174,887

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Program Title				Number		Subrecipients
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5H79TI025345-03		645,043	453,045
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5U79SM061507-02		1,096,918	986,196
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5U79SM061507-03		821,130	596,543
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5U79SP020156-02		606,295	574,789
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5U79SP020156-03		1,341,236	1,152,158
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	7U79SM063388-03		600,552	544,836
					6,713,054	5,263,352
Universal Newborn Hearing Screening		93.251	5H61MC25010-05-00		36,564	10,765
Universal Newborn Hearing Screening		93.251	6H61MC25010-04-01		202,469	70,018
					239,033	80,783
Immunization Grants		93.268	1H23IP000943-01		208,346	208,346
Immunization Grants		93.268	5H23IP000727-03		1,693,481	845,937
Immunization Grants		93.268	DIRECT ASSISTANCE		33,016,142	-
					34,917,969	1,054,283
Adult Viral Hepatitis Prevention and Control		93.270	5U51PS004092-03		27,414	20,619
Adult Viral Hepatitis Prevention and Control		93.270	5U51PS004092-04		37,231	15,321
					64,645	35,940
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	1U50OE000097-01		213,555	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	5NU58DP003929-04-00		933,064	118,463
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	5NU58DP003929-05-00		1,761	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	5U50OE000037-03		125,906	69,771
					1,274,286	188,234
National Public Health Improvement Initiative		93.292	5U58CD001288-04		40,262	-
State Partnership Grant Program to Improve Minority Health		93.296	STTMP131092-02-00		21,219	-
National State Based Tobacco Control Programs		93.305	1U58DP006009-01		657,785	441,706
National State Based Tobacco Control Programs		93.305	5NU58DP006009-02		157,307	84,618
					815,092	526,324
Early Hearing Detection FY16		93.314	5UR3DD000788-05		122,663	4,721

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Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.323	3U50CK000419-01S1	72,298	63,049
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.323	3U50CK000419-02S1	361,165	211,007
			433,463	274,056
State Health Insurance Assistance Program	93.324	90SA0086-01	91,538	-
State Health Insurance Assistance Program	93.324	90SA0044-02	337,235	-
			428,773	-
Behavioral Risk Factor Surveillance System	93.336	1U58DP006028-01	53,642	-
Independent Living State Grants	93.369	16G1NVILSG	144,834	105,000
Independent Living State Grants	93.369	90IS0068-01-00	160,515	86,177
			305,349	191,177
State Grant for Assistive Technology	93.464	90AG0008-01-00	417,866	338,122
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	1X02MC26331-01-00	293,033	183,496
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	6D89MC26360-01-03	1,546,758	401,361
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	X02MC27408-01-03	755,753	656,371
			2,595,544	1,241,228
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	1A1CMS330886-01-05	121,836	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	6PRPPR120027-01-01	518,807	-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	1U50CK000419-01	33,225	20,123
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	5U50CK000419-02	585,478	290,713
			618,703	310,836
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	1HBEIE120129-01-00	582,779	91,768
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE140192-01-01	594,321	-
			1,177,100	91,768
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	1B1CMS330879-01	131,213	-
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	3H23IP000573-01S1	29,775	6,560
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	3H23IP000727-02S1	85,895	85,895

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	3H23IP000727-03S1	215,319	215,319
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	6NH23IP000727-04-04	1,381,348	607,185
Promoting Safe and Stable Families	93.556	G-1401NVFPSS	1,712,337	914,959
Promoting Safe and Stable Families	93.556	G-1411NVFPCV	244,885	244,326
Promoting Safe and Stable Families	93.556	G-1501NVFPSS	90,238	85,233
Promoting Safe and Stable Families	93.556	G-1511NVFPCV	2,123,947	2,066,626
			110,489	98,225
			2,569,559	2,494,410
Child Support Enforcement	93.563	04NV4005	6,805,059	-
Child Support Enforcement	93.563	1104NV4004 2013 G9913CJ	820,062	572,292
Child Support Enforcement	93.563	1204NV4005 2014G9914CJ	2,585,816	1,794,462
Child Support Enforcement	93.563	1504NV0405 2015 G9915CS	4,750,786	2,281,261
Child Support Enforcement	93.563	1604NV0405 2016G9916CS	23,469,085	15,254,936
			38,430,808	19,902,951
Low-Income Home Energy Assistance	93.568	G-15B1NVLIEA 2015G992201	6,006,532	-
Low-Income Home Energy Assistance	93.568	G-16B1NVLIEA 2016G992201	7,166,378	517,920
			13,172,910	517,920
Community Services Block Grant	93.569	G-15B1NVCOSR	1,616,733	1,549,692
Community Services Block Grant	93.569	G-16B1NVCOSR	2,129,863	2,025,226
			3,746,596	3,574,918
State Court Improvement Program	93.586	G-1401NVSCID	53,094	-
State Court Improvement Program	93.586	G-1401NVSCIP	13,289	-
State Court Improvement Program	93.586	G-1401NVSCIT	12,883	-
State Court Improvement Program	93.586	G-1501NVSCID	77,654	-
State Court Improvement Program	93.586	G-1501NVSCIP	105,027	-
State Court Improvement Program	93.586	G-1501NVSCIT	104,103	-
			366,050	-
Community-Based Child Abuse Prevention Grants	93.590	G-1401NVFRPG	24,227	10,874
Community-Based Child Abuse Prevention Grants	93.590	G-1501NVFRPG	278,817	238,911
			303,044	249,785

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Number	Through Number	Expenditures	Subrecipients
Grants to States for Access and Visitation Programs	93.597	1401NVSAVP 2014		24,350	-
Grants to States for Access and Visitation Programs	93.597	1501NVSAVP 2015		74,650	-
				99,000	-
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1401NVCETV		206,291	206,291
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1501NVCETV		381,533	381,533
				587,824	587,824
Head Start	93.600	09CD001305		33,304	-
Head Start	93.600	09CD4012-01-00		32,572	-
				65,876	-
Adoption Incentive Payments	93.603	1301NVAIPP		128,149	107,264
Adoption Incentive Payments	93.603	1401NVAIPP		1,223,568	1,122,318
				1,351,717	1,229,582
Voting Access for Individuals with Disabilities_ Grants to States	93.617	G-1103NVVOTE		2,512	-
ACA-State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	1G1CMS331381-01-00		999,422	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1401NVBSDD		116,016	43,897
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1501NVBSDD		314,372	149,672
				430,388	193,569
Children's Justice Grants to States	93.643	G-1301NVCJA1		67,376	50,336
Children's Justice Grants to States	93.643	G-1401NVCJA1		111,848	37,403
				179,224	87,739
Child Welfare Services_State Grants	93.645	G-1501NVCWSS		1,649,973	248,019
Foster Care_Title IV-E	93.658	G-1501NVFOST		11,501,140	9,928,481
Foster Care_Title IV-E	93.658	G-1601NVFOST		33,549,742	29,762,783
				45,050,882	39,691,264
Adoption Assistance	93.659	G-1501NVADPT		6,920,596	6,396,113
Adoption Assistance	93.659	G-1601NVADPT		23,649,086	22,149,770
				30,569,682	28,545,883
Social Services Block Grant	93.667	G-1501NVSOSR		4,892,723	458,929
Social Services Block Grant	93.667	G-1601NVSOSR		8,552,030	3,133,584
				13,444,753	3,592,513
Child Abuse and Neglect State Grants	93.669	G-1201NVCA01		188,350	130,610
Child Abuse and Neglect State Grants	93.669	G-1301NVCA01		239,263	172,308
				427,613	302,918

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1401NVFVPS	287,445	286,553
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1501NVFVPS	885,178	875,926
			1,172,623	1,162,479
Chafee Foster Care Independence Program	93.674	G-1401NV1420	342,711	335,574
Chafee Foster Care Independence Program	93.674	G-1501NVCILP	1,246,602	1,213,486
			1,589,313	1,549,060
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000695-01	23,245	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000912-01	87,392	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000989-01	234,217	212,684
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP001013-01	176,691	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	6NU38IP000873-01-01	232,306	10,187
			753,851	222,871
State Public Health Approaches for Ensuring Quiltline Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	1U58DP005327-01	9,602	9,599
State Public Health Approaches for Ensuring Quiltline Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	5NU58DP005327-02-00	61,715	60,234
			71,317	69,833
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed by PPHF	93.745	5NU58DP006028-02-00	29,814	-
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed by PPHF	93.745	6NU58DP006028-01-02	117,890	78,750
			147,704	78,750
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	3U58DP003929-03W1	36,861	19,811
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	5NU58DP003929-05-00	345	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Expenditures	Payments to Subrecipients	Subrecipients
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	6NU58DP003929-04-01	2,073,013	1,731,361	
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6NU58DP004820-03-01	2,110,219	1,751,172	
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6NU58DP004820-04-02	1,032,354	466,498	
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6NU58DP004820-02-05	434	-	
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health	93.757	6NU58DP004820-02-05	46,479	-	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	2B01TOT009040-15	1,079,267	466,498	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	3B01TOT009040-14W1	336,497	65,018	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	3B01TOT009040-14W1	246,671	96,513	
Children's Health Insurance Program	93.767	05-1005-NV5021	583,168	161,531	
Children's Health Insurance Program	93.767	05-1605-NV5021	504,546	-	
Children's Health Insurance Program	93.767	1505NV5021	29,430,588	-	
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330822-01-02	30,754,785	-	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1605-NV-5001	60,689,919	-	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	1505NV50001	1,373,870	-	
Organized Approaches to Increase Colorectal Cancer Screening	93.800	1NU58DP006090-01-00	511,488	-	
Organized Approaches to Increase Colorectal Cancer Screening	93.800	5NU58DP006090-02-00	220,388	-	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815	3U50CK000419-01S2	731,876	-	
Ebola Preparedness & Response	93.817	U3REP150510-01-00	675,422	394,290	
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	1H79SM062944-01	442	-	
National Bioterrorism Hospital Preparedness Program	93.889	5U90TP000534-04	675,864	394,290	
HIV Care Formula Grants	93.917	6X07HA00001-25-03	549,143	325,054	
HIV Care Formula Grants	93.917	6X07HA00001-26-01	465,924	374,061	
			354,131	-	
			1,845,829	1,279,098	
			6,786,221	6,302,357	
			1,099,734	930,519	
			7,885,955	7,232,876	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
HIV Prevention Activities_ Health Department Based		93.940	5U62PS003654-04	1,259,739	995,387
HIV Prevention Activities_ Health Department Based		93.940	6NU62PS003654-05-01	917,247	711,268
				2,176,986	1,706,655
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	5U62PS004024-03	242,245	100,748
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	6NU62PS004024-04-04	188,439	77,709
				430,684	178,457
Assistance Programs for Chronic Disease Prevention and Control		93.945	5NU58DP004820-03-00	44,254	-
Assistance Programs for Chronic Disease Prevention and Control		93.945	5NU58DP004820-04-00	908	-
Assistance Programs for Chronic Disease Prevention and Control		93.945	5U58DP004820-02	150	-
				45,312	-
Block Grants for Community Mental Health Services		93.958	2B09SM010039-14	619,525	358,021
Block Grants for Community Mental Health Services		93.958	2B09SM010039-15	2,124,478	278,375
				2,744,003	636,396
Block Grants for Prevention and Treatment of Substance Abuse		93.959	2B08TI010039-14	2,976,739	2,528,538
Block Grants for Prevention and Treatment of Substance Abuse		93.959	2B08TI010039-15	9,174,371	8,342,355
				12,151,110	10,870,893
Preventive Health Services_ Sexually Transmitted Diseases Control Grants		93.977	5H25PS004376-02	378,371	332,292
Preventive Health Services_ Sexually Transmitted Diseases Control Grants		93.977	5H25PS004376-03-01	349,234	279,730
				727,605	612,022
Maternal and Child Health Services Block Grant to the States		93.994	1B04MC26680-01-00	679,174	216,032
Maternal and Child Health Services Block Grant to the States		93.994	B04MC28112	1,355,111	437,993
				2,034,285	654,025
Total Department of Health and Human Services Corporation for National & Community Service				2,999,236,081	194,362,250
AmeriCorps Recovery		94.006	13AFHNV0010013	63,230	-
Total Corporation for National & Community Service				63,230	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-1504NVDI00	3,876,874	-
Social Security_Disability Insurance	96.001	04-1604NVD100	10,781,968	-
			14,658,842	-
Total Disability Insurance/SSI CLUSTER			14,658,842	-
Total Social Security Administration				
Department of Homeland Security				
Urban Area Security Initiative Non-Profit	97.008	EMW-2014-UA-00030-S01	71,250	71,250
Urban Area Security Initiative Non-Profit	97.008	EMW-2015-UA-00019-S01	75,000	75,000
			146,250	146,250
Boating Safety Financial Assistance	97.012	3315FAS150132	150,705	-
Boating Safety Financial Assistance	97.012	3316FAS150132	750,220	-
			900,925	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2014-GR-1004	18,214	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2015-GR-1004	58,823	-
			77,037	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-09-NV-4202	94,576	82,149
National Dam Safety Program	97.041	EMW-2013-GR-00100	3,864	-
National Dam Safety Program	97.041	EMW-2014-GR-00010	80,118	-
National Dam Safety Program	97.041	EMW-2015-GR-00083-S01	23,279	-
			107,261	-
Emergency Management Performance Grants	97.042	EMW-2013-EP-00022-S01	91,605	66,996
Emergency Management Performance Grants	97.042	EMW-2014-EP-00003-S01	1,814,262	217,777
Emergency Management Performance Grants	97.042	EMW-2015-EP-00002-S01	2,196,019	1,801,283
			4,101,886	2,086,056
State Fire Training Systems Grants	97.043	EMW-2015-GR-00008-S01	19,803	-
Cooperating Technical Partners	97.045	EMF-2013-GR-2012	29,611	-
Cooperating Technical Partners	97.045	EMW-2014-CA-00145-S01	82,757	-
Cooperating Technical Partners	97.045	EMW-2014-CA-K00024-S01	26,391	-
Cooperating Technical Partners	97.045	EMW-2015-CA-00086-S01	24,169	-
			162,928	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
Pre-Disaster Mitigation	97.047	EMF-2014-PC-0002	83,426	83,426	83,426
Pre-Disaster Mitigation	97.047	EMF-2015-PC-0001	184,123	184,093	184,093
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2008	52,671	52,671	52,671
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2009	109,558	109,558	84,365
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2010	79,695	79,695	60,882
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2011	39,540	39,540	-
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2012	160,177	160,177	43,581
			709,190	709,190	509,018
Homeland Security Grant Program	97.067	EMW-2013-SS-00024-S01	344,486	344,486	190,229
Homeland Security Grant Program	97.067	EMW-2014-SS-00117-S01	3,006,996	3,006,996	1,939,572
Homeland Security Grant Program	97.067	EMW-2015-SS-00025-S01	1,161,175	1,161,175	891,098
			4,512,657	4,512,657	3,020,899
Homeland Security Biowatch Program	97.091	2013-OH-091-000030-02	337,815	337,815	336,462
Homeland Security Biowatch Program	97.091	2013-OH-091-000030-03	962,782	962,782	957,637
			1,300,597	1,300,597	1,294,099
			12,133,110	12,133,110	7,138,471
Total Department of Homeland Security			\$ 5,187,624,386	\$ 5,187,624,386	\$ 847,487,354
Total Federal Financial Assistance					

Note 1 - Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the State of Nevada (the State) and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. The State received Federal awards directly from Federal agencies. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

The Schedule is used as a managerial tool by the State Controller’s Office, primarily to monitor compliance with the Cash Management Improvement Act. As such, the Schedule separately identifies the expenditures for each Federal program at the grant award level.

The State has not elected to use the 10% de minimis cost rate.

The “Expenditures” column includes the amounts reported in the “Payments to Subrecipients” column.

The expenditures for the following programs include the dollar value of food commodities, as determined by the U.S. Department of Agriculture, distributed to eligible recipients during the year:

- National School Lunch Program (10.555)
- Commodity Supplemental Food Program (10.565)
- Child and Adult Care Food Program (10.558)
- Emergency Food Assistance Program (10.569)
- Food Distribution Program on Indian Reservations (10.567)
- Nutrition Services Incentive Program (93.053)

Note 2 - Unemployment Insurance Program (17.225)

The expenditures reported on the Schedule of Expenditures of Federal Awards include both Federal funds and State funds, as required. The State funds represent the amounts expended from the Unemployment Trust Fund to pay benefits under the Federally approved State Unemployment Law. The following identifies the State and Federal portions of the expenditures reported:

State Benefits	\$ 343,775,691
Federal Benefits	5,601,208
Federal Funds - Grants	26,631,009
Total Reported	\$ 376,007,908

Note 3 - Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

The expenditures for this program include the cost of food vouchers in the amount of \$29,900,039.

Note 4 - Disclosure of American Recovery and Reinvestment Act Expenditures

As a recipient of American Recovery and Reinvestment Act (ARRA) funds, the State has agreed to separately identify the expenditures for Federal awards under ARRA on the Schedule of Expenditures of Federal Awards (SEFA) by identifying those expenditures on separate lines and by inclusion of the prefix "ARRA-" in the name. For additional transparency, the State has elected to include the suffix "A" with the Catalog of Federal Domestic Assistance number on the SEFA.

A. Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Agriculture:	
SNAP Cluster:	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
U.S. Department of Defense:	
National Guard Military Operations and Maintenance (O&M) Projects	12.401

U.S Department of Interior:	
Fish and Wildlife Cluster:	
Sport Fish Restoration Program	15.605
Wildlife Restoration and Basic Hunter Education	15.611
 U.S. Department of Labor:	
Unemployment Insurance	17.225
 U.S. Department of Transportation:	
Highway Planning and Construction Cluster:	
Highway Planning and Construction	20.205
Recreational Trails Program	20.219
 U.S. Department of Education:	
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Special Education-Grants to States	84.027
Special Education-Preschool Grants	84.173
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126
 U.S. Department of Health and Human Services:	
TANF Cluster:	
Temporary Assistance for Needy Families (TANF)	93.558
CCDF Cluster:	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Foster Care_Title IV-E	93.658
Adoption Assistance	93.659
Social Services Block Grant	93.667
Medicaid Cluster:	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777
Medical Assistance Program	93.778
 Social Security Administration:	
Disability Insurance/SSI Cluster:	
Social Security_Disability Insurance	96.001
 Dollar threshold used to distinguish between type A and type B programs:	\$15,562,873
 Auditee qualified as low-risk auditee:	No

B. Findings – Financial Statement Audit

**2016-A Amortization of Bond Premiums and Discounts
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly calculating and reporting amortization of bond premiums and discounts are key components of effective internal control over financial reporting.

Condition: A prior period adjustment of approximately \$48,480,000 was required to correct the amortization of bond premiums and discounts when the State of Nevada converted from the straight line method to the interest method of amortization.

Cause: Prior to July 1, 2015, the internal controls in place did not ensure that the amortization of bond premiums and discounts was calculated using the interest method.

Effect: In prior years, net position in the governmental activities of the government wide financial statements was understated by approximately \$37,069,000 and net position in the business-type activities was understated by approximately \$11,411,000. The Unemployment Compensation Fund was understated by \$10,434,000 while the Water Projects Loans was understated by \$977,000.

Recommendation: We recommend the State of Nevada enhance internal controls to ensure the interest method is used when calculating and recording amortization of bond premiums and discounts.

Views of Responsible Officials: Management agrees with this finding.

**2016-C Highway Fund - Accounts Payable, Deferred Inflow of Resources, and Inventory
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Proper reporting of accounts payable, deferred inflow of resources, and inventory is a key aspect of a strong system of internal control.

Condition: During our audit procedures, we became aware of several transactions in the Highway Fund that were not recorded in the appropriate accounting period under the modified accrual basis of accounting. We also became aware of a transaction that was posted incorrectly due to a formula error on an inventory spreadsheet.

Cause: The internal controls in place did not ensure that receipts and payments after year end were recorded in the accounting period in which the goods or services were received or provided. In addition, the internal controls in place did not ensure that inventory was accurately reported.

Effect: Prior to adjustment, fund balance in the Highway Fund was overstated by \$17,190,328 as a result of unrecorded contracts payable and understated by \$1,012,347 due to unrecorded revenues. In addition, inventory was overstated by \$3,410,142.

Recommendation: We recommend the State of Nevada enhance internal controls to ensure deferred inflow of resources and accounts payable are recorded in the accounting period in which the goods or services are received or provided. We also recommend the State of Nevada enhance internal controls to ensure inventory is accurately reported.

Views of Responsible Officials: Management agrees with this finding.

C. Findings and Questioned Costs – Major Federal Award Programs

**2016-001: U.S. Department of Agriculture
SNAP Cluster:
Supplemental Nutrition Assistance Program (SNAP), CFDA 10.551
State Administrative Matching Grants for the Supplemental Nutrition Program, CFDA
10.561**

**Other
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under the CFDA 10.551 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that pass-through entities must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended and provides the total Federal awards expended for each individual Federal program.

Condition: The amount of awards expended for this program on the State of Nevada’s SEFA was not supported by the State’s accounting records.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure total Federal awards expended for the program were reported accurately on the SEFA.

Effect: Expenditures initially reported on the SEFA were understated by \$35,267,430, which required correction on the final SEFA.

Questioned Costs: None

Context/Sampling: No sampling was used; all program expenditures on the SEFA were reconciled to the State’s accounting records.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure total Federal awards expended for the program are reported accurately on the SEFA.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

**2016-002: U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559**

**Cash Management
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects grant awards 7NV300AG3 2015IN109947 and 7NV300AG3 201616N109947 included under the CFDA 10.555 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Condition: Supporting documentation was not available for some of the Federal cash draws selected for testing. As a result, there was no evidence that funds were drawn in compliance with the appropriate funding technique per the Treasury-State Agreement. In addition, we noted that internal controls at the Nevada Department of Agriculture (the Department) require that draws are reviewed and approved by an individual independent of the preparation process prior to submission. Evidence of review and approval was not present for some of the Federal cash draws selected for testing.

Cause: The Department did not have internal controls in place to ensure that adequate records were maintained for Federal cash draws and established internal controls that require Federal cash draws are reviewed by an individual independent of the preparation process were not followed.

Effect: Inaccurate Federal cash draws may be submitted, the incorrect amount of Federal funds may be received, and the appropriate funding technique per the Treasury-State Agreement may not be followed.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of five Federal cash draws out of 19 was selected for testing. Supporting documentation was not available for two of the five selected. In addition, two of the remaining three Federal cash draws lacked evidence of the required review and approval prior to submission.

*Repeat Finding from
Prior Year:*

Yes - prior year finding 2015-002.

Recommendation:

We recommend the Department implement internal controls to ensure that adequate documentation for Federal cash draws is maintained and that established internal controls requiring the review of Federal cash draws by an individual independent of the preparation process are followed.

*Views of Responsible
Officials:*

The Nevada Department of Agriculture agrees with this finding.

**2016-003: U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559**

**Period of Performance
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.553 and 10.555 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that when Federal awards specify a time period during which non-Federal entities may use Federal funds, the non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period.

Condition: Expenditures were charged to the incorrect grant resulting in payments being made for obligations that were incurred outside of the grant's period of performance.

Cause: The Nevada Department of Agriculture (the Department) did not have adequate internal controls to ensure that amounts charged to Federal awards were for obligations incurred during the period of performance.

Effect: The State may be required to repay these funds at a later date.

Questioned Costs: CFDA 10.553 - \$17,470 (Award #7NV300AG3 201616N109947)
CFDA 10.555 - \$37,990 (Award #7NV300AG3 201616N109947)

Context/Sampling: A nonstatistical sample of 40 out of 452 payments to subrecipients was selected for testing. We noted four instances where amounts were paid for obligations incurred outside of the period of performance.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure that amounts charged to Federal awards are for obligations incurred during the period of performance.

Views of Responsible Officials: The Nevada Department of Agriculture agrees with this finding.

**2016-004: U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559**

**Reporting
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.553, 10.555, 10.556 and 10.559 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, and identifies the FNS-10, *Report of School Program Operations* (FNS-10) and the FNS-777, *Financial Status Reports* (FNS-777) as applicable to the Child Nutrition Cluster.

Condition: Internal controls at the Nevada Department of Agriculture (the Department) require that reports are reviewed and approved by an individual independent of the preparation process prior to submission. Certain reports were prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

Cause: The Department did not follow established internal controls to ensure that reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.

Effect: Inaccurate information was reported to the Federal agency.

Questioned Costs: None

Context/Sampling: Nonstatistical samples of four out of 24 FNS-10 reports and two out of eight FNS-777 reports were selected for testing. We noted two FNS-10 reports and two FNS-777 reports were prepared and submitted without being reviewed by an individual independent of the preparation process.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department follow established internal controls to ensure that all reports submitted to the Federal agency are reviewed and approved by an individual independent of the preparation process.

Views of Responsible Officials: The Nevada Department of Agriculture agrees with this finding.

**2016-005: U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559**

**Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.553, 10.555, 10.556 and 10.559 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Condition: Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

Cause: The Nevada Department of Agriculture (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

Effect: Noncompliance may occur at the subrecipient level.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of four out of 34 subrecipients was selected for testing. None of the four subawards included all of the information required by Uniform Guidance. In addition, a nonstatistical sample of 40 payments to subrecipients was selected for testing, of which 29 were subject to the requirements of Uniform Guidance. None of the 29 payments tested identified the award's CFDA number.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Views of Responsible Officials: The Nevada Department of Agriculture agrees with this finding.

**2016-006: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA
10.557**

**Procurement, Suspension, and Debarment
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

Condition: Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

Cause: The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure all contracts under Federal awards contained the applicable provisions.

Effect: Contractors may not be aware of required terms and conditions.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 40 procurement transactions was selected for testing, including two contracts subject to Appendix II to Part 200. Neither of the contracts tested contained all of the applicable provisions.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions.

Views of Responsible Officials: The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-007: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA
10.557**

**Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires States to follow the same policies and procedures for procuring property and services under a Federal award as it does when procuring property and services with non-Federal funds.

The *State Administrative Manual* (SAM) describes various procedures over the procurement process in relation to vendors and the subgranting process in relation to subrecipients.

Condition: A subgrant was inappropriately used to procure services from a vendor rather than following the contracting procedures described in SAM for vendors.

Cause: The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls in place to ensure existing vendor procurement procedures were followed.

Effect: The vendor was not subject to the procurement procedures described in the SAM.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of five entities out of 20 was selected for testing. One of the entities selected was a vendor who received a subgrant.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure existing vendor procurement procedures are followed.

Views of Responsible Officials: The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-008: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA
10.557**

**Cash Management
Material Weakness in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.
<i>Condition:</i>	Federal funds were not drawn using the funding techniques specified in the Treasury-State Agreement.
<i>Cause:</i>	The Nevada Division of Public and Behavioral Health (the Division) did not have internal controls to ensure funds were drawn using the funding techniques specified in the Treasury-State Agreement.
<i>Effect:</i>	Incorrect amounts of Federal cash may be received and an interest liability could result.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 49 Federal cash draws out of 243 was selected for testing. Of this sample, there were 45 where funds were not drawn using the funding techniques specified in the Treasury-State Agreement.
<i>Repeat Finding from Prior Year:</i>	Yes - prior year finding 2015-026.
<i>Recommendation:</i>	We recommend the Division implement internal controls to ensure funds are drawn using the funding techniques specified in the Treasury-State Agreement.
<i>Views of Responsible Officials:</i>	The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-009: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA
10.557**

**Cash Management
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* states that to the extent available, program income, rebates, refunds, and other income and receipts should be disbursed before requesting additional Federal cash draws.

Condition: Rebates were not disbursed prior to requesting additional Federal cash draws.

Cause: The Nevada Division of Public and Behavioral Health (the Division) did not have internal controls to ensure rebates were disbursed prior to requesting additional Federal cash draws.

Effect: Incorrect amounts of Federal cash may be received and an interest liability could result.

Questioned Costs: None

Context/Sampling: No sampling was used; the entire population of 170 Federal cash draws was reviewed. Of this population, four cash draws were requested prior to the disbursement of rebates.

Repeat Finding from Prior Year: Yes - prior year finding 2015-026.

Recommendation: We recommend the Division implement internal controls to ensure rebates are disbursed before requesting additional Federal cash draws.

Views of Responsible Officials: The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-010: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),
CFDA 10.557**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

C. Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

Condition: A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. The Nevada Division of Public and Behavioral Health (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

Cause: The Division did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the Division.

Questioned Costs: None

Context/Sampling:

A. A nonstatistical sample of six subawards out of a population of 35 was selected for testing. Of this sample, five subawards did not contain all the required information. In addition, we selected a nonstatistical sample of 40 pass-through payments to subrecipients and none of the payments identified the CFDA number.

B. No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

C. A nonstatistical sample of four subrecipients out of a population of 19 was selected for testing. The Division did not verify that any of the subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure subrecipients took timely corrective action on all audit findings, as applicable.

*Repeat Finding from
Prior Year:*

Yes - prior year finding 2015-027.

Recommendation:

We recommend the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-011: U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA
10.557**

**Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

Condition: While no instances of noncompliance were noted, suspension and debarment verification procedures were not performed prior to entering into certain covered transactions.

Cause: The Nevada Division of Public and Behavioral Health (the Division) did not have adequate internal controls to ensure suspension and debarment verification procedures were performed prior to entering into all covered transactions.

Effect: Payments could be made to recipients who are suspended or debarred.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of eight covered transactions out of a population of 30 was selected for testing. We noted suspension and debarment verification procedures were not performed for three of the transactions tested.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

Views of Responsible Officials: The Nevada Division of Public and Behavioral Health agrees with this finding.

**2016-012: U.S. Department of Defense
National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401**

**Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 12.401 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under Federal awards.

The *OMB Compliance Supplement* states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Non-Federal entities may verify that a party is not suspended or debarred by checking the *Excluded Parties List System*, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

Condition: Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required. Suspension and debarment verification procedures were not performed prior to entering into covered transactions.

Cause: The Nevada Office of the Military (the Office) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions and to ensure suspension and debarment verification procedures were performed prior to entering into all covered transactions.

Effect: Contractors may not be aware of required terms and conditions and payments could be made to recipients who were suspended or debarred.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 40 procurement transactions was selected for testing, including 32 contracts subject to Appendix II to Part 200. 26 of the contracts tested did not contain certain applicable provisions and no suspension and debarment verification procedures were performed for those 26 contracts.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Office enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions and ensure suspension and debarment verification procedures are performed prior to entering into all covered transactions.

Views of Responsible Officials: The Nevada Office of the Military agrees with this finding.

**2016-013: U.S. Department of the Interior
Fish and Wildlife Cluster:
Sport Fish Restoration Program, CFDA 15.605
Wildlife Restoration and Basic Hunter Education, CFDA 15.611**

**Procurement, Suspension, and Debarment
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 15.605 and 15.611 included on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under federal awards.

Condition: Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

Cause: The Nevada Department of Wildlife (the Department) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions.

Effect: Contractors may not be aware of required terms and conditions.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 60 procurement transactions was selected for testing, including four contracts subject to Appendix II to Part 200. One contract did not contain all of the applicable provisions.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure all contracts under Federal awards contain the applicable provisions.

Views of Responsible Officials: The Nevada Department of Wildlife agrees with this finding.

**2016-014: U.S. Department of Labor
Unemployment Insurance, CFDA 17.225**

**Special Tests and Provisions – UI Program Integrity, Overpayments
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* references Pub. L. No. 112-40 and notes that States are prohibited from providing relief from charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

Condition: The system utilized by the Nevada Department of Employment, Training and Rehabilitation (the Department) to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Cause: The Department did not ensure modifications to the UINV System were implemented by the system's vendor during the system's development to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Compliance Supplement*.

Effect: The State may be relieving employers of charges when their untimely or inadequate responses have resulted in overpayments.

Questioned Costs: None

Context/Sampling: No sampling was used.

Repeat Finding from Prior Year: Yes - prior year finding 2015-005.

Recommendation: We recommend the Department take measures to ensure the UINV system is modified with the necessary operational capability to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Compliance Supplement*.

Views of Responsible Officials: The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-015: U.S. Department of Labor
Unemployment Insurance, CFDA 17.225**

**Reporting
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that states are required to submit a quarterly report, the *Trade Act Participant Report (TAPR)*, on participant characteristics, services, and benefits received, and outcomes achieved, including wage record data, on a rolling quarterly basis. Wage record data is obtained from the Wage Record Interchange System (WRIS).

Condition: Wage record data included on the TAPR did not agree to information obtained from the WRIS.

Cause: The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that information included on the TAPR agreed to the WRIS.

Effect: Incorrect information may have been included on the TAPR.

Questioned Costs: None

Context/Sampling: One report was selected for testing, which contained 600 key data elements, including 350 wage record data elements. A nonstatistical sample of 120 key data elements on the report, including 70 wage record data elements, was selected for testing. One of the 70 wage record data elements tested did not agree to the WRIS.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure that information included on the TAPRs agrees to the WRIS.

Views of Responsible Officials: The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-016: U.S. Department of Labor
Unemployment Insurance, CFDA 17.225**

**Cash Management
Material Weakness in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs. The terms of the Treasury-State Agreement specify that the Unemployment Insurance program use the estimated clearance funding technique, which requires funds are requested and deposited in accordance with the clearance pattern specified in Exhibit II of the Agreement.
<i>Condition:</i>	Federal funds were not drawn using the required funding technique.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have internal controls in place to ensure that funds were drawn using the required funding technique.
<i>Effect:</i>	Incorrect amounts of Federal cash may be received and an interest liability could result.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of eight out of 54 Federal cash draws was selected for testing. None of the Federal cash draws selected for testing were drawn using the estimated clearance funding technique.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Department implement internal controls to ensure funds are drawn using the required funding technique.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-017: U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219**

**Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Condition: Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

Cause: The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that subawards included all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number was identified to the subrecipient at the time of disbursement.

Effect: Noncompliance may occur at the subrecipient level.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of four out of 22 subrecipients was selected for testing. None of the four subawards included all of the information required by Uniform Guidance. In addition, a nonstatistical sample of 40 out of 521 payments to subrecipients was selected for testing. None of the payments tested identified the award's CFDA number.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure that subawards include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Views of Responsible Officials: The Nevada Department of Transportation agrees with this finding.

**2016-018: U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions – Wage Rate Requirements
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* states that non-Federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act), a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition: Certain certified payrolls were not submitted weekly as required and in certain instances, there was no documentation of timely follow up with contractors to support efforts to ensure future reports would be submitted weekly as required.

Cause: The Nevada Department of Transportation (the Department) did not have adequate internal controls to ensure that timely follow up with the contractor was performed when the required certified payrolls were not received weekly as required.

Effect: Noncompliance with the Wage Rate Requirements by a contractor or subcontractor could occur and not be detected or followed up on by the Department in a timely manner.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of five out of 18 prime contractors was selected for testing, representing 396 weekly payrolls. Although all certified payrolls were received, 89 payrolls were not submitted weekly as required. For 13 of the payrolls that were not submitted weekly, there was no documentation of follow up with the contractors.

Repeat Finding from Prior Year: Yes - prior year finding 2015-011.

Recommendation:

We recommend that the Department enhance internal controls to ensure that timely follow up with the contractor is performed when the required certified payrolls are not received weekly as required.

*Views of Responsible
Officials:*

The Nevada Department of Transportation agrees with this finding.

**2016-019: U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219**

**Special Tests and Provisions – Quality Assurance Program
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* states that a State Department of Transportation (DOT) or Local Public Agency (LPA) must have a quality assurance (QA) program, approved by the Federal Highway Administration (FHWA), for construction projects on the National Highway System (NHS) to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State DOT, or by its designated agent, excluding the contractor.

Condition: Certain required tests related to the QA program were not performed.

Cause: Due to the long term nature of construction contracts, corrective action implemented in previous fiscal years may not have occurred early enough to impact projects completed in the current fiscal year. Therefore, the Nevada Department of Transportation (the Department) did not have adequate internal controls at the time the projects tested were underway to ensure that all required tests were performed as prescribed by the quality assurance program.

Effect: Noncompliance with the quality assurance program could result in construction project deficiencies not being identified in a timely manner.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of four out of 20 Federally funded construction projects completed during the year was selected for testing. Certain required tests were not performed for three of the four projects tested.

Repeat Finding from Prior Year: Yes - prior year finding 2015-012.

Recommendation: We recommend that the Department enhance internal controls to ensure that all required tests are performed as prescribed by the quality assurance program.

Views of Responsible Officials: The Nevada Department of Transportation agrees with this finding.

**2016-020: U.S. Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 84.010 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

C. Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition: A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. The Nevada Department of Education (the Department) did not monitor the activities of a subrecipient.

Cause: The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the Department.

Questioned Costs: None

Context/Sampling: A. A nonstatistical sample of four out of 18 subawards was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 pass-through payments to subrecipients and none of the payments identified the CFDA number.

B. No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

C. A nonstatistical sample of four out of 18 subrecipients was selected for testing. The activities of one of the four subrecipients was not monitored.

*Repeat Finding from
Prior Year:*

Yes – prior year finding 2015-014.

Recommendation:

We recommend that the Department enhance internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Department of Education agrees with this finding.

2016-021: U.S. Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173

Matching, Level of Effort, Earmarking
Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Potentially affects all grant awards included under CFDA 84.010, 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities.

Condition: The Nevada Department of Education (the Department) could not provide support that the earmarking requirements were met.

Cause: The Department did not have internal controls in place to monitor expenditures to ensure compliance with earmarking requirements.

Effect: The Department may not have expended funds appropriately.

Questioned Costs: Unknown

Context/Sampling: No sampling was used.

Repeat Finding from Prior Year: Yes – prior year finding 2015-015.

Recommendation: We recommend that the Department implement internal controls to monitor expenditures and maintain adequate documentation to support that earmarking requirements were met.

Views of Responsible Officials: The Nevada Department of Education agrees with this finding.

2016-022: U.S. Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173

Allowable Costs/Cost Principles

Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Potentially affects all grant awards included under CFDA 84.010, 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be adequately documented.

Condition: Amounts charged to the Federal program for subrecipient payments were not adequately documented.

Cause: The Nevada Department of Education (the Department) did not have internal controls in place to ensure amounts charged to the Federal program were adequately documented.

Effect: The Department could be making payments to subrecipients for unallowable costs.

Questioned Costs: Undeterminable

Context/Sampling: A nonstatistical sample of 60 out of 184 payments to subrecipients was selected for testing for Title I Grants to Local Education Agencies. A nonstatistical sample of 60 out of 229 payments to subrecipients was selected for testing for the Special Education Cluster. The Department did not maintain adequate documentation to support any amounts paid to subrecipients.

Repeat Finding from Prior Year: Yes – prior year finding 2015-016.

Recommendation: We recommend that the Department implement internal controls to ensure amounts charged to the Federal program are adequately documented.

Views of Responsible Officials: The Nevada Department of Education agrees with this finding.

2016-023: U.S. Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173

Cash Management

Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Potentially affects all grant awards included under CFDA 84.010, 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Condition: Adequate documentation was not available to support compliance with the cash management requirements of the *OMB Compliance Supplement* or that funds were drawn using the funding technique specified in the Treasury-State Agreement, where applicable.

Cause: The Nevada Department of Education (the Department) did not have internal controls in place to ensure adequate supporting documentation was maintained for Federal cash draws.

Effect: Inaccurate Federal cash draws may be submitted, the incorrect amount of Federal funds may be received, and the appropriate funding technique per the Treasury-State Agreement may not be followed.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of three out of 14 Federal cash draws was selected for testing for Title I Grants to Local Education Agencies and a nonstatistical sample of four out of 16 Federal cash draws was selected for testing for the Special Education Cluster. Adequate supporting documentation was not available for any of the Federal cash draws selected for testing.

Repeat Finding from Prior Year: Yes – prior year finding 2015-017.

Recommendation: We recommend that the Department implement internal controls to ensure adequate supporting documentation is maintained for Federal cash draws.

Views of Responsible Officials: The Nevada Department of Education agrees with this finding.

2016-024: U.S. Department of Education
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173

Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Potentially affects all grant awards included under CFDA 84.027 and 84.173 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

C. Pass-through entities monitor the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition: A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. The Nevada Department of Education (the Department) did not monitor the activities of certain subrecipients.

Cause: The Department did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance may occur at the subrecipient level and not be detected by the Department.

Questioned Costs: None

Context/Sampling: A. A nonstatistical sample of six out of 20 subawards was selected for testing. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 60 pass-through payments to subrecipients and none of the payments identified the CFDA number.

B. No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed.

C. A nonstatistical sample of six out of 20 subrecipients was selected for testing. The activities of three of the six subrecipients was not monitored.

*Repeat Finding from
Prior Year:*

Yes – prior year finding 2015-019.

Recommendation:

We recommend the Department enhance internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Department of Education agrees with this finding.

**2016-025: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Eligibility
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

Condition: Eligibility determinations were not made within 60 days and no exceptional or unforeseen circumstances existed.

Cause: The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that eligibility determinations occurred within the required time frame.

Effect: Benefits may not have been provided to eligible individuals within a reasonable time.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For two of the 12 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met. For one of the 12 individuals selected for testing, the applicant was enrolled in a trial work experience; however, not within 60 days from the application submission.

Repeat Finding from Prior Year: Yes – prior year finding 2015-006.

Recommendation:

We recommend the Department enhance internal controls to ensure that eligibility determinations occur within the required time frame.

*Views of Responsible
Officials:*

The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-026: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Eligibility
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that the State may choose to consider the financial needs of eligible individuals, or individuals who are receiving services during a trial work experience or an extended evaluation, for the purpose of determining the extent of their participation in the cost of Vocation Rehabilitation (VR) services. If the State indicates in its State Plan that it will use financial needs tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances.

The Nevada Department of Employment, Training and Rehabilitation Participant Services Policy and Procedures Manual provides that participants, who are not otherwise exempt, are expected to participate in the cost of Individualized Plan for Employment (IPE) services and non-assessment services provided as part of Trial Work Experience(s) Plans, Extended Evaluation Plans or Post Employment Plans. The financial participation form must be completed and signed by the counselor and participant prior to obtaining IPE signatures or trial work plan or postemployment plan signatures.

Condition: Financial participation forms were not completed and signed by the counselor and participant.

Cause: The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure that financial needs tests were applied uniformly in accordance with its written policies.

Effect: Participants receiving VR services may be contributing to the cost of their services when not required to do so, due to meeting the financial needs exemption guidelines.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For three of the 12 individuals selected for testing, no financial participation form was completed and signed by the counselor and participant.

Repeat Finding from Prior Year: Yes – prior year finding 2015-007.

Recommendation:

We recommend the Department enhance internal controls to ensure that financial needs tests are applied uniformly in accordance with its written policies.

*Views of Responsible
Officials:*

The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-027: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Special Tests and Provisions – Completion of IPEs
Material Weakness in Internal Control over Compliance and Material Noncompliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that when an Individualized Plan for Employment (IPE) is required for the provision of Vocational Rehabilitation services under Section 103(a) of the Rehabilitation Act of 1973, as amended, it must be done as soon as possible, but not later than 90 days after the date of determination of eligibility by the State Vocational Rehabilitation agency, unless the State Vocational Rehabilitation agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed.
<i>Condition:</i>	Certain required IPEs were not done within 90 days after the date of determination of eligibility.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure participants' IPEs were completed and performed timely.
<i>Effect:</i>	Vocational Rehabilitation participants may not be receiving benefits under their IPEs in a timely manner.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 15 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. Out of 15 IPEs tested, we noted two instances where IPEs were performed later than 90 days and one instance where an IPE was required, but was not completed.
<i>Repeat Finding from Prior Year:</i>	Yes – prior year finding 2015-008.
<i>Recommendation:</i>	We recommend the Department enhance internal controls to ensure participants' IPEs are completed and performed timely.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-028: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Reporting
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: The audit objectives of the *OMB Compliance Supplement* specify that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

Condition: Expenditure amounts included on the RSA-2 report (*Annual Vocational Rehabilitation Program/Cost Support*) did not agree to the State's underlying accounting records.

Cause: The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure that expenditure amounts included on the RSA-2 report were supported by underlying accounting records.

Effect: Incorrect information may have been submitted on the RSA-2 report.

Questioned Costs: None

Context/Sampling: No sampling was used; we examined the RSA-2 report (*Annual Vocational Rehabilitation Program/Cost Support*) submitted during the fiscal year.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Department enhance internal controls to ensure that all expenditure amounts included on the RSA-2 report are supported by underlying accounting records.

Views of Responsible Officials: The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-029: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Reporting
Material Weakness in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> specifies data elements from the <i>Case Service Report</i> (RSA-911) that contain critical information. These data elements include the date of Individualized Plan for Employment (IPE).
<i>Condition:</i>	IPE dates reported on the RSA-911 report were not supported by the Vocational Rehabilitation database, RAISON.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls in place to ensure that critical data elements included on the RSA-911 report, including the date of IPE, were supported by the data in RAISON.
<i>Effect:</i>	Incorrect information may have been submitted on the RSA-911 report.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 40 out of 3,109 individuals included on the RSA-911 report was selected for testing. Of the 40 individuals tested, we noted three instances where the date of IPE per the report did not match the date of the IPE per RAISON.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Department enhance internal controls to ensure that critical data elements included on the RSA-911 report, including the date of IPE, are supported by the data in RAISON.
<i>Views of Responsible Officials:</i>	The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

**2016-030: U.S. Department of Education
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126**

**Procurement, Suspension, and Debarment
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under federal awards.

Condition: Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

Cause: The Nevada Department of Employment, Training and Rehabilitation (the Department) did not have adequate internal controls to ensure contracts under Federal awards contained all of the applicable provisions.

Effect: Contractors may not be aware of required terms and conditions.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of three contracts subject to Appendix II to Part 200 was selected for testing. None of the contracts contained all of the applicable provisions.

Repeat Finding from Prior year: No

Recommendation: We recommend the Department enhance internal controls to ensure all contracts under federal awards contain the applicable provisions.

Views of Responsible Officials: The Nevada Department of Employment, Training and Rehabilitation agrees with this finding.

2016-031: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance

Grant Award Number: Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that the State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR Part 95. The plan will include all programs administered by the state public assistance agency. Where a letter of approval or disapproval is transmitted to a state public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs.

Condition: Administrative costs were not allocated to the Federal program in accordance with the approved cost allocation plan.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure costs were allocated in accordance with the cost allocation plan.

Effect: The program was charged incorrect amounts for administrative costs.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of one out of the five cost allocations prepared during the fiscal year was selected for testing. Two calculation errors were noted that resulted in administrative costs not being allocated in accordance with the approved cost allocation plan.

Repeat Finding from Prior year: No

Recommendation: We recommend the Division enhance internal controls to ensure costs are allocated in accordance with the cost allocation plan.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

2016-032: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Cash Management
Material Weakness in Internal Control over Compliance

Grant Award Number: Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

Criteria: The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs. The terms of the Treasury-State Agreement specify that the EBT Payments component of the Temporary Assistance for Needy Families program use the estimated clearance funding technique, which requires that funds are requested and deposited in accordance with the clearance pattern specified in Exhibit II of the Agreement.

Condition: Federal funds related to EBT Payments were not drawn using the estimated clearance funding technique.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have internal controls in place to ensure that funds were drawn using the required funding technique.

Effect: Incorrect amounts of Federal cash may be received and an interest liability could result.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 13 out of 87 Federal cash draws made during the fiscal year were selected for testing. Of the 13 Federal cash draws selected for testing, seven were related to EBT Payments and in all seven instances, funds were not drawn using the required funding technique.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend the Division implement controls to ensure that funds are drawn using the required funding technique.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

2016-033: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Eligibility
Material Weakness in Internal Control over Compliance

Grant Award Number: Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* states that any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. In addition, the audit objectives of the *OMB Compliance Supplement* specify that amounts provided to eligible participants must be calculated in accordance with program requirements.

Condition: An eligibility determination was not performed correctly and certain TANF assistance amounts were calculated incorrectly.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure eligibility determinations were performed correctly and TANF assistance amounts were calculated correctly.

Effect: Ineligible individuals may be receiving TANF assistance and recipients may be paid incorrect amounts.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 40 TANF cases was selected for testing. One instance was noted where an individual who had received assistance for more than 60 months was determined to be eligible and received additional TANF assistance. We also noted two instances where TANF assistance amounts were calculated incorrectly.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure eligibility determinations are performed correctly and TANF assistance amounts are calculated correctly.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

2016-034: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Reporting
Material Weakness in Internal Control over Compliance and Material Noncompliance

Grant Award Number: Potentially affects all grant awards included under CFDA 93.558, 93.575 and 93.596 on the Schedule of Expenditures of Federal Awards.

Criteria: The audit objectives of the *OMB Compliance Supplement* specify that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are presented in accordance with program requirements.

Condition: Expenditures reported on the ACF-196 *TANF Financial Reports* and ACF-696 *Child Care and Development Fund Financial Reports* were not supported by the applicable accounting records.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that expenditures reported to the Federal agency were supported by the applicable accounting records.

Effect: Inaccurate information may have been reported to the Federal agency.

Questioned Costs: None

Context/Sampling: Nonstatistical samples of one out of four ACF-196 *TANF Financial Reports* and one out of four ACF-696 *Child Care and Development Fund Financial Reports* were selected for testing. Total expenditures on both reports were not supported by the applicable accounting records.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure expenditures reported to the Federal agency are supported by the applicable accounting records.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

**2016-035: U.S. Department of Health and Human Services
CCDF Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development
Fund, CFDA 93.596**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.575 and 93.596 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

- A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.
- B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
- C. Pass-through entities verify every subrecipient is audited as required by Uniform Guidance, issue management decisions for audit findings, as applicable, and ensure the subrecipient takes timely corrective action on all audit findings, as applicable.

Condition:

- A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.
- B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.
- C. The Nevada Division of Welfare and Supportive Services (the Division) and the Nevada Department of Education (the Department) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable, and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

Cause: The Division and the Department did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the Division and the Department.

Questioned Costs: None

Context/Sampling:

A. This program had two subrecipients at the Division and both subawards were reviewed. A nonstatistical sample of two out of three subawards was selected for testing at the Department. None of the subawards contained all the required information. In addition, we selected a nonstatistical sample of 16 out of 101 payments to subrecipients at the Division and five out of 32 payments at the Department and none of the payments included the CFDA number.

B. No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed at the Division or the Department.

C. None of the program's subrecipients' audit reports were reviewed for audit findings at the Division or the Department.

*Repeat Finding from
Prior Year:*

Yes - prior audit finding 2015-024.

Recommendation:

We recommend the Division and the Department implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Division of Welfare and Supportive Services and the Nevada Department of Education agrees with this finding.

**2016-036: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658**

**Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

Condition: Duplicate payments were made to certain providers.

Cause: The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls in place to ensure that foster care providers did not receive duplicate payments.

Effect: Unallowable costs were charged to the Federal program.

Questioned Costs: Undetermined

Context/Sampling: We selected a nonstatistical sample of 60 providers, which represented approximately 700 months of service. We noted seven duplicate payments to three providers. These duplicate payments represented approximately four months of service.

Repeat Finding from Prior Year: Yes - prior year finding 2015-039

Recommendation: We recommend the Division enhance internal controls to ensure foster care providers do not receive duplicate payments.

Views of Responsible Officials: The Nevada Division of Child and Family Services agrees with this finding.

**2016-037: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658**

**Special Tests and Provisions – Payment Rate Setting and Application
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).

Condition: There was no provision included in the State's IV-E plan to provide for the periodic review of maintenance payment rates.

Cause: The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure its Title IV-E plan provided for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.

Effect: Maintenance payment rates may not be appropriate for the administration of the program.

Questioned Costs: None

Context/Sampling: No sampling was used; the State's IV-E plan was reviewed.

Repeat Finding from Prior Year: Yes – prior year finding 2015-038

Recommendation: We recommend the Division enhance internal controls to ensure its Title IV-E plan provides for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.

Views of Responsible Officials: The Nevada Division of Child and Family Services agrees with this finding.

**2016-038: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659**

**Other
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 and CFDA 93.659 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that pass-through entities must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended, provides the total Federal awards expended for each individual Federal program, and includes the total amount provided to subrecipients from each Federal program.

Condition: Amounts reported on the SEFA did not properly reflect amounts provided to subrecipients.

Cause: The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls in place to ensure amounts provided to subrecipients were reported accurately on the SEFA.

Effect: Payments to subrecipients initially reported on the SEFA were overstated by \$1,037,593 for Foster Care and \$1,623,984 for Adoption Assistance, which required correction on the final SEFA.

Questioned Costs: None

Context/Sampling: No sampling was used; all program expenditures on the SEFA were reconciled to the State's accounting records.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Division enhance internal controls to ensure amounts provided to subrecipients are reported accurately on the SEFA.

Views of Responsible Officials: The Nevada Division of Child and Family Services agrees with this finding.

**2016-039: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659**

**Eligibility
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and CFDA 93.659 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.
<i>Condition:</i>	While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established over eligibility determinations until February 2016.
<i>Cause:</i>	The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls over eligibility determinations until February 2016.
<i>Effect:</i>	Inaccurate eligibility determinations may occur, which could lead to unallowable costs being charged to the program.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	Nonstatistical samples of 60 out of 301 eligibility determinations in Foster Care and 11 out of 53 eligibility determinations in Adoption Assistance were selected for testing. Of these samples, nine of the Foster Care and three of the Adoption Assistance were prior to February 2016 and did not have discernible evidence of internal controls.
<i>Repeat Finding from Prior Year:</i>	Yes – prior year finding 2015-040.
<i>Recommendation:</i>	We recommend the Division continue to follow the internal controls implemented over eligibility determinations in February 2016.
<i>Views of Responsible Officials:</i>	The Nevada Division of Child and Family Services agrees with this finding.

**2016-040: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659**

**Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

Condition: Various administrative accounts were not allocated in accordance with Nevada Division of Child and Family Services' (the Division) cost allocation plan. In addition, various allocation statistics were improperly recorded, which impacted the percentages upon which costs were allocated.

Cause: The Division did not have adequate internal controls to ensure costs were allocated in accordance with the approved cost allocation plan.

Effect: Administrative costs claimed were in excess of the amounts in the approved cost allocation plan.

Questioned Costs: Foster Care – Title IV-E, CFDA 93.658: \$74,864 (Award #G-1501NVFOST)
Adoption Assistance – Title IV-E, CFDA 93.659: \$77,465 (Award #G-1501NVADPT)

Context/Sampling: A nonstatistical sample of three out of four quarters was selected for testing.

Repeat Finding from Prior Year: Yes - prior year finding 2015-041.

Recommendation: We recommend the Division enhance internal controls to ensure costs are allocated in accordance with the approved cost allocation plan.

Views of Responsible Officials: The Nevada Division of Child and Family Services agrees with this finding.

**2016-041: U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award’s CFDA number is identified to the subrecipient at the time of disbursement.

B. Pass-through entities evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition: A. Subawards were not issued and the information required by Uniform Guidance was not communicated. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement.

B. An evaluation of each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

Cause: The Nevada Division of Child and Family Services (the Division) did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the Division.

Questioned Costs: None

Context/Sampling: A. The entire population of two subrecipients was tested. In addition, we selected a nonstatistical sample of five payments to subrecipients out of a population of 32 and none of the payments identified the CFDA number.

B. No sampling was used; an evaluation of each subrecipient’s risk of noncompliance was not performed.

*Repeat Finding from
Prior Year:* No

Recommendation:

We recommend the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Division of Child and Family Services agrees with this finding.

**2016-042: U.S. Department of Health and Human Services
Adoption Assistance – Title IV-E, CFDA 93.659**

**Activities Allowed or Unallowed
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.659 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> provides that funds may be expended for adoption assistance subsidy payments made on behalf of eligible children, in accordance with a written and binding adoption assistance agreement.
<i>Condition:</i>	A subsidy was paid that was not the amount specified in the adoption assistance agreement.
<i>Cause:</i>	The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure subsidy payments were made for the amount specified in the adoption assistance agreement.
<i>Effect:</i>	Adoptive parents were paid an incorrect amount.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of 60 adoption assistance agreements out of a population of approximately 470 was selected for testing. We noted the monthly payments under one adoption assistance agreement were not the amount specified in the agreement.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Division enhance internal controls to ensure subsidy payments are made for the amount specified in the adoption assistance agreement.
<i>Views of Responsible Officials:</i>	The Nevada Division of Child and Family Services agrees with this finding.

**2016-043: U.S. Department of Health and Human Services
Social Services Block Grant, CFDA 93.667**

**Other
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that pass-through entities must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by their financial statements that includes the total Federal awards expended, provides the total Federal awards expended for each individual Federal program, and includes the total amount provided to subrecipients from each Federal program.

Condition: The amounts reported on the SEFA did not properly reflect the total Federal awards expended for this program or the total amounts provided to subrecipients for this program.

Cause: The Nevada Department of Health and Human Services Director's Office (the Office) did not have adequate internal controls to ensure that total Federal awards expended for the program and the total amount provided to subrecipients were reported accurately on the SEFA.

Effect: Program expenditures initially reported on the SEFA were overstated by \$3,500,687 and the amount provided to subrecipients was understated by \$2,600,862, which required correction on the final SEFA.

Questioned Costs: None

Context/Sampling: No sampling was used; all program expenditures on the SEFA were reconciled to the State's accounting records.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Office enhance internal controls to ensure that the total Federal awards expended for the program and the total amount provided to subrecipients are reported accurately on the SEFA.

Views of Responsible Officials: The Nevada Department of Health and Human Services Director's Office agrees with this finding.

**2016-044: U.S. Department of Health and Human Services
Social Services Block Grant, CFDA 93.667**

**Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance and Material Noncompliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> states that the Social Services Block Grant (SSBG) is exempt from the provisions of the OMB cost principles; however, State cost principles requirements apply to SSBG. According to the <i>State of Nevada Grant Manual</i> , charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and be supported by an internal control system that provides reasonable assurance that charges are accurate, allowable and properly allocated.
<i>Condition:</i>	Personnel costs were charged to the Federal program without regard to employee time and effort activity.
<i>Cause:</i>	The Nevada Division of Child and Family Services (the Division) did not have adequate internal controls to ensure that personnel costs were charged to the Federal program based on employee time and effort activity.
<i>Effect:</i>	Unallowable costs could be charged to the Federal program.
<i>Questioned Costs:</i>	Undetermined
<i>Context/Sampling:</i>	No sampling was used; we reviewed all personnel costs charged to the Federal program.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Division enhance internal controls to ensure that personnel costs are charged to the Federal program based on employee time and effort activity.
<i>Views of Responsible Officials:</i>	The Nevada Division of Child and Family Services agrees with this finding.

**2016-045: U.S. Department of Health and Human Services
Social Services Block Grant, CFDA 93.667**

**Reporting
Significant Deficiency in Internal Control over Compliance**

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.
<i>Condition:</i>	While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established to ensure compliance with reporting requirements.
<i>Cause:</i>	The Nevada Department of Health and Human Services Director's Office (the Office) had no evidence of internal controls in place over the preparation and submission of reports to the Federal agency.
<i>Effect:</i>	Inaccurate information may be reported to the Federal agency.
<i>Questioned Costs:</i>	None
<i>Context/Sampling:</i>	A nonstatistical sample of two out of three SF-425 reports was selected for testing. Neither of the reports tested had any evidence of internal controls.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend the Office implement internal controls over the preparation and submission of reports to the Federal agency.
<i>Views of Responsible Officials:</i>	The Nevada Department of Health and Human Services Director's Office agrees with this finding.

**2016-046: U.S. Department of Health and Human Services
Social Services Block Grant, CFDA 93.667**

**Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that:

A. Pass-through entities ensure that every subaward includes certain information at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

B. Pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition: A. The information required by Uniform Guidance was not included in the subawards issued by the Nevada Department of Health and Human Services Director's Office (the Office). Subawards were not issued by the Nevada Division of Child and Family Services (the Division). In addition, the CFDA number was not identified to the subrecipient at the time of disbursement by either the Office or the Division.

B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed at the Division.

Cause: The Office and the Division did not have internal controls in place to ensure compliance with subrecipient monitoring requirements.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the Office or the Division.

Questioned Costs: None

Context/Sampling: A. A nonstatistical sample of two out of six subawards was selected for testing at the Office and none of the subawards included all the information required by Uniform Guidance. The entire population of two subrecipients was tested at the Division and no subawards were issued. In addition, a nonstatistical sample of 40 payments to subrecipients was selected for testing at the Office, and the entire population of three payments to subrecipients was tested at the Division. None of the payments identified the CFDA number.

B. No sampling was used; an evaluation of each subrecipient's risk of noncompliance was not performed at the Division.

*Repeat Finding from
Prior Year:*

No

Recommendation:

We recommend the Office and the Division implement internal controls to ensure compliance with subrecipient monitoring requirements.

*Views of Responsible
Officials:*

The Nevada Department of Health and Human Services Director's Office and the Nevada Division of Child and Family Services agree with this finding.

**2016-047: U.S. Department of Health and Human Services
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, CFDA 93.777
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Reporting
Significant Deficiency in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.775 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition: Internal controls at the Nevada Office of the Attorney General (the Office) require that reports are reviewed and approved by an individual independent of the preparation process prior to submission. A Federal Financial Report (SF-425) was prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

Cause: The Office did not follow established internal controls to ensure that reports submitted to the Federal agency were reviewed and approved by an individual independent of the preparation process.

Effect: Inaccurate information may be reported to the Federal agency.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of two reports out of five SF-425 reports was selected for testing. One of the two reports had not been reviewed and approved by an individual independent of the preparation process.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Office follow established internal controls to ensure that all reports submitted to the Federal agency are reviewed and approved by an individual independent of the preparation process.

Views of Responsible Officials: The Nevada Office of the Attorney General agrees with this finding.

**2016-048: U.S. Department of Health and Human Services
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)
Medicare, CFDA 93.777
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778**

**Eligibility
Material Weakness in Internal Control over Compliance**

Grant Award Number: Potentially affects all grant awards included under CFDA 93.778 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan and states that the auditor should test eligibility determinations based on factors other than Modified Adjusted Gross Income, i.e. Aged, Blind and Disabled (MAABD).

Condition: Individuals received benefits in the incorrect aid category for a period of time during the fiscal year.

Cause: The Nevada Division of Welfare and Supportive Services (the Division) did not have adequate internal controls to ensure that individuals' aid categories were updated timely to reflect changes in age and income.

Effect: Individuals received benefits for which they were not eligible.

Questioned Costs: Undetermined

Context/Sampling: A nonstatistical sample of 60 out of 20,325 individuals determined to be MAABD eligible during the fiscal year was selected. Four of the 60 individuals were classified in the incorrect aid category for a period of time during the fiscal year.

Repeat Finding from Prior Year: Yes - prior year finding 2015-025.

Recommendation: We recommend the Division enhance internal controls to ensure that individuals' aid categories are updated timely to reflect changes in age and income.

Views of Responsible Officials: The Nevada Division of Welfare and Supportive Services agrees with this finding.

RON KNECHT,
MS, JD, PE (CA)
State Controller

STATE OF NEVADA

JAMES W. SMACK
Chief Deputy Controller



GEOFFREY LAWRENCE
Assistant Controller

OFFICE OF THE
STATE CONTROLLER

March 15, 2017

Eide Bailly LLP
5441 Kietzke Lane
Reno, NV 89511

Dear Sirs:

In accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), please accept the following Summary Schedule of Prior Audit Findings for the year ended June 30, 2016.

2014-001 **Controller's Office**
Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557
Highway Planning and Construction, CFDA 20.205
Improving Teacher Quality, CFDA 84.367
Immunization Grants, CFDA 93.268
Adoption Assistance, CFDA 93.659

Initial Fiscal Year
Finding Occurred: 2012

Finding Summary: OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

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During our testing and reconciliation of the amounts on the SEFA to the State's accounting system, we identified certain amounts included on the SEFA that did not properly reflect the expenditures, amounts paid to subrecipients, or non-cash direct assistance.

State's Response: This finding has been corrected for all programs except Adoption Assistance. For the Adoption Assistance program, internal controls have been enhanced to include accurate identification of subgrantee versus provider payments. Provider payments will be included on the "all other expenditures" line and labeled with the amount for each object code. Manual single audit reporting forms for state fiscal year 2016 were updated and provided to auditors and the Controller's office.

Status: Partially corrected.

2014-002 **Department of Agriculture**
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559

Initial Fiscal Year
Finding Occurred: 2011

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

The Nevada Department of Agriculture is required to submit a special report, the FNS-10, Report of School Program Operations, for the Child Nutrition Cluster monthly. The report is comprised of information from the National School Lunch Program Meal Extract Report, which contains data pertaining to the number of meals served for various Child Nutrition Programs. The OMB Circular A-133 Compliance Supplement identifies key line items that contain critical information, including number of milks served in schools and milks served in Nonresidential Child Care Institutions.

Our audit procedures included testing information related to a sample of five FNS-10 reports to verify the accuracy of the underlying information for the key line items of the FNS-10.

In two of the reports we tested, we noted information, specifically milks served in schools and milks served in Nonresidential Child Care Institutions, that did not agree to the underlying records. In both cases, it appears that amounts per the underlying records were incorrectly entered on the FNS-10.

Status: Corrected.

2014-003 **Department of Agriculture**
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559

Initial Fiscal Year

Finding Occurred: 2011

Finding Summary: OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the expenditure amounts on the SEFA to the State's accounting system, we noted that expenditures related to the Child Nutrition Cluster were not accurately reported to the Controller's Office by the Nevada Department of Agriculture. For CFDA 10.555, it was noted that expenditures related to food commodities for the Child Nutrition Cluster were understated by \$9,010,471.

Status: Corrected.

2014-004

**Department of Agriculture
Fresh Fruit and Vegetable Program, CFDA 10.582**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Department of Agriculture is required to submit quarterly Standard Form (SF-425) Federal Financial Reports for the Fresh Fruit and Vegetable Program. We tested one report submitted during the fiscal year.

During testing of the quarterly SF-425 Federal Financial Reports for the period ended March 31, 2014 for grant award 7NV310AG1, we noted that the amount reported on line 10.f Federal share of unliquidated obligations was based on an estimate of the following quarter's expenditures, rather than actual expenditures that had been incurred but not paid.

Status: Corrected.

2014-006

**Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225**

Initial Fiscal Year

Finding Occurred: 2012

Finding Summary: The ET Handbook No. 395, 5th Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2 (Handbook) states that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original claim file in addition to any documents pertaining to the Benefit Accuracy Measurement (BAM) investigation that were utilized. This includes documentation of the National Directory of New Hires crossmatch.

As part of our testing over the BAM Program, we tested compliance with the requirements relating to the investigative process and data

collection and maintenance. The files of 40 completed BAM cases were examined to ensure that all required documentation was included. For 11 cases, documentation to satisfy the National Directory of New Hires crossmatch requirement was not included in the file.

Status: Corrected.

**2014-007 Department of Employment, Training and Rehabilitation
Unemployment Insurance, CFDA 17.225**

Initial Fiscal Year

Finding Occurred: 2014.

Finding Summary: The OMB Circular A-133 Compliance Supplement references Pub. L. No. 112-40 and notes that “States are prohibited from providing relief from charges to an employer’s Unemployment Compensation account when overpayments are the result of the employer’s failure to respond timely or adequately to a request for information”.

As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments, including not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Based on our procedures, we noted that the system implemented during the fiscal year 2014 by the Department of Employment, Training and Rehabilitation to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

State’s Response: In response to the Initial Determination (ID), the State of Nevada explained that the UINV Change Request (CR14/9917) was identified and created in HPQC (defect reporting tool) on 9/27/2012 with basic information. Capgemini did not provide a cost estimate for the change request at that time. There was a later request by Capgemini to rewrite the CR with additional specifics for cost estimate purposes.

On 6/11/2015, information was added to HPQC to further document the request. Capgemini scheduled a telephone conference on 1/07/2016 to review requested business requirements. Unemployment Insurance Support Services (UISS) business staff continue to engage in on-going communications to assist the vendor in developing the requested system

functionality. The exact completion and implementation date(s) for the required system functionality has yet to be finalized.

Status: Not corrected.

2014-011 **Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Programs, CFDA 17.258
WIA Youth Activities, CFDA 17.259
WIA Dislocated Workers, CFDA 17.278**

Initial Fiscal Year

Finding Occurred: 2013

Finding Summary: The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our audit procedures, we tested six first-tier subawards funded under the Federal Assistance Identification Number (FAIN) AA-22111-13-55-A-32. The following reporting errors were noted:

- The information reported in the Funding Accountability and Transparency Subaward Reporting System (FSRS) for the key data element Subaward Number was incorrect for three of the six subawards tested.
- The information reported in FSRS for the key data element Subaward Obligation/Action Date was incorrect for four of the six subawards tested.
- The subaward data was reported in FSRS on October 9, 2013. However, as funds were obligated for two of the six subawards on April 1, 2013, the reporting was required to be completed on or before May 30, 2013.

Status: Corrected.

2014-013 **Department of Employment, Training and Rehabilitation
Rehabilitation Services Vocational Rehabilitation Grants to States,
CFDA 84.126**

Initial Fiscal Year

Finding Occurred: 2013

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

As part of our testing, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 40 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met.

State's Response: The Rehabilitation Division is unsure why all our efforts to correct the audit findings related to the eligibility time requirements, IPE time requirements, and financial needs test requirements have not been successful. The Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our

case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exceptions to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

As to the inadequacy of these efforts, I can only hypothesize as to the possible barriers to achieving 100% compliance in these three areas. However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its corrective action plan from the previous year's single audit. (The CAP was implemented between March 7, 2016 -May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

Another contributing factor may be that the Division was unable to conduct any new counselor training academies in SFY16 due to a vacancy on our 2-person QA team. Lastly, a contributing factor may be the sheer volume of change that the vocational rehabilitation staff have experience since the passage of the Workforce Innovation and Opportunity Act (WIOA) in July 2014. Title IV within WIOA includes amendments to the Rehabilitation Act, and most were effective immediately upon signing of the Act. However, it was two years before federal regulations were issued, and not until late Sept. 2016 did Nevada VR receive guidance on WIOA and the regulations from our federal oversight agency, the Rehabilitation Services Administration (RSA). Over this two and a half year time period, Nevada's VR program has interpreted and re-interpreted the law, and implemented changes to policy and procedure and internal controls, sometimes several times over. It is the belief of Rehabilitation Division leadership that staff have been overwhelmed and overburdened with the constant change and added requirements of WIOA. It is our belief that staff need better tools, more resources and a consistent approach to rehabilitation counseling to enable them to comply with all federal requirements on a consistent basis.

Status: Not corrected.

**2014-015 Department of Employment, Training and Rehabilitation
Social Security Disability Insurance, CFDA 96.001**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the State Disability Determination Services (DDS) agency must provide procedures for performing medical license verifications to ensure only qualified providers perform consultative examinations (CE). Qualified is defined as the provider being currently licensed in the State, having the training and experience to perform the type of examination to test the DDS request, and not being barred from participating in Medicare or Medicaid programs or other Federal or federally assisted programs.

Prior to using the services of any CE provider, the DDS must (1) check the Health and Human Services, Office of the Inspector General (HHS OIG) List of Excluded Individuals and Entities (LEIE) and (2) verify medical licenses, credentials, and certifications with state medical boards. In addition, the DDS must conduct periodic license checks of CE providers used by the DDS, including providers who perform CEs

near and across the borders of neighboring states. The DDS is required to (1) review the HHS OIG LEIE for each CE provider at least annually, and (2) verify license renewals.

As part of our testing over the Social Security Disability Insurance program, we performed procedures for 14 CE providers to determine whether the Nevada Department of Employment, Training and Rehabilitation was performing license verifications and reviewing the HHS OIG LEIE as required. Of the 14 providers tested, ten did not have the required license verification procedures performed and the HHS OIG LEIE had not been reviewed for 13 providers.

Status: Corrected.

2014-016 **Department of Transportation**
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219

Initial Fiscal Year
Finding Occurred: 2009

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A), “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for two prime contractors and their subcontractors. Although the certified weekly payrolls were received, we noted several instances where the payrolls were submitted more than one week after the end of the weekly payroll. For the payrolls that were submitted later than one week, there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.

State's Response: The Nevada Department of Transportation efforts were initiated during the year resulting in the new Certified Payroll and Contract Compliance manual that Rudy Malfabon, Transportation Director signed in August of 2015. Training was held with all of the construction crews in the latter half of last year and with NDOT and Consultant Resident Engineers in April 2016 at the Annual R.E. Academy.

The manual was revised effective April 2016 to include a new requirement that contractors must submit their weekly certified payrolls within seven days of the payment date. The FHWA Nevada Division Office reviewed both manuals and found the following statements contained within the manuals to be in compliance with 29CFR Part 5 (please see attach letter from FHWA dated October 4, 2016):

August 2015 manual: "Payroll and no-performance payroll reports must be entered into LCPtracker within seven days of the week ending date."

April 2016 manual: "Payroll and no-performance payroll reports must be entered into LCPtracker within seven days of the payment date by the contractor to the worker."

The contract compliance software known as LCP tracker provides a much more efficient and automated process for field personnel to check payrolls on a weekly basis. Each resident engineer (RE) shall be responsible to ensure compliance with the revised requirements.

On September 27, 2016, Director Malfabon requested FHWA consideration of a revision to the process to require weekly certified payrolls be submitted within 14 calendar days of the week ending date (see attached letter). This will make compliance easier to confirm using the LCPtracker system. The attached October 4, 2016, response from FHWA is supportive of this change to a "yet-to-be published" revision to the NDOT manual.

Tracy Larkin-Thomason, Deputy Director is responsible for this corrective action.

Status: Not corrected.

2014-017

**Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A**

Recreational Trails Program, CFDA 20.219

Initial Fiscal Year

Finding Occurred: 2010

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Our procedures included reviewing the Department's Acceptance Testing Frequency Report for each project, which serves to document the number of tests required, performed and the results of the tests, and the related documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Three of 30 federally funded construction projects completed during the year were tested. One of the projects, 3397, required tests to be performed and additional independent assurance (IA) testing related to the initial tests. We noted that the IA testing for materials for the project were not performed as prescribed on the Required Minimum Number of Tests-IA column of the Acceptance Testing Frequency Report.

State's Response: New procedures have been implemented to ensure that all required tests have been performed in accordance with the Nevada Department of Transportation's Construction Manual Testing Frequencies for Independent Quality Assurance. In all cases the contracts selected for this audit were constructed and completed prior to the Department implementing new procedures to ensure testing frequencies are met. The Single Audit for year ending June 30, 2013 resulted in similar findings to the above referenced audit finding which resulted in the Department developing, implementing, and enforcing these new procedures. However, the construction contracts selected under this audit were all still under the processes and procedures prior to June 2013, as such they are not reflective of any current processes and procedures. In fact all the contracts reflected on this audit finding have data that was recorded on NDOT Form 040-075 Rev 03-2012 which was replaced by NDOT Form 040-076 Rev 06-2013 and supplemented with the Construction Division Policy and Procedure Memo 01-2015 (Please see attached).

In going forward the Department would like to request that additional coordination efforts be implemented during the selection of projects for audit to help ensure that an accurate sampling of projects under current processes are being utilized for determination of meeting necessary criteria.

Sharon Foerschler, Administrator II and Stephen Lani, Administrator I, are responsible for this corrective action.

Status: Not Corrected.

2014-019 **Department of Administration**
State Energy Program, CFDA 81.041
ARRA State Energy Program, CFDA 81.041A

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. The U.S. Department of Energy issued SEP Program Notice 10-008B, Guidance For State Energy Program Grantees on Financing Programs, which provides that all program income, including interest earned, is subject to the terms and conditions of the original grant, and that federal funds used to capitalize a revolving loan fund maintain their federal character in perpetuity, and federal requirements apply at each revolution of the revolving loan funds.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the expenditure and program income amounts on the SEFA to the State's accounting system, we noted that expenditures and program income related to the State's revolving loan fund capitalized with SEP ARRA funds were not included on the SEFA.

State's Response: The job number for the revolving loan program was not consistently used by 1) GOE when sending over documents for processing 2) ASD when receiving incoming funds – applying JVR corrections and 3) ASD when transferring funds from BA 4875 to BA 4868. This has been rectified during the process of learning and servicing these budgets. ASD staff now has grant/job number sheets for each budget and knowledge that all transactions for GOE must have a job number.

Status: Not corrected.

2014-020 **Department of Education**
Improving Teacher Quality, CFDA 84.367
Striving Readers, CFDA 84.371
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, CFDA 84.388A

Initial Fiscal Year
Finding Occurred: 2013

Finding Summary: The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward equal to or greater than \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our testing, we planned to test the subaward data entered into the FFATA Subaward Reporting System (FSRS). It was noted that the required reporting for FFATA had not been performed for subawards and no evidence was available to support that efforts had been made to report such information.

State's Response: The FFATA report for Striving Readers was corrected. The Title II, Part A, Improving Teacher Quality required data elements for the Federal Funding Accountability and Transparency Act (FFATA) were submitted, but not in a timely manner. The Nevada Department of Education restructured the Fiscal Grant Unit and Leslie James, the prior EPP, retired. All Title II, Part A, subawards to Local Education Agencies, valued greater than or equal to \$30,000, were reported. The School Improvement Grants FFATA report was not able to be produced for auditor review, however evidence of submission was provided. The corrective action was not implemented because of

trained staff being on extended leave and then following vacancies. In the future, NDE will hire contracted personnel to handle the duties of any key staff members who are unavailable to do federal and state reporting.

Status: Partially corrected.

2014-021 **Department of Education**
Improving Teacher Quality, CFDA 84.367
Striving Readers, CFDA 84.371
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, CFDA 84.388A

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: U.S. Department of the Treasury regulations at 31 CFR part 205 Subpart B indicate that the timing and amount of funds drawn must be as close as is administratively feasible to a State's actual cash outlay for direct program costs.

We planned to test a sample of cash draws to ensure funds were requested as close as administratively feasible to the actual cash outlay. For all of the cash draws that we selected for testing, the Nevada Department of Education was unable to provide adequate support to identify the program costs that the cash draws were being prepared for. Therefore, we were unable to determine that funds were drawn as close as administratively feasible to the actual cash outlay.

Status: Corrected.

2014-022 **Silver State Health Insurance Exchange**
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges, CFDA 93.525

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward equal to or

greater than \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our audit procedures, it was noted that the required reporting for FFATA had not been performed for any of the five subawards associated with the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges Program.

Status: Corrected.

2014-023 **Department of Health and Human Services, Division of Welfare and Supportive Services**
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, CFDA 93.777
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement for the Medicaid Cluster provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan.

As part of our audit procedures, we selected a sample of Medicaid recipients and reviewed their eligibility status. The total sample consisted of two separate populations.

The first population consisted of recipients whose case files had been reviewed as part of the State's quality control procedures. Of the ten case files reviewed, we noted one instance where, as a result of the quality control review, the recipient had been determined to be ineligible for Medicaid benefits. However, no action was taken as a result of the quality control review and the recipient continued to be eligible to receive Medicaid benefits.

The second population of our sample consisted of recipients who had been determined to be eligible by the State based on factors other than their Modified Adjusted Gross Income, i.e. non-MAGI determinations. Of the 30 non-MAGI determination case files reviewed, we noted one

instance where, due to a data entry error in the NOMADS system, the recipient was incorrectly determined to be eligible for Medicaid benefits.

State's Response: DWSS addressed and took corrective measures to rectify the case eligibility issues and the correction of error memos through efforts of our Quality Assurance team. While these reviews helped to mitigate potential errors due to coding performed manually by individuals, additional measures were implemented following the FY2015 audit finding hoping to help alleviate future errors.

Status: Not corrected.

2014-024 **Department of Health and Human Services, Division of Welfare and Supportive Services**
Low-Income Home Energy Assistance, CFDA 93.568
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward equal to or greater than \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our audit procedures, it was noted that the required reporting for FFATA had not been performed for any of the subawards associated with the Low-Income Home Energy Assistance Program and the Child Care and Development Fund Cluster.

State's Response: The division completed the FFATA report for LIHEAP on September 23, 2015 and FFATA reporting for CCDF for both FFY14 and FFY15 was completed on October 2, 2015; and timely reporting continues. The untimely reports were related to the unexpected death of an individual responsible for the FFATA reporting and the time it took for the federal agency to move the reporting data over to a new individual's account so that we could report. Additionally there was a learning curve for staff. A new procedure was implemented and is in

place for a supervisor to review all FFATA reports prior to submission through the FFATA FSRS. The Management Analyst 1 in the Budget and Statistics unit provides the draft FFATA report, along with backup to the Contract Manager for review. The Contract Manager signs and dates the draft signifying it is okay to submit. Updated procedures now include a group account so multiple DWSS budget staff are able to access/update reporting should an individual not be available to complete the report.

Status: Partially corrected.

2014-025 **Department of Health and Human Services, Division of Welfare and Supportive Services**
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency, as well as ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipients take timely and appropriate corrective action on all audit findings. Further, the pass-through entity is responsible for obtaining the DUNS number for each subgrantee.

As part of our audit procedures, we determined that the Nevada Division of Welfare and Supportive Services had awarded funds to two subrecipients. However, it was noted that subrecipient monitoring procedures had not been performed.

State's Response: DWSS had previously considered the two entities as vendors, took appropriate corrective action after the audit was conducted during 2015 (for SFY14) and converted the two entities in question to sub grantees effective July 1, 2015; the beginning of the next state fiscal year (SFY16). Appropriate steps were taken to ensure all parties are aware of the required monitoring and audit requirements. Due to the timing

and effective date involved in rectifying this issue, the division acknowledged this would result in a repeat finding the next year as seen in finding 2015-24.

Status: Partially corrected.

**2014-028 Department of Health and Human Services, Division of Public and Behavioral Health
Block Grants for Community Mental Health Services, CFDA
93.958**

Initial Fiscal Year
Finding Occurred: 2013

Finding Summary: The OMB Circular A-133 Compliance Supplement identifies two maintenance of effort requirements for this program: (1) the State shall, for each fiscal year, maintain aggregate State expenditures for community mental health centers at a level that is not less than the average level of such expenditures by the State for the two fiscal years preceding the fiscal year of the grant (42 USC 300x-4(b)), and (2) the State shall expend an amount not less than an amount equal to the amount expended in fiscal year 1994 for systems of integrated services for children with serious emotional disturbance (42 USC 300x-2(a)(1)(C)).

The Division of Public and Behavioral Health has developed a "Maintenance of Effort Calculation" spreadsheet that calculates and compares the current year State expenditures for community mental health centers to the average of the previous two years, and also tracks the State spending for services for children with serious emotional disturbance. During our audit procedures we noted that, although the spreadsheet appeared to have been maintained through fiscal year 2012, the data included for both fiscal year 2013 and fiscal year 2014 was not complete. The spreadsheet did not include amounts from the Division of Child and Family Services for either year. Given that the spreadsheet was not complete, we were unable to test if the requirements were met.

State's Response: Although the Division has procedures in place to calculate the Community Mental Health Services (CMHS) Block Grant maintenance of effort, it did not disburse sufficient state funds in fiscal year 2016 to meet the required amount of expenditures.

In an e-mail dated February 9, 2017, the Substance Abuse and Mental Health Services Administration (SAMHSA) requested information

regarding the CMHS shortfall for fiscal year 2016. The Division is preparing a response showing client service data in which the State can justify material compliance with federal regulations. The Division is working on the development of a new methodology for the identification and tracking CMHS maintenance of effort and is actively working with SAMHSA staff to resolve this issue.

Status: Partially corrected.

2014-029 **Department of Health and Human Services, Division of Public and Behavioral Health**
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: As noted in the OMB Circular A-133 Compliance Supplement, the State shall maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant (42 USC 300x-30).

During our audit, we compared the amount of State expenditures related to the Prevention and Treatment of Substance Abuse Block Grant during fiscal year 2014 to the average State expenditures of the two prior years. We noted that fiscal year 2014 State expenditures totaled \$9,939,004, while the average of the two preceding fiscal years was calculated to be \$10,718,221. Therefore, the amount of fiscal year 2014 State expenditures was less than the required level of effort by \$779,217.

Status: Corrected.

2014-031 **Department of Health and Human Services, Division of Public and Behavioral Health**
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557
National Bioterrorism Hospital Preparedness Program (HPP), CFDA 93.889
Block Grants for Community Mental Health Services, CFDA 93.958

**Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959**

Initial Fiscal Year

Finding Occurred: 2013

Finding Summary: The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain Federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our testing, we planned to test the subaward data entered into the FFATA Subaward Reporting System (FSRS). It was noted that the required reporting for FFATA had not been performed for subawards and no evidence was available to support that efforts had been made to report such information.

State's Response: The policy and procedures the Division created was unable to be implemented as the assigned Management Analyst III workload did not allow time to update and complete the reporting.

Due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. A major duty of this position will be to ensure FFATA reporting is completed.

Status: Not corrected.

2014-033 **Department of Health and Human Services, Division of Public and Behavioral Health
National Bioterrorism Hospital Preparedness Program (HPP),
CFDA 93.889**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's

audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

As part of our audit procedures, we noted that the Nevada Division of Public and Behavioral Health had four subrecipients for this program, representing approximately 68% of total Federal expenditures. The Nevada Division of Public and Behavior Health did not ensure required subrecipient audits were completed, monitor audit reports for findings, or issue management decisions, if applicable, for any of the subrecipients.

State's Response: The Division was in the process of automating its contract management system to allow time for an existing Management Analyst II to serve as the Division's Compliance Officer for subrecipient audit reports. However, the Division was unable to automate its system due to funding and State Purchasing requirements.

The Division is still pursuing an automated contract management system and anticipates to implement it in SFY 18. Additionally, due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of this position's duties will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

Status: Not corrected.

2014-035 **Department of Health and Human Services, Division of Public and Behavioral Health**
National Bioterrorism Hospital Preparedness Program (HPP),
CFDA 93.889

Initial Fiscal Year
Finding Occurred: 2013

Finding Summary: The OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, compliance requirements state that where employees are expected to work solely on a single Federal award or cost

objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

The Nevada Division of Public and Behavioral Health allocate salary and benefit charges to the Hospital Preparedness Program according to percentages assigned to the employee positions. The personnel activity reports (time cards) signed by employees are exception-only reports, and by including a notation of the percent of time worked on the Hospital Preparedness Program on the time cards, they effectively support the amount of salary and benefit costs that should have been charged to the program.

During our testing of payroll charges to this program, we examined 25 time cards for employees who work on multiple activities or Federal programs, including the Hospital Preparedness Program. It was noted that in two instances the time cards tested did not include any notations by the employees to support the amount of their time allocated to Federal awards. Because those time cards did not identify the Federal programs and time allocation on them, the time cards did not meet the standards for documentation.

State's Response:

The HPP Program has internal controls to ensure that documentation of time and effort by all employees is adequate to support salary and benefits charged to the Hospital Preparedness Program. However, some of the time cards that were approved did not have the percentage of time worked on the Hospital Preparedness Program. The program has had new staff and this was an oversight by the supervisor.

The HPP will provide additional training to program supervisors to ensure time and effort by all employees is adequate on the timesheets to support salary and benefits charged to the Hospital Preparedness Program grant.

Status:

Not corrected.

2014-039

**Department of Health and Human Services, Division of Child and Family Services
Foster Care – Title IV-E, CFDA 93.658**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

As part of our testing over Foster Care maintenance payments, we tested 40 foster care providers who received maintenance payments during the year. We noted that four of those 40 foster care providers received at least one day of duplicate payments during the year (seven days in total). Therefore, these providers were paid twice for the same day of service.

State's Response:

The concurrency control has been actively investigated for the past several years, programming and testing has identified that a problem still exists. The problem occurs when a one-day overlap in Service Authorizations exists (causing a one-day overpayment). This has not been an easy programming-fix. One control rule is "do not pay for last day (date of discharge)", which is working perfectly. However service authorization renewals must have continuous dates, as does placement changes so there is not a gap of one-day (causing a one-day underpayment).

The Eligibility Unit will continue to review payments prior to them being issued to catch any improper payments (overpayments or underpayments) due to the concurrency control issues still identified within the old UNITY system Payment Windows. The Fiscal Assignment procedure to address this manual process was implemented in February 2016 and will stay in effect until the automated process is fully programmed, the user-testing shows no deficiencies and deployed to production.

Status:

Not corrected.

2014-040 **Department of Health and Human Services, Division of Child and Family Services**
Foster Care - Title IV-E, CFDA 93.658

Initial Fiscal Year
Finding Occurred: 2013

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).

As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the State's IV-E plan to provide for the periodic review of maintenance payment rates at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness.

State's Response: The State of Nevada has submitted an amendment to the Title IV-E plan to address the need to review maintenance payments and has developed a process which defines how the review will be conducted. This information which was submitted as part of the Title IV-E plan.

The State of Nevada will convene a statewide workgroup in July 2017 to include its county partners to develop a policy to address Nevada's foster care rates and review requirements based on the process that has been developed. The website has been updated with current rates and will include the new rates and the effective dates once established.

Status: Not corrected.

2014-041 **Department of Health and Human Services, Division of Child and Family Services**
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

We selected the quarter ended March 31, 2014 as part of our testing over the Nevada Division of Child and Family Services' cost allocation plan. During this testing, we examined the cost information and allocation statistics used in the report. However, we were unable to verify that the cost information was allocated using the appropriate allocation statistics in accordance with the approved cost allocation plan.

State's Response: The Division of Child and Family Services has revised procedures for completing the Cost Allocation Methodology that include the review of the documentation used to determine what the allocation statistics are during each quarter. In addition, the procedure includes a review of the results of processing cost allocation, identification of problems and what to do to resolve them.

Documentation of changes in processes and allocation methods is being retained to ensure proper implementation of the approved cost allocation plan. New processes are also being reviewed to ensure they are working correctly.

In 2017 the Division re-structured its Fiscal and Grant Management Units to enhance duties and workflow dedicated to respective areas to develop a workforce with expertise for each area, rather than staff shuffling too many duties with multiple deadlines. The Grants Management Unit is continuing to strengthen its Cost Allocation documentation and review processes.

Status: Not corrected.

2015-A **Controller's Office**
Significant Deficiency

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting

the gain/loss on refunding transactions is a key component of effective internal control over financial reporting.

A prior period adjustment of approximately \$38,000,000 was required to correct the amortization of the gain/loss on the refunding of certain bonds. The State of Nevada amortized the gain/loss on refunding transactions over the shorter of the life of the old debt or the life of the new debt, as required. Because it was the State of Nevada's policy to refund debt on the first available call date, the State of Nevada calculated the life of the old debt as ending on the call date. However, during the year, the State of Nevada became aware of a recently issued Question and Answer that clarified that the life of the old debt should run through the original end date of the issue.

Status: Corrected.

**2015-B Controller's Office
Significant Deficiency**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly capitalizing assets in the government- wide financial statements is a key component of effective internal control over financial reporting.

A journal entry was required to properly report a capital asset addition during the year. Land in the approximate amount of \$10,000,000 was recorded as an asset in 2012 and inadvertently recorded again in 2015 as part of the completed project.

Status: Corrected.

**2015-001 U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559
Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-87 requires that for costs to be considered allowable under Federal awards, they must be adequately documented.

As part of our testing over allowable costs/cost principles we tested a sample of 40 transactions for compliance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For two of the transactions selected for testing, the Nevada Department of Agriculture was unable to locate the supporting documentation.

Status: Corrected.

2015-002

**U.S. Department of Agriculture
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553
National School Lunch Program, CFDA 10.555
Special Milk Program for Children, CFDA 10.556
Summer Food Service Program for Children, CFDA 10.559
Cash Management
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of Federal cash draws, we noted that procedures at the Nevada Department of Agriculture require that draws are reviewed and approved by an individual independent of the preparation process prior to submission for processing. As part of our audit procedures, we examined the transaction detail and supporting documentation for five draws out of a population of 29 to ensure that all required documentation was included and approvals were in place. Out of the five draws tested, the supporting documentation for one draw was missing from agency records, and three of the four remaining draws lacked documentation of required approvals.

State's Response: Given the timing of when audit findings were received by Nevada Department of Agriculture, implementation of necessary changes was

not able to be performed before the end of fiscal year 2016. The Department is working on updating policies and procedures for Federal cash draws. The Department has changed procedures whereas the Management Analyst III prepares the draws and the Account Technician 1 reviews and enters the Federal cash draw into ASAP.

Status: Not corrected.

2015-003 **U.S. Department of Labor**
Unemployment Insurance, CFDA 17.225
Special Tests and Provisions – UI Benefit Payments
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year
Finding Occurred: 2012

Finding Summary: The ET Handbook No. 395, 5th Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2 (Handbook) states that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original claim file in addition to any documents pertaining to the Benefit Accuracy Measurement (BAM) investigation that were utilized. This includes documentation of the Claimant Questionnaire and Overpayment/underpayment actions.

As part of our testing over the BAM program, we tested compliance with the requirements relating to the investigative process and data collection and maintenance. The files of 60 completed BAM cases were examined to ensure that all required documentation was included. For two cases, all required documentation was not included. The first case improperly excluded the Claimant Questionnaire and the second case improperly excluded the Overpayment/underpayment actions.

Status: Corrected.

2015-004 **U.S. Department of Labor**
Unemployment Insurance, CFDA 17.225
Special Tests and Provisions – Match with IRS 940 FUTA Tax
Form
Material Weakness in Internal Control over Compliance

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that States are required to annually certify for each taxpayer the total amount of contributions required to be paid under the State law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the Federal Unemployment Tax Act (FUTA). In order to accomplish this certification, States annually perform a match of employer tax payments with credit claimed for these payments on the employer's IRS 940 FUTA tax form.

As part of our testing over the annual match of employer tax payments with the employer's IRS 940 FUTA tax form performed by the Nevada Department of Employment, Training and Rehabilitation, we tested a sample of 42 employers from the annual match report provided by the U.S. Department of Labor and compared the contribution data per the report to the data recorded in the State's system. Of the 42 employers selected for testing, we noted three instances where the data per the annual match report did not agree to the State's system.

Status: Corrected.

2015-005 **U.S. Department of Labor**
Unemployment Insurance, CFDA 17.225
Special Tests and Provisions – UI Program Integrity,
Overpayments
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement references Pub. L. No. 112-40 and notes that States are prohibited from providing relief from charges to an employer's Unemployment Compensation account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments, including not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Based on our procedures, we noted that the system implemented during fiscal year 2014 by the Department of Employment, Training and Rehabilitation to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

State's Response: Work on UINV Change Request (CR) #14 has been completed and the functionality is currently being tested in the User Acceptance Test (UAT) environment. Once the functionality passes the UAT phase, it will be deployed into the UINV production environment. It is anticipated that the CR #14 will be deployed in mid-October 2016, thereby resolving Finding 2015-05.

Follow-up response sent via email to U.S. DOL representative. As for Finding 2015-05, the UINV Change Request #14 has been completed and is in the User Testing Acceptance Phase and should be scheduled for production soon, however, our IDP staff (in conjunction with the system users) have not been able to provide a final deployment date as yet due to a variety of conflicting priorities. Nonetheless, we anticipate this step to occur this month sometime. We will notice you once this is done.

Status: Not corrected.

2015-006 **U.S. Department of Labor**
Rehabilitation Services_Vocational Rehabilitation Grants to States,
CFDA 84.126
Eligibility
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

As part of our testing, we selected a sample of 60 individuals to verify their eligibility for Vocational Rehabilitation services and noted two exceptions. For one of the 60 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met. For another one of the 60 individuals selected for testing, adequate documentation was not maintained to determine whether the individual was determined to be eligible for services within a reasonable time, not to exceed 60 days.

State's Response:

The Rehabilitation Division is unsure why all our efforts to correct the audit findings related to the eligibility time requirements, IPE time requirements, and financial needs test requirements have not been successful. The Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email

from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exceptions to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

As to the inadequacy of these efforts, I can only hypothesize as to the possible barriers to achieving 100% compliance in these three areas. However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its corrective action plan from the previous year's single audit. (The CAP was implemented between March 7, 2016 -May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

Another contributing factor may be that the Division was unable to conduct any new counselor training academies in SFY16 due to a vacancy on our 2-person QA team. Lastly, a contributing factor may be the sheer volume of change that the vocational rehabilitation staff have experience since the passage of the Workforce Innovation and Opportunity Act (WIOA) in July 2014. Title IV within WIOA includes amendments to the Rehabilitation Act, and most were effective immediately upon signing of the Act. However, it was two years before federal regulations were issued, and not until late Sept. 2016 did Nevada VR receive guidance on WIOA and the regulations from our federal

oversight agency, the Rehabilitation Services Administration (RSA). Over this two and a half year time period, Nevada's VR program has interpreted and re-interpreted the law, and implemented changes to policy and procedure and internal controls, sometimes several times over. It is the belief of Rehabilitation Division leadership that staff have been overwhelmed and overburdened with the constant change and added requirements of WIOA. It is our belief that staff need better tools, more resources and a consistent approach to rehabilitation counseling to enable them to comply with all federal requirements on a consistent basis.

Status: Not corrected.

**2015-007 U.S. Department of Labor
Rehabilitation Services_Vocational Rehabilitation Grants to States,
CFDA 84.126
Eligibility Material Weakness in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that the State may choose to consider the financial needs of eligible individuals, or individuals who are receiving services during a trial work experience or an extended evaluation, for the purpose of determining the extent of their participation in the cost of Vocation Rehabilitation (VR) services. If the State indicates in its State Plan that it will use financial needs tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances.

The Nevada Department of Employment, Training and Rehabilitation Participant Services Policy and Procedures Manual (the Manual) provides that participants, who are not otherwise exempt, are expected to participate in the cost of Individualized Plan for Employment services and non-assessment services provided as part of Trial Work Experience(s) Plans, Extended Evaluation Plans or Post Employment Plans. During intake, it must be determined if the participant meets the financial needs exemption guidelines. If so, the "Meets Financial Needs" box in the Rehabilitation Automated Information System of Nevada (RAISON) must be checked.

As part of our testing over eligibility, we noted that five out of 23 participants met the financial needs exemption guidelines outlined in

the Manual. However, the “Meets Financial Needs” box in RAISON was improperly checked “No” for each of the five participants.

State’s Response:

The Rehabilitation Division is unsure why all our efforts to correct the audit findings related to the eligibility time requirements, IPE time requirements, and financial needs test requirements have not been successful. The Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General’s office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exceptions to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management

Review each July, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

As to the inadequacy of these efforts, I can only hypothesize as to the possible barriers to achieving 100% compliance in these three areas. However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its corrective action plan from the previous year's single audit. (The CAP was implemented between March 7, 2016 -May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

Another contributing factor may be that the Division was unable to conduct any new counselor training academies in SFY16 due to a vacancy on our 2-person QA team. Lastly, a contributing factor may be the sheer volume of change that the vocational rehabilitation staff have experience since the passage of the Workforce Innovation and Opportunity Act (WIOA) in July 2014. Title IV within WIOA includes amendments to the Rehabilitation Act, and most were effective immediately upon signing of the Act. However, it was two years before federal regulations were issued, and not until late Sept. 2016 did Nevada VR receive guidance on WIOA and the regulations from our federal oversight agency, the Rehabilitation Services Administration (RSA). Over this two and a half year time period, Nevada's VR program has interpreted and re-interpreted the law, and implemented changes to policy and procedure and internal controls, sometimes several times over. It is the belief of Rehabilitation Division leadership that staff have been overwhelmed and overburdened with the constant change and added requirements of WIOA. It is our belief that staff need better tools, more resources and a consistent approach to rehabilitation counseling to enable them to comply with all federal requirements on a consistent basis.

Status:

Not corrected.

2015-008

**U.S. Department of Labor
Rehabilitation Services Vocational Rehabilitation Grants to States,
CFDA 84.126
Special Tests and Provisions – Completion of IPEs
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that when an Individualized Plan for Employment (IPE) is required for the provision of Vocational Rehabilitation services under Section 103(a) of the Rehabilitation Act of 1973, as amended, it must be done as soon as possible, but not later than 90 days after the date of determination of eligibility by the State Vocational Rehabilitation agency, unless the State Vocational Rehabilitation agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed.

As part of our testing, we selected a sample of individuals to verify that IPEs were performed timely as required by the OMB Circular A-133 Compliance Supplement.

Out of five IPEs tested, three IPEs were performed later than 90 days after the date of determination of eligibility and there was no evidence that an extension of the deadline was agreed upon by the Vocational Rehabilitation agency and the eligible individual.

State's Response: The Rehabilitation Division is unsure why all our efforts to correct the audit findings related to the eligibility time requirements, IPE time requirements, and financial needs test requirements have not been successful. The Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors

and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exceptions to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload). The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

As to the inadequacy of these efforts, I can only hypothesize as to the possible barriers to achieving 100% compliance in these three areas. However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and all of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its corrective action plan from the previous year's single audit. (The CAP was implemented between March 7, 2016 -May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

Another contributing factor may be that the Division was unable to conduct any new counselor training academies in SFY16 due to a vacancy on our 2-person QA team. Lastly, a contributing factor may be the sheer volume of change that the vocational rehabilitation staff have experience since the passage of the Workforce Innovation and Opportunity Act (WIOA) in July 2014. Title IV within WIOA includes amendments to the Rehabilitation Act, and most were effective immediately upon signing of the Act. However, it was two years before federal regulations were issued, and not until late Sept. 2016 did Nevada VR receive guidance on WIOA and the regulations from our federal oversight agency, the Rehabilitation Services Administration (RSA). Over this two and a half year time period, Nevada's VR program has interpreted and re-interpreted the law, and implemented changes to policy and procedure and internal controls, sometimes several times over. It is the belief of Rehabilitation Division leadership that staff have been overwhelmed and overburdened with the constant change and added requirements of WIOA. It is our belief that staff need better tools, more resources and a consistent approach to rehabilitation counseling to enable them to comply with all federal requirements on a consistent basis.

Status: Not corrected.

2015-009 **Social Security Administration**
Disability Insurance/SSI Cluster:
Social Security Disability Insurance, CFDA 96.001
Special Tests and Provisions – Consultation Examination Process
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the State Disability Determination Services (DDS) agency must provide procedures for performing medical license verifications to ensure only qualified providers perform consultative examinations (CE). Qualified is defined as the provider being currently licensed in the State, having the training and experience to perform the type of examination to test the DDS request, and not being barred from participating in Medicare or Medicaid programs or other Federal or federally assisted programs.

Prior to using the services of any CE provider, the DDS must (1) check the Health and Human Services, Office of the Inspector General (HHS

OIG) List of Excluded Individuals and Entities (LEIE) and (2) verify medical licenses, credentials, and certifications with state medical boards. In addition, the DDS must conduct periodic license checks of CE providers used by the DDS, including providers who perform CEs near and across the borders of neighboring states. The DDS is required to (1) review the HHS OIG LEIE for each CE provider at least annually, and (2) verify license renewals.

To determine whether the Nevada Department of Employment, Training and Rehabilitation was performing license verifications and reviewing the HHS OIG LEIE as required, we attempted to obtain a complete population of CE providers. During this process, it was noted that certain providers were listed as an entity that had rosters of multiple individual providers subject to the license verification and HHS OIG LEIE check.

Our procedures noted that the Nevada Department of Employment, Training and Rehabilitation did not obtain rosters for at least three of these entities. As such, the State of Nevada did not perform the license verification and the HHS OIG LEIE as required for the CE providers associated with these entities.

Status: Corrected.

**2015-010 Social Security Administration
Disability Insurance/SSI Cluster:
Social Security_Disability Insurance, CFDA 96.001
Reporting
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period and are presented in accordance with program requirements.

During our audit procedures, we selected two out of four SSA-4513 reports (State Agency Report of Obligation for SSA Disability Programs) submitted during the fiscal year for testing. On one of the reports tested, we noted that 14 line items included on the report did not agree to the State's underlying accounting data. On the other report tested, we noted that two line items included on the report did not agree to the State's underlying accounting data.

Status: Corrected.

**2015-011 U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219
Special Tests and Provisions – Wage Rate Requirements
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2009

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that non-Federal entities include in their construction contracts a requirement that the contractor complies with the requirements of the Department of Labor regulations regarding Wage Rate Requirements. This includes a requirement for the contractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Wage Rate Requirements and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for four prime contractors and their subcontractors, which totaled 203 weekly payrolls. Although the certified weekly payrolls were received, 44 weekly payrolls were submitted more than one week after the end of the weekly payroll. For the payrolls that were submitted later than one week, there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.

State's Response: The Nevada Department of Transportation efforts were initiated during the year resulting in the new Certified Payroll and Contract Compliance manual that Rudy Malfabon, Transportation Director signed in August of 2015. Training was held with all of the construction crews in the latter half of last year and with NDOT and Consultant Resident Engineers in April 2016 at the Annual R.E. Academy.

The manual was revised effective April 2016 to include a new requirement that contractors must submit their weekly certified payrolls within seven days of the payment date. The FHWA Nevada Division Office reviewed both manuals and found the following statements

contained within the manuals to be in compliance with 29CFR Part 5 (please see attach letter from FHWA dated October 4, 2016):

August 2015 manual: "Payroll and no-performance payroll reports must be entered into LCPtracker within seven days of the week ending date."

April 2016 manual: "Payroll and no-performance payroll reports must be entered into LCPtracker within seven days of the payment date by the contractor to the worker."

The contract compliance software known as LCP tracker provides a much more efficient and automated process for field personnel to check payrolls on a weekly basis. Each resident engineer (RE) shall be responsible to ensure compliance with the revised requirements.

On September 27, 2016, Director Malfabon requested FHWA consideration of a revision to the process to require weekly certified payrolls be submitted within 14 calendar days of the week ending date. This will make compliance easier to confirm using the LCPtracker system.

Tracy Larkin-Thomason, Deputy Director is responsible for this corrective action.

Status: Not corrected.

2015-012 **U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219
Special Tests and Provisions - Quality Assurance Program
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2010

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its

designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Our procedures included reviewing the Nevada Department of Transportation's Acceptance Testing Frequency Report for each project, which serves to document the number of tests required and performed, the results of the tests, and the related documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Out of 19 Federally funded construction projects completed during the year, four were selected for testing. For three of the projects tested, 3466, 3518, and 3526, not all of the required tests were performed. The Acceptance Test Frequency report could not be located for the remaining project selected for testing, project 3421.

State's Response: New procedures have been implemented to ensure that all required tests have been performed in accordance with the Nevada Department of Transportation's Construction Manual Testing Frequencies for Independent Quality Assurance. In all cases the contracts selected for this audit were constructed and completed prior to the Department implementing new procedures to ensure testing frequencies are met. The Single Audit for year ending June 30, 2013 resulted in similar findings to the above referenced audit finding which resulted in the Department developing, implementing, and enforcing these new procedures. However, the construction contracts selected under this audit were all still under the processes and procedures prior to June 2013, as such they are not reflective of any current processes and procedures. In fact all the contracts reflected on this audit finding have data that was recorded on NDOT Form 040-075 Rev 03-2012 which was replaced by NDOT Form 040-076 Rev 06-2013 and supplemented with the Construction Division Policy and Procedure Memo 01-2015 (Please see attached).

In going forward the Department would like to request that additional coordination efforts be implemented during the selection of projects for audit to help ensure that an accurate sampling of projects under current processes are being utilized for determination of meeting necessary criteria.

Sharon Foerschler, Administrator II and Stephen Lani, Administrator I, are responsible for this corrective action.

Status: Not corrected.

2015-013

**U.S. Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
Recreational Trails Program, CFDA 20.219
Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the Nevada Department of Transportation use qualification-based selection procedures when acting as a contracting agency to procure engineering and design services for construction projects using Federal-aid highway funding and that the written procurement procedures for each method of procurement used to procure engineering and design services must be approved by the Federal Highway Administration (FHWA).

The written procurement procedures used by the Nevada Department of Transportation during the fiscal year were not approved by the FHWA.

Status:

Corrected.

2015-014

**U.S. Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010
Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During our testing, we examined a sample of four subrecipients out of a population of 17. For one of the four subrecipients selected for examination, we noted that the Nevada Department of Education did not monitor its use of Federal awards through reporting, site visits, or

other means to obtain reasonable assurance that they were in compliance with laws, regulations, and the provisions of contracts or grant agreements.

State's Response: Given the timing of when audit findings were received by Nevada Department of Education, implementation of necessary changes was not able to be performed before the end of fiscal year 2016. The NDE Office of Student and School Supports will implement eNote Tracker, a web-based tool designed to streamline fiscal and program monitoring for State and Federal programs. The online system presents the user with the appropriate group of monitored items, and allows the sub-recipient to respond to those items by uploading evidentiary documents and/or responses. This requirement will be implemented immediately.

Status: Not corrected.

2015-015 **U.S. Department of Education**
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173
Matching, Level of Effort, Earmarking
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 provides that earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities.

We planned to test that the Nevada Department of Education monitor earmarking requirements. We found that the Nevada Department of Education is aware of earmarking requirements, as amounts had been allocated based on earmarking requirements. However, the Nevada Department of Education could not provide support that the earmarking requirements were met. Therefore we were unable to determine that the Nevada Department of Education was in compliance with the earmarking requirement.

State's Response: Given the timing of when audit findings were received by Nevada Department of Education, implementation of necessary changes was not able to be performed before the end of fiscal year 2016. The NDE

has already established an object code that will allow earmarking and tracking of expenditures for the programs. This will allow set asides to be earmarked and request for funds adequately be monitored and tracked through the Grants Management Unit. This required earmarking will be implemented immediately.

Status: Not corrected.

2015-016 **U.S. Department of Education**
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173
Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-87 provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be necessary and reasonable for the performance and administration of the Federal award, and be adequately documented.

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 40 payments to subrecipients for each program for compliance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87.

During testing, we noted that the Nevada Department of Education did not review or obtain supporting documentation prior to making payments to subrecipients. As such, we were unable to determine whether the amounts paid to subrecipients were for allowable costs.

State’s Response: Given the timing of when audit findings were received by Nevada Department of Education, implementation of necessary changes was not able to be performed before the end of fiscal year 2016. The Grants Management Unit will require general ledger backup to be submitted with all requests for funds. This will ensure that all reimbursements have the required documentation to support allowable costs and payment. This will be implemented immediately.

Status: Not corrected.

2015-017 **U.S. Department of Education**
Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173
Cash Management
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which define the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

We planned to test a sample of cash draws to ensure Federal funds were requested in compliance with the appropriate funding technique and clearance pattern per the Treasury-State Agreement. For all cash draws selected for testing, the Nevada Department of Education was unable to provide adequate support to identify the program costs for which the cash draws were being prepared. Therefore, we were unable to determine that funds were drawn in conformance with the specified funding technique and clearance pattern as outline in the Treasury-State Agreement.

State's Response:

Given the timing of when audit findings were received by Nevada Department of Education, implementation of necessary changes was not able to be performed before the end of fiscal year 2016. The NDE Office of Department Support has already in place a spreadsheet that will allow tracking of all cash draws. Each draw is scanned with proper worksheets and backup used for reconciliations. As an additional

precaution, the NDE is implementation additional data backups so information can be found in multiple locations.

Status: Not corrected.

2015-018 **U.S. Department of Education**
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173
Other
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

During our testing and reconciliation of the amounts on the SEFA to the State's accounting system, we identified amounts included on the SEFA that were not supported by the State's accounting system.

Status: Corrected.

2015-019 **U.S. Department of Education**
Special Education Cluster:
Special Education-Grants to States, CFDA 84.027
Special Education-Preschool Grants, CFDA 84.173
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 provides that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards

in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During our testing, we examined a sample of five subrecipients out of a population of 20. For three of the five subrecipients selected for examination, we noted that the Nevada Department of Education did not monitor its subrecipients' use of Federal awards through reporting, site visits, or other means to obtain reasonable assurance that the subrecipients were in compliance with laws, regulations, and the provisions of contracts or grant agreements.

State's Response: Given the timing of when audit findings were received by Nevada Department of Education, implementation of necessary changes was not able to be performed before the end of fiscal year 2016. The NDE Office of Student and School Supports will implement eNote Tracker, a web-based tool designed to streamline fiscal and program monitoring for State and Federal programs. The online system presents the user with the appropriate group of monitored items, and allows the sub-recipient to respond to those items by uploading evidentiary documents and/or responses. This requirement will be implemented immediately.

Status: Not corrected.

**2015-020 U.S. Department of Health and Human Services
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges, CFDA 93.525
Eligibility
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement for State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges states that eligible entities include an entity (a) incorporated under, and subject to the laws of, one or more States; (b) that has demonstrated experience on a State or regional basis in the individual and small group health insurance markets and in benefits coverage; and (c) that is not a health insurance issuer or that is treated under the Internal Revenue Code of 1986, as amended, (26 USC 52(a) or (b)) as a member of the same controlled group of corporations (or under common control with) as a health insurance issuer (42 USC 18031(f)(3); 45 CFR section 155.110(a)(1)).

During our audit testing over subrecipient eligibility, we examined a sample of two subrecipients out of a population of three and noted Nevada's Silver State Health Insurance Exchange was unable to provide support that it ensured the eligibility criteria was met prior to issuing a subgrant for one of the subrecipients. However, the subrecipient did appear to, ultimately, meet the criteria.

State's Response: The recurrence of this finding was due to timing. The 2016 Sub Awards were either close to or out for certification by the time the Exchange received, reviewed, and responded to this finding. During the 2016 request for application (RFA) process, the Exchange did test for Debarment and other eligibility criteria before signing a vendor into an agreement. These checks were just not documented on a check sheet. However the debarment check was printed out for documentation. The Exchange did develop a checklist which was added to our Internal Control June 21, 2016. This checklist will be used to ensure that eligibility criteria is met for any subrecipient prior to issuing subgrant funds for FY 2017.

Status: Not corrected.

**2015-021 U.S. Department of Health and Human Services
State Planning and Establishment Grants for the Affordable Care
ACT (ACA)'s Exchanges, CFDA 93.525
Procurement and Suspension and Debarment
Material Weakness in Internal Control over Compliance**

*Initial Fiscal Year
Finding Occurred:*

2015

Finding Summary:

The OMB Circular A-133 Compliance Supplement states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215. Non-Federal entities may verify that a party is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

During our audit testing, we tested a sample of two subawards out of a population of three for the suspension and debarment verification

procedures. We noted there was no support available to indicate the Silver State Health Insurance Exchange had ensured the two subrecipients were not suspended or debarred prior to entering into the covered transaction.

Status: Corrected.

2015-022 **U.S. Department of Health and Human Services**
State Planning and Establishment Grants for the Affordable Care
ACT (ACA)'s Exchanges, CFDA 93.525
Reporting
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of Federal Financial Reports (SF-425), we noted that the SF-425s were prepared and submitted without being reviewed by an individual independent of the preparation process. The review process is a key aspect of maintaining effective internal controls.

Status: Corrected.

2015-023 **U.S. Department of Health and Human Services**
State Planning and Establishment Grants for the Affordable Care
ACT (ACA)'s Exchanges, CFDA 93.525
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: A. OMB Circular A-133 states that a pass-through entity, at the time of the subaward, is responsible for providing to the subrecipient the Federal award information and applicable compliance requirements.

B. As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine

months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

A. As part of our audit procedures, we examined a sample of two subrecipients out of a population of three. We noted the subawards did not include the CFDA title, award name and number, and name of the awarding agency.

B. As part of our audit procedures, we examined a sample of two subrecipients out of a population of three. The Silver State Health Insurance Exchange did not review the subrecipient audit reports, or issue management decisions, if applicable, for any of the subrecipients tested.

Status: Corrected.

2015-024 **U.S. Department of Health and Human Services**
Child Care and Development Fund Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and
Development Fund, CFDA 93.596
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency, as well as ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipients take timely and appropriate corrective action on all audit findings. Further, the pass-through entity is responsible for obtaining the DUNS number for each subgrantee.

As part of our audit procedures, we determined that the Nevada Division of Welfare and Supportive Services had awarded funds to two

subrecipients. However, it was noted that subrecipient monitoring procedures had not been performed.

State's Response: Due to the timing and effective date involved in rectifying this issue, the division acknowledged this would result in a repeat of finding 2014-25. DWSS took appropriate corrective action after the audit conducted during 2015 (for SFY14) and converted the two entities in question to sub grantees effective July 1, 2015; the beginning of the next state fiscal year (SFY16). Appropriate steps were taken to ensure all parties are aware of the required monitoring and audit requirements.

Status: Partially corrected.

2015-025 **U.S. Department of Health and Human Services**
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and
Suppliers (Title XVIII) Medicare, CFDA 93.777
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778
Eligibility
Material Weakness in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan.

As part of our audit procedures, we selected a sample of Medicaid recipients who had been determined to be eligible by the State based on factors other than their Modified Adjusted Gross Income, i.e. non-MAGI determinations, and reviewed their eligibility status. Of the 60 non-MAGI determination case files reviewed, we noted three instances where, due to data entry errors in the NOMADS system, the recipients had been categorized in the system with the incorrect eligibility category.

State's Response: The auditors acknowledged that the clients in the three instances noted were Medicaid eligible, but in different categories than coded. There were no expended associated costs with these cases which would have been disallowed. As a result of this and a previous finding, DWSS immediately implemented corrective action and established a Process Improvement team to address eligibility errors. This team, in

conjunction with administrative staff held a statewide supplemental training conference for over 500 DWSS eligibility staff in May 2016 to address issues and help reinforce all aspects of eligibility processing. DWSS has multiple controls in place and four review levels in addition to monitoring by our Process Improvement team to address any systemic data entry concerns as they are identified and continues to do so. However, entries to the eligibility system are done by individuals; it is not automated and therefore it is prone to human error given the enormous number of client cases DWSS maintains on a daily basis and the number of staff making those entries.

Status: Not corrected.

**2015-026 U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC), CFDA 10.557
Cash Management
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: A. The OMB Circular A-133 Compliance Supplement states that to the extent available, program income, rebates, refunds, and other income and receipts should be disbursed before requesting additional Federal cash draws.

B. The U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

A. During our audit testing, we noted rebates were not disbursed prior to requesting additional Federal cash draws for 27 of 238 draws performed during fiscal year 2015.

B. The terms of the Treasury-State Agreement specify three funding techniques (Payroll, Administrative, and Food) applicable to the WIC program with clearance patterns of zero to three days depending on the component. We tested a sample of 24 cash draws for compliance with the applicable funding technique. We noted six of the cash draws did not comply with the funding technique in the Treasury-State Agreement.

State's Response: A: Historically the rebate dollars received were only allocated to cover the daily food wire reimbursements to the vendor as this was a more expeditious way to track the use of the rebate dollars. The federal draws were completed on formula purchases to the vendor as opposed to charging the expenditures to the rebate dollars.

B: The Grants Management Unit was unaware the funding technique method could be adjusted to more accurately reflect how the draws were being completed.

The funding technique for non-payroll and daily food draws will be revised in the Treasury-State Agreement to the Average Clearance method.

Status: Not corrected.

**2015-027 U.S. Department of Agriculture
Special Supplemental Nutrition Program for Women, Infants, and
Children (WIC), CFDA 10.557
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: A. OMB Circular A-133 states that a pass-through entity, at the time of the subaward, is responsible for identifying to the subrecipient the Federal award information and applicable compliance requirements.

B. The OMB Circular A-133 Compliance Supplement states on-site reviews of local agencies shall include evaluation of management, certification, nutrition, education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (7 CFR section 246.19(b)).

C. OMB Circular A-133 states that a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the

subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

During our audit procedures, we examined a sample of five subrecipients out of a population of 20 and noted the following:

A. The CFDA number was not communicated to one of the subrecipients tested.

B. The required on-site review was not performed for one of the subrecipients tested within the last two years.

C. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for three of the subrecipients tested.

State's Response:

A: This has been corrected.

B: The WIC program did not complete one of the required sub recipient reviews last federal fiscal year due to a conflict with agency staff availability. The scheduled review had to be postponed due to the limited number of county fiscal staff available.

C: The Division was in the process of automating its contract management system to allow time for an existing Management Analyst II to serve as the Division's Compliance Officer for subrecipient audit reports. However, the Division was unable to automate its system due to funding and State Purchasing requirements.

A: This has been corrected. The subgrant template requires the program to complete the CFDA number prior to submission to the Business Office. Immediately following this audit, staff involved in the sub-granting process were notified informally that the CFDA number must be included on all subgrants. The Administrative Services Officer III over the Contracts Unit also ensures the information is included prior to final signature. Additionally, the Division is in the process of automating its contracts and grants management system which will require the CFDA number to be entered prior to final signature of the subgrant.

B: The WIC program has scheduled all sub recipient monitors to be completed prior to September 15, 2017.

C: The Division is still pursuing an automated contract management system and anticipates to implement it in SFY 18. Additionally, due to

staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of this position's duties will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

Status: Not corrected.

**2015-028 U.S. Department of Health and Human Services
Immunization Cooperative Agreements, CFDA 93.268
Subrecipient Monitoring
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the grant award provides that the Federal Award Identification Number (FAIN) must be included on all subawards. As part of our audit procedures, we examined a sample of two subrecipients out of a population of five. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for either of the subrecipients tested. In addition, neither of the subawards included the FAIN.

State's Response: In regards to subrecipient audit reports, the Division was in the process of automating its contract management system to allow time for an existing Management Analyst II to serve as the Division's Compliance Officer for subrecipient audit reports. However, the Division was unable to automate its system due to funding and State Purchasing requirements. In regards to the requirement that a Notice of Grant Award must include the Federal Award Identification Number (FAIN), this has been corrected.

In regards to the subrecipient audit reports, the Division is still pursuing an automated contract management system and anticipates to implement it in SFY 18. Additionally, due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of this position's duties will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

In regards to the requirements that a Notice of Grant Award must include a FAIN, this requirement was implemented prior to June 30, 2016. The subgrant template was modified to include a field for the FAIN. The Administrative Services Officer III over the Contracts Unit also ensures the information is included prior to final signature. Additionally, the Division is in the process of automating its contracts and grants management system which will require the FAIN number to be entered prior to final signature of the subgrant.

Status: Not corrected.

**2015-029 U.S. Department of Health and Human Services
Immunization Cooperative Agreements, CFDA 93.268
Special Tests and Provisions – Control, Accountability, and
Safeguarding of Vaccine
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement states that effective control and accountability must be maintained for all vaccines under the Vaccines for Children (VFC) program. Vaccines must be adequately safeguarded and used solely for authorized purposes. Grantees are responsible for oversight of program-enrolled providers to ensure that proper control and accountability is maintained for vaccines.

During our audit testing, we noted the Nevada Division of Public and Behavioral Health was receiving provider inventory records. However, the Division did not sample provider inventory records to ensure proper recording of receipt, transfer, and usage of vaccine, as required, to ensure that proper control and accountability is maintained.

State's Response: Program is still transitioning providers to the electronic inventory management system.

Although the Division is still transitioning providers to the electronic management system, the transition will be completed by March 30, 2017.

Status: Partially corrected.

**2015-030 U.S. Department of Health and Human Services
National Bioterrorism Hospital Preparedness Program (HPP),
CFDA 93.889
Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2013

Finding Summary: The OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, compliance requirements state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

The Nevada Division of Public and Behavioral Health allocates salary and benefit charges to the Hospital Preparedness Program according to percentages assigned to the employee positions. The personnel activity reports (time cards) signed by employees are exception-only reports, and by including a notation of the percent of time worked on the Hospital Preparedness Program on the time cards, they effectively support the amount of salary and benefit costs that should have been charged to the program.

During our testing of payroll charges to this program, we examined 60 time cards for employees who work on multiple activities or Federal programs, including the Hospital Preparedness Program. It was noted that in 14 instances, the time cards tested did not include any notations by the employees to support the amount of their time allocated to Federal programs. Because those time cards did not identify the Federal

programs and time allocation on them, the time cards did not meet the standards for documentation.

State's Response: The HPP Program has internal controls to ensure that documentation of time and effort by all employees is adequate to support salary and benefits charged to the Hospital Preparedness Program. However, some of the time cards that were approved did not have the percentage of time worked on the Hospital Preparedness Program. The program has had new staff and this was an oversight by the supervisor.

The HPP will provide additional training to program supervisors to ensure time and effort by all employees is adequate on the timesheets to support salary and benefits charged to the Hospital Preparedness Program grant.

Status: Not corrected.

**2015-031 U.S. Department of Health and Human Services
National Bioterrorism Hospital Preparedness Program (HPP),
CFDA 93.889
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

In addition, the grant award provides that the Federal Award Identification Number (FAIN) must be included on all subawards.

As part of our audit procedures, we examined a sample of three subrecipients out of a population of five. The Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable, for any of the subrecipients tested. In addition, none of the subawards included the FAIN.

State's Response: In regards to subrecipient audit reports, the Division was in the process of automating its contract management system to allow time for an

existing Management Analyst II to serve as the Division's Compliance Officer for subrecipient audit reports. However, the Division was unable to automate its system due to funding and State Purchasing requirements. In regards to the requirement that a Notice of Grant Award must include the Federal Award Identification Number (FAIN), this has been corrected.

In regards to the subrecipient audit reports, the Division is still pursuing an automated contract management system and anticipates to implement it in SFY 18. Additionally, due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of this position's duties will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

In regards to the requirements that a Notice of Grant Award must include a FAIN, this requirement was implemented prior to June 30, 2016. The subgrant template was modified to include a field for the FAIN. The Administrative Services Officer III over the Contracts Unit also ensures the information is included prior to final signature. Additionally, the Division is in the process of automating its contracts and grants management system which will require the FAIN number to be entered prior to final signature of the subgrant.

Status: Not corrected.

2015-032 **U.S. Department of Health and Human Services**
Block Grants for Community Mental Health Services, CFDA
93.958
Activities Allowed or Unallowed
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement states that the objective of the program is to provide comprehensive community-based mental health services for adults with serious mental illness and children with serious emotional disturbances (including case management, treatment rehabilitation, employment, housing, education, medical,

dental, and other support services that enable individuals to function in the community and reduce the rate of psychiatric hospitalization).

Status: Corrected.

2015-033 **U.S. Department of Health and Human Service**
Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959
Activities Allowed or Unallowed
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement states that services provided with grant funds shall be provided for alcohol treatment and rehabilitation, drug treatment and rehabilitation, and primary prevention activities (that reduce the risk of substance abuse).

During our audit testing, we noted that out of a population of 46 subrecipients, payments were made to eight subrecipients without having a subgrant agreement in place. In addition, we noted the Nevada Division of Public and Behavioral Health did not review or obtain expenditure support for these payments. As such, no documentation to support the legitimacy of the costs and related activities was available for review.

Status: Corrected.

2015-034 **U.S. Department of Health and Human Services**
Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: A. OMB Circular A-133 states that a pass-through entity, at the time of the subaward, is responsible for identifying to the subrecipient the Federal award information and applicable compliance requirements.

B. OMB Circular A-133 states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

C. OMB Circular A-133 states that a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

A. During our audit procedures over a population of 46 subrecipients, we noted that the Nevada Division of Public and Behavioral Health made payments to eight subrecipients without identifying to the subrecipients the Federal award information and applicable compliance requirements.

B. During our audit procedures, we examined a sample of 13 subrecipients. For each subrecipient selected for examination, the Division was unable to provide support for its monitoring of subrecipient's use of Federal awards to provide for reasonable assurance that the subrecipient administered the program appropriately.

C. During our audit procedures, we examined a sample of 13 subrecipients. For 10 of the 13 subrecipients selected for examination, the Nevada Division of Public and Behavioral Health did not review the subrecipient audit reports, or issue management decisions, if applicable.

State's Response:

A: This has been corrected.

B: This was corrected during state fiscal year 2016.

C: The Division was in the process of automating its contract management system to allow time for an existing Management Analyst II to serve as the Division's Compliance Officer for subrecipient audit reports. However, the Division was unable to automate its system due to funding and State Purchasing requirements.

A: This has been corrected. The Division requires all subrecipients to be issued a subaward and that no payments will be made unless a subaward is in place.

B: On March 31, 2016 the Bureau of Behavioral Health Wellness and Prevention (BBHWP) implemented a revised Sub-grantee Onsite Monitoring Program policy. In accordance with the Sub-grantee Onsite Monitoring Program policy, from April 1, 2016 through June 30, 2016 the BBHWP conducted 18 onsite monitors of the 30 monitors per year requirement of the policy. By the end of SFY 2017, BBHWP will have conducted onsite monitors for 100% of the sub-grantees receiving funds from the Substance Abuse Prevention and Treatment Block Grant, CFDA 93.959.

C: The Division is still pursuing an automated contract management system and anticipates to implement it in SFY 18. Additionally, due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of this position's duties will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

Status: Partially corrected.

**2015-035 U.S. Department of Health and Human Services
Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959
Cash Management
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of Federal cash draws, we noted that the draws are prepared and submitted without being reviewed by an individual independent of the preparation process.

State's Response: Corrective action did not begin until fiscal year 2017. Due to heavy workload, procedures and training were not provided prior to June 30, 2016.

Procedures have been written and implemented as July 1, 2016 for SFY 17. Draws are currently prepared and reviewed by an individual independent of the preparation process.

Status: Not corrected.

2015-036 **U.S. Department of Health and Human Services**
Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959
Matching, Level of Effort, Earmarking
Material Weakness in Internal Control over Compliance and
Material Noncompliance

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement states that the State shall maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant. The Secretary may exclude from the aggregate State expenditures, funds appropriated to the principal agency for authorized activities which are of a non-recurring nature and for a specific purpose (42 USC 300x-30; 45 CFR sections 96.121 and 96.134).

During our audit testing, we noted that the Nevada Division of Public and Behavioral Health had several costs which appeared to be non-recurring in nature but had not been excluded from the level-of-effort calculation by the Secretary. If these costs are excluded, the Nevada Division of Public and Behavioral Health would not meet the level of effort by approximately \$70,000. If these costs are included, the Nevada Division of Public and Behavioral Health would not meet the level of effort by approximately \$650,000.

Status: Corrected.

2015-037 **U.S. Department of Health and Human Services**
Block Grants for Prevention and Treatment of Substance Abuse,
CFDA 93.959
Procurement and Suspension and Debarment

Material Weakness in Internal Control over Compliance

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215. Non-Federal entities may verify that a party is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the covered transaction.

During our audit testing, we noted that out of a population of 46 subrecipients, payments were made to eight subrecipients without a payment vehicle (i.e., purchase order, subaward, contract, etc.). As a result, no suspension and debarment verification procedures were performed. A total of \$307,649 was paid to these subrecipients.

Status:

Corrected.

2015-038

**U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Special Tests and Provisions – Payment Rate Setting and
Application
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2013

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).

As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the State's IV-E plan to

provide for the periodic review of maintenance payment rates as required.

State's Response: The State of Nevada has submitted an amendment to the Title IV-E plan to address the need to review maintenance payments and has developed a process which defines how the review will be conducted. This information which was submitted as part of the Title IV-E plan.

The State of Nevada will convene a statewide workgroup in July 2017 to include its county partners to develop a policy to address Nevada's foster care rates and review requirements based on the process that has been developed. The website has been updated with current rates and will include the new rates and the effective dates once established.

Status: Not corrected.

**2015-039 U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.

As part of our testing over Foster Care maintenance payments, we tested 40 foster care providers who received maintenance payments during the year, which represented in excess of 10,000 days of service. We noted that six of those 40 foster care providers received at least one day of duplicate payments during the year (27 days in total). Therefore, these providers were paid twice for the same day(s) of service.

State's Response: The concurrency control has been actively investigated for the past several years, programming and testing has identified that a problem still exists. The problem occurs when a one-day overlap in Service Authorizations exists (causing a one-day overpayment). This has not

been an easy programming-fix. One control rule is “do not pay for last day (date of discharge)”, which is working perfectly. However service authorization renewals must have continuous dates, as does placement changes so there is not a gap of one-day (causing a one-day underpayment).

The Eligibility Unit will continue to review payments prior to them being issued to catch any improper payments (overpayments or underpayments) due to the concurrency control issues still identified within the old UNITY system Payment Windows. The Fiscal Assignment procedure to address this manual process was implemented in February 2016 and will stay in effect until the automated process is fully programmed, the user-testing shows no deficiencies and deployed to production.

Status: Not corrected.

**2015-040 U.S. Department of Health and Human Services
Foster Care – Title IV-E, CFDA 93.658
Adoption Assistance – Title IV-E, CFDA 93.659
Eligibility
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year
Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing over eligibility determinations, we noted that the determinations are performed without being reviewed by an individual independent of the initial determination.

State’s Response: The Eligibility Determination Reviews procedure was implemented February 23, 2016.

Status: Partially corrected.

**2015-041 U.S. Department of Health and Human Services
Foster Care – Title IV- E, CFDA 93.658
Adoption Assistance – Title IV- E, CFDA 93.659**

**Allowable Costs/Cost Principles
Material Weakness in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2014

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

During our audit testing over the Nevada Division of Child and Family Services' cost allocation plan, we noted 13 administrative accounts that were not allocated in accordance with the cost allocation plan.

State's Response: The Division of Child and Family Services has revised procedures for completing the Cost Allocation Methodology that include the review of the documentation used to determine what the allocation statistics are during each quarter. In addition, the procedure includes a review of the results of processing cost allocation, identification of problems and what to do to resolve them.

Documentation of changes in processes and allocation methods is being retained to ensure proper implementation of the approved cost allocation plan. New processes are also being reviewed to ensure they are working correctly.

In 2017 the Division re-structured its Fiscal and Grant Management Units to enhance duties and workflow dedicated to respective areas to develop a workforce with expertise for each area, rather than staff shuffling too many duties with multiple deadlines. The Grants Management Unit is continuing to strengthen its Cost Allocation documentation and review processes.

Status: Not corrected.

2015-042

**U.S. Department of Health and Human Services
Adoption Assistance – Title IV- E, CFDA 93.659
Activities Allowed or Unallowed
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that adoption assistance subsidy payments cannot exceed the foster care maintenance payment (in accordance with the Title IV- E agency's rate schedule) the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of that foster care maintenance payment rate (42 USC 673(a)(3)).

As part of our testing over Adoption Assistance subsidy payments, we reviewed the records for 40 adoptive parents who received Title IV-E subsidy payments during the year. We noted one of those 40 adoptive parents received a Title IV-E subsidy in excess of the foster care maintenance payment rate.

Status: Corrected.

2015-043

**U.S. Department of Health and Human Services
Chafee Foster Care Independence Program, CFDA 93.674
Reporting
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year

Finding Occurred: 2015

Finding Summary: OMB Circular A-133 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

During our audit testing of the Federal Financial Report, we noted that the report was prepared and submitted without being reviewed by an individual independent of the preparation process.

Status: Corrected.

Sincerely,



Ronald L. Knecht, MS, JD, PE (CA)
State Controller

RLK:es

**RON KNECHT,
MS, JD, PE (CA)**
State Controller

STATE OF NEVADA

JAMES W. SMACK
Chief Deputy Controller



GEOFFREY LAWRENCE
Assistant Controller

**OFFICE OF THE
STATE CONTROLLER**

CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Audit Finding 2016-A

Finding: A prior period adjustment of approximately \$48,480,000 was required to correct the amortization of bond premiums and discounts when the State of Nevada converted from the straight line method to the interest method of amortization.

Recommendation: The State of Nevada enhance internal controls to ensure the interest method is used when calculating and recording amortization of bond premiums and discounts.

Agency Response

Does the Agency Agree with Finding: Yes

Additional Comments: None

Corrective Action Taken or to be Taken

Action: The Controller's Office identified and corrected the error in fiscal year 2016. As a result, the Controller's Office purchased software for tracking long-term debt obligations, and the software calculates amortization using the interest method.

Date of Completion or Estimated Completion: Completed July 2016

Department or Agency Responsible for Corrective Action Plan

Agency: Controller's Office
Contact: Brenda Laird, CAFR Accountant II
101 N. Carson Street, Suite 5
Carson City, NV 89701
775-684-5621
blaird@controller.state.nv.us

State Capitol
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Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
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**OFFICE OF THE
STATE CONTROLLER**

CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Audit Finding 2016-B

Finding: A prior period adjustment of \$4,085,616 was required to correct a journal entry made in 2014-15 allocating a portion of an investment loss to the Highway Fund.

Recommendation: The State of Nevada enhance internal controls to ensure the allocation of investment losses among the various funds is accurate.

Agency Response

Does the Agency Agree with Finding: Yes

Additional Comments: This particular instance was unique in that the Treasurer's Office deferred recognition of an unusually large investment loss on a cash basis to the participating funds over a period of years, while the losses were recognized for financial reporting in accordance with Governmental GAAP. In the normal course of business, insignificant investment losses are allocated to the funds during the Treasurer's quarterly interest distribution, and not deferred.

Corrective Action Taken or to be Taken

Action: The Controller's Office identified and corrected the error in fiscal year 2016. In addition, a procedure will be established to ensure any future allocations of large and unusual investment losses, where the decision is made to defer recognition in the distribution process, are properly recorded among the various funds.

Date of Completion or Estimated Completion: Error corrected February 2016 and procedure estimated to be completed January 2017.

Department or Agency Responsible for Corrective Action Plan

Agency: Controller's Office
Contact: Brenda Laird, CAFR Accountant II
101 N. Carson Street, Suite 5
Carson City, NV 89701
775-684-5621
blaird@controller.state.nv.us



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 S. Stewart Street
Carson City, Nevada 89712

RUDY MALFABON, P.E., Director

CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Audit Finding 2016-C1

Finding: Several transactions in the Highway Fund were not recorded in the appropriate accounting period under the modified accrual basis of accounting.

Recommendation: The State of Nevada enhances internal controls to ensure accounts receivable and accounts payable are recorded in the accounting period in which the goods or services were received or provided.

Agency Response

Does the Agency Agree with Finding: Yes

Additional Comments: None

Corrective Action Taken or to be Taken

Action: Nevada Department of Transportation (NDOT) will raise the awareness of the State's fiscal year cutoff for financial reporting purpose. NDOT Accounting Division will begin a log for the transactions posted to the new fiscal year that should post to the old fiscal year. Such information will be provided to the Controller's Office Financial Reporting to make an adjusting entry during the Highway Fund preparation.

Besides providing adequate training, an additional procedure will be added to cross check for payments received between July 1st and Aug 31st posted in the system against the Accounts Receivable report.

Date of Completion or Estimated Completion: By November 1st, 2017

Department or Agency Responsible for Corrective Action Plan

Agency: Nevada Department of Transportation, Accounting Division
Contact: Hua Riley, Chief Accountant
1263 S. Stewart Street
Carson City, NV 89712
775-888-7451

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Agriculture
SNAP Cluster:
Supplemental Nutrition Assistance Program (SNAP) CFDA 10.551
State Administrative Matching Grants for the Supplemental Nutrition Program, CFDA 10.561

Finding Number: 2016-001

Finding: The amount of awards expended for this program on the State of Nevada's SEFA was not supported by the State's accounting records.

Corrective Action Taken
or To Be Taken: This findings occurred due to a spreadsheet error. The error has been corrected; links have been updated as well as procedures. Staff has received training to ensure a more comprehensive review.

If already taken,
date of completion: January 31, 2017

If to be taken,
estimated date of completion:

Agency Response

Does the Agency agree with
finding: Yes No Partially

If No or Partial, Please
Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Lee Ann Hollingsworth, Chief Accountant
Phone Number: 775-684-0660
Email: lahollingsworth@dwss.nv.gov

Reviewed and Approved

Signature of Administrator

Date

3/9/2017

"Working for the Welfare of ALL Nevadans"

BRIAN SANDOVAL
Governor

STATE OF NEVADA

JAMES R. BARBEE
Director

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DEPARTMENT OF AGRICULTURE

405 South 21st Street
Sparks, Nevada 89431-5557
Telephone (775) 353-3601 Fax (775) 353-3661
Website: <http://www.agri.nv.gov>

March 2, 2017

Ronna Bach, Division Director, Special Nutrition Programs
Western Regional Office, Food and Nutrition Services
90 Seventh Street, Suite 10-100
San Francisco, CA 94103-6707

Dear Ronna:

Eide Bailly, LLC recently performed an annual single audit of the Child Nutrition Cluster, which included the following programs:

- School Breakfast Program - CFDA 10.553
- National School Lunch Program - CFDA 10.555
- Special Milk Program for Children - CFDA 10.556
- Summer Food Service Program for Children - CFDA 10.559

The scope of this audit was state fiscal year 2016, which ended June 30, 2016. This audit resulted in four (4) findings. The following lists Eide Bailly's findings and recommendations and the Nevada Department of Agriculture's response and corrective action plan for each findings:

Finding 2016-002:

Finding 2016-002: Supporting documentation was not available for some of the Federal Cash draws selected for testing. As a result, there was no evidence that the funds were drawn in compliance with the appropriate funding technique per the Treasury-State Agreement. In addition, evidence of the review and approval was not present for some of the Federal cash draws selected for testing.

Recommendation: The Nevada Department of Agriculture implement internal controls to ensure that adequate documentation for Federal cash draws is maintained and that Federal cash draws are reviewed by an individual independent of the preparation process.

Nevada Department of Agriculture's Response: The Nevada Department of Agriculture agrees with this finding.

Contact Persons responsible for corrective action plan: Melanie Whitney, MAIII, ASOIII – Vacant, backup Debra Crowley, Fiscal Administrator

Corrective Action for Finding 2016-002: The Federal Cash Draws in question overlapped the 2015-002 audit finding before the corrective action plan for that finding was implemented. The Department has current policies and procedures

for Federal cash draws including having our Administrative Services Officer III sign off on all federal draws, and having the Fiscal Administrator as that position's back-up. In addition, we have established required documentation for each draw and will update current policies and procedures to reflect these changes. Lastly, the Department has updated policies and procedures to make sure both State and Federal record retention requirements are followed. (see updated A/R policies and procedures)

Completion Date: February 27, 2017

Finding 2016-003:

Finding 2016-003: Payments were made for obligations incurred outside of the period of performance.

Recommendation: It is recommended the Department enhance internal controls to ensure that amounts charged to Federal awards are for obligations incurred during the period of performance.

Nevada Department of Agriculture's Response: The Nevada Department of Agriculture agrees with this finding.

Contact Persons responsible for corrective action plan: Melanie Whitney, MAIII and or ASOIII-Vacant, backup Debra Crowley, Fiscal Administrator

Corrective Action for Finding 2016-003: The Nevada Department of Agriculture has received authorization from the Federal agency approving payment of these obligations incurred outside of the period of performance for the obligations paid in this finding. Therefore, there will be no costs in question. Going forward the Nevada Department of Agriculture has implemented revised policies and procedures ensuring that the obligations are paid within the period of performance and/or gets prior written authorization from the Federal agency to pay for obligations outside the period of performance.

Completion Date: March 1, 2017

Finding 2016-004:

Finding 2016-004: Reports were prepared and submitted without being reviewed by an individual independent of the preparation process.

Recommendation: The Nevada Department of Agriculture implement internal controls to ensure that adequate documentation for review of reports by an individual independent of the preparer.

Nevada Department of Agriculture's Response: The Nevada Department of Agriculture agrees with this finding.

Contact Persons responsible for corrective action plan: Melanie Whitney, MAIII and or ASOIII - Vacant

Corrective Action for Finding 2016-004: The Nevada Department of Agriculture has implemented a policy and procedure documenting review and approval of reports by an individual independent of the preparer. (see attached A/R policies and procedures and stamp order for review and approval)

Completion Date: March 1, 2017

Finding 2016-005:

Finding 2016-005: Subawards did not include information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

Recommendation: The Nevada Department of Agriculture enhance internal controls to ensure that subaward include all information required by Uniform Guidance at the time of the subaward and that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Nevada Department of Agriculture's Response: At the time of the audit, the Food and Nutrition Division was identifying the CFDA number but not the FAIN number on the subaward letter and the ETF did note the name of the program but not the CFDA number.

Contact: Debra Crowley, Fiscal Administrator

Corrective Action for Finding 2016-005: The Nevada Department of Agriculture Administration and Food and Nutrition Divisions have corrected the subaward letter to include the CFDA number and the FAIN for each program the sponsor is authorized to participate in. The CFDA number has been added to the ETF identifying the programs for which the sponsor is being reimbursed. (Please see attached sample subaward letter)

Completion Date: February 22, 2017

Thank you,



Debra Crowley, Fiscal Administrator
Nevada Department of Agriculture

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Jim Barbee, Director, Nevada Department of Agriculture
Lynn Hettrick, Deputy Director, Nevada Department of Agriculture
Donnell Barton, Food and Nutrition Administrator, Nevada Department of Agriculture
Debbie Clark, Eide Bailly, LLC
Daniel E. Rushin, Audit Senior Manger

Internal Control – Accounts Receivable

All Divisions



Scope

This document reflects acceptable internal control practices and procedures related to accounts receivable as relevant to all employees of the Nevada Department of Agriculture (NDA).

The original of this internal control document, reflecting the signature of the director, shall be maintained by the NDA's fiscal administrator at the Sparks Headquarters; and shall represent the only internal control document relative to accounts receivable to be enforced by the NDA.

A copy of this internal control document, reflecting the signature of the director, shall be maintained on the intranet of the NDA (<http://intra.agri.nv.gov/>).

Philosophy

The duties of 1) receiving and logging revenue, 2) preparing the deposit, and 3) reviewing the reconciliation of receipts, check logs, deposits, credit card transactions, and Budget Status Reports are segregated among individuals where possible.

The primary and backup internal control positions for each task are identified in this internal control document. The official job title includes the position control number (PCN) if more than one position share the same job title. However, on occasion, due to limited personnel, vacation days, sick days, etc., an independent employee, not specifically designated by job title or PCN in this internal control document, may perform an accounts receivable control function.

In general, for all purposes of this internal control document, whether explicitly reflected in any element of this document, an approval is not considered valid unless documented in writing. An email approval may be considered valid.

Responsibility

Supervisors are responsible for ensuring that each employee involved, or that may be involved, with the accounts receivable process/cycle has read, understands, and is prepared to comply with this internal control document prior to performing any internal control function related to accounts receivable.

Ownership

The fiscal administrator is responsible for ensuring this document reflects current practices and procedures, and supports state policies as reflected in the applicable internal control template released by the Division of Internal Audits. Employees must notify their supervisors of any issues or conflicts identified regarding this internal control document. Supervisors must notify the fiscal administrator of any possible or necessary modifications to this document.

Internal Control – Accounts Receivable

All Divisions



Management Override vs. Management Interventions

Management override of the internal control practices and procedures included in this document is never acceptable.

However, in the infrequent and unusual circumstance when management must intervene for a proper state business objective to be timely accomplished, the following complete documentation is required:

- 1) The issue requiring the intervention
- 2) The steps taken to accomplish the objective
- 3) Any mitigating controls introduced to help accomplish the objective in an appropriately controlled environment.
- 4) The result obtained
- 5) Printed name, from all parties involved
- 6) Signature, from all parties involved
- 7) Applicable dates, from all parties involved
- 8) Written approval from the director or fiscal administrator

The NDA maintains **accounts receivables** for the following types of receipts [C1]:

- 1) Consumer Equitability:
 - a. Annual Registration for Devices;
 - b. Public Weigh Master (PWM) program (annual);
 - c. Registered Service Agent (RSA) program (annual);
 - d. New Devices (as required);
 - e. Rechecks of Devices (as required),
 - f. Special Tests (as required);
 - g. Metrology Services (as required);
 - h. Civil Penalty Fines (as required).
- 2) Animal Industry:
 - a. Brand Inspection invoices (as required);
 - b. Lab Services fees (as required);
 - c. Licensing
- 3) Plant Industry:
 - a. Agricultural (various) Inspections and Certifications (as required);
 - b. Certificates of Free Sale (as required);
 - c. Certificates of Origin (as required);
 - d. Special treatments or inspections upon request.
 - e. Licensing

Internal Control – Accounts Receivable
All Divisions



- 4) Food and Nutrition:
 - a. USDA Brown Box Food (as required);
 - b. National School Lunch Program (as required);
 - c. Child and Adult Care Food Program (as required);
 - d. Nutrition Services Incentive Program (as required);
 - e. Summer Food Service Program (as required);

- 5) Administration: (on behalf of certain Divisions):
 - a. Central Fiscal Unit utilizes the IFS Advantage system to create invoices on behalf of certain Divisions;
 - b. USDA for office rental space of Federal Employee;
 - c. Federal Draws – see Internal Control for Grant/Sub-Grant Management

[Note: When identifying the positions performing a task, both the primary and backup positions should be included. Use the official job title and include the position control number (PCN) if more than one position shares the same job title.] [C2]

The duties of (1) collecting/receiving funds and (2) posting payments to A/R ledgers are segregated among individuals. *[Note: For agencies with limited staff, where segregation of duties is not possible, compensating controls should be noted.] [C3]*

<u>Position Title</u>	<u>PCN</u>	<u>Duty # (1 or 2)</u>
Management analyst I	0019	2
Administrative assist III	0026	2 (backup #1 to PCN0019)
Program officer 1	0017	2
Administrative assist II	0103	1 & 2
Administrative assist II	0010	2
Administrative assist II	0012	2
Animal lab supervisor	0002	2 (backup for PCN0012)
Administrative assist IV	0026	2
Accounting assist III	0010	1 & 2

Compensating Controls: As noted in [C3], PCN 0012 and PCN0010 both invoice certain receivables and also are involved in the collection/receiving of revenue. In cases where the invoice was generated and the revenue was collected by the same PCN, an additional review of the transaction(s) will be required by an individual independent of the process.

Billings are sent at least monthly as specified on a pre-numbered, dated invoice which states the terms and conditions for payment [C4].

Internal Control – Accounts Receivable

All Divisions



The controls in effect for collecting/receiving A/R payments are the same as those used for the collection of revenue (See NDA's Policy & Procedure entitled Revenue) [C5].

All payments received from a single payee that total \$10,000 or more are received via electronic transfer [C6].

Payments are posted to the subsidiary ledgers by each division (see positions listed on page 3) and those positions are independent of the collection process, except in certain circumstances outlined within this document (see [C3]) [C7].

Supporting documentation is retained for all increases and decreases to the A/R ledgers [C8].

Any account adjustments for returned merchandise, returned checks, penalties, interest due, etc., shall be documented in Department records using appropriate forms and reviewed and verified by supervisory personnel [C9].

Any customer or taxpayer disputes regarding payments or amounts owed are investigated by an individual independent of posting to the A/R ledgers [C10].

The A/R subsidiary ledgers are reconciled to source documents monthly [C11].

The management analyst III (PCN0042) with the fiscal administration, who is independent of the collecting/receiving process, reviews and approves the reconciliation [C12].

An aged accounts receivable report is generated monthly in the format established by the Department, and reviewed by the management analyst III (PCN0042) and fiscal administrator (PCN0003) who are independent of the collecting/receiving process [C13].

When receivables become past due, an initial delinquency letter is issued after 30 days, and each 30 days thereafter, up to 180 days [C14].

Accounts less than 60 days past due are considered for 'debt offset' (in which a request can be made of the controller to put a vendor 'on hold' so that any future payments owed to the vendor will be intercepted until the debt is satisfied) [C15].

Receivables which are greater than 180 days past due are assigned to the Controller's Office for collection [C16].

Receivables greater than 90 days past due are reviewed and considered for write-down or write-off by management unless otherwise specified by statute [C17].



Internal Control – Accounts Receivable
All Divisions

Before the write-off of an account, the NDA will make every effort to collect the outstanding debt through, for example, phone calls, emails, arranging for payment plans, or other means [C18a]. All collection efforts will be documented and maintained [C18b].

Write-offs of accounts are approved by an individual who is independent of the collecting/receiving payments and posting to the A/R ledgers [C19].

If the NDA determines that it is impossible or impractical to collect on the outstanding debt, the NDA will request the Board of Examiners to approve the write off of the debt by the NDA [C20].

Accounts receivable balances are reported to the Controller’s Office quarterly, and at fiscal year-end [C21].

Total collections on accounts receivable are reconciled at least monthly to the postings to individual receivable accounts [C22].

Accounts receivable trial balances are reconciled annually to the controller’s financial system, Data Warehouse of Nevada. The NDA does not typically have trial balances, however, if applicable, the NDA will comply with this requirement. [C23].

The accounts receivable system, Integrated Financial System, has system controls which limit access to additions and deletions to customer records and to other possible changes [C24].

Accounts receivables procedures are documented and reviewed annually for any needed changes [C25].

POLICY APPROVAL



Jim Barbee
Director

2/27/17
Date

CONFIDENTIAL

Yes

No

THIS PROCEDURE SUPERSEDES ALL PRIOR WRITTEN PROCEDURES ON THIS SPECIFIC SUBJECT.



NEVADA RUBBER STAMP CO., INC.

(775) 322-1863

FAX (775) 322-5218

www.NevadaRubberStamp.com

e-mail: Falisha@NevadaRubberStamp.com

From: Falisha Purkiss

To: Nevada Dept. of Agriculture

Attn: Trinite Clifford

2/28/17

Quote! Proof!
THIS IS YOUR IMAGE.
PLEASE CHECK SIZE
AND TEXT FOR CORRECTNESS

Page 1 of 1

QUOTED PRICES DO NOT INCLUDE TAX.
QUOTED PRICES ARE EFFECTIVE
FOR 60 DAYS FROM THE DATE
LISTED ON THIS PAGE

Qty:
2

Description:
Trodat 4926 w/ red ink

Price:
\$45.00/ea

Disc:
10%

Net Each:
\$43.63

Deposit Sign Off/Approval

Report Prepared by _____ Date _____

Report Reviewed by _____ Date _____

ASAP/CR Prepared by _____ Date _____

- APPROVAL - ORDER PLEASE
- MAKE CHANGES AS NOTED
- REPROOF

SIGNED _____

DATED _____

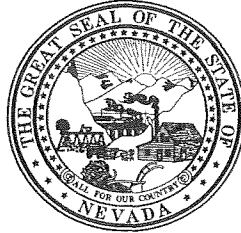
**NOTE: FAX MACHINES MAY REDUCE
TRANSMISSIONS UP TO 15%**



BRIAN SANDOVAL
Governor

STATE OF NEVADA

JAMES R. BARBEE
Director



Las Vegas Office:
2300 E. St. Louis Avenue
Las Vegas NV 89104
(702) 668-4590
Fax (702) 668-4567

Elko Office:
4780 E. Idaho Street
Elko NV 89801-4672
(775) 738-8076
Fax (775) 738-2639

DEPARTMENT OF AGRICULTURE

405 South 21st Street
Sparks, Nevada 89431-5557
Telephone (775) 353-3601 Fax (775) 353-3661
Website: <http://www.agri.nv.gov>

Date of letter

Program Sponsor

RE: NSLP Application Approval

Dear Program Sponsor:

The _____ School District application to participate in the National School Lunch Program (NSLP), School Breakfast Program (SBP), and Afterschool Snack Program (ASP) has been approved for fiscal year 201 (July 1, 2017 through June 30, 2018).

The catalogue of federal and domestic assistance (CFDA) number for NSLP and ASP is 10.555 and 10.553 for SBP. The federal award identification number (FAIN) for this NSLP and SBP application approval is _____ and _____ respectively. The Nevada Department of Agriculture received this federal award on _____.

The following schools will receive the reimbursement rate for **severe need breakfast**:

The following schools are approved for the **Community Eligibility Provision**:

All of the schools in _____ School District are eligible for the NSLP _____ reimbursement rate. The new federal reimbursement rates for July 1, 2016 - June 30, 2017 are accessible here:

<http://www.fns.usda.gov/school-meals/rates-reimbursement>

A copy of the federal regulations that pertains to the programs you are sponsoring may be found at:

<http://www.fns.usda.gov/cnd/Governance/regulations.htm>

MENUS AND PRODUCTION RECORDS

All school food authorities participating in the National School Lunch Program are expected to be in compliance with the Nutrition Standards which went into effect on July 1, 2012. Breakfast standards implemented as of July 1, 2014 require that one cup of fruit be

An Equal Opportunity Agency

offered at breakfast to all grade groups. Additionally, as of July 1, 2014, all grain items offered in both Lunch and Breakfast meals must meet whole grain rich criteria and the Target 1 sodium limits are still in effect. As a regulatory requirement, all sponsors are required to have a pre-planned menu available. Daily production records, completed as part of the menu preparation process, must support this menu. Sample food production forms are available from the Food and Nutrition Division website under the "Resources" tab.

RECORDKEEPING

NSLP/SBP sponsors must keep complete and accurate records to serve as backup for the "Claims for Reimbursement" and for audit and review purposes. Production records are a regulatory requirement. Production records must reflect that adequate amounts of food were produced to provide the meals in your planned menu. All NSLP/SBP records must be kept for three fiscal years plus the current year (July 1-June 30) or longer, until resolution of any issues raised by an audit.

SCHOOL WELLNESS POLICY

New Federal regulations effecting both competitive foods and school wellness policies went into effect on July 1, 2014. The Nevada School Wellness Policy can be found here:

<http://nutrition.nv.gov/Programs/Wellness/>

In the spring of each year, NDA will collect information on your school district's progress of implementing the school wellness policy as required by the Healthy Hunger-Free Kids Act of 2010. This information will be made publically available. You can access the results for your district here:

<https://wellness.nv.gov/>

We also ask that you notify NDA by September 30th of each school year, the contact name for your school district wellness coordinator.

PROGRAM REVIEWS

The Nevada Department of Agriculture will conduct reviews to assess compliance with program regulations, to evaluate procedures used to request reimbursement for meals, and to monitor the overall management of the NSLP/SBP. Appointments for reviews will be scheduled with your staff at least four weeks in advance. We are now in Year one of the Administrative Review cycle of a three year cycle. Repeat findings observed in the previous three year cycle (review conducted in SY13/14, 14/15, or 15/16) and observed again in the coming review cycle may be subject to fiscal penalties that cannot be paid from the non-profit school food service account. School districts that will be reviewed this year will be notified not later than September 30th, 2017. However, Administrative Reviews may be scheduled at any time.

Continuing from the previous school year, procurement reviews will be conducted in tandem with the Administrative Review. Procurement practices of food, supplies and services purchased with funds from the non-profit school food service account will be reviewed.

CONTRACT REVIEW

The Nevada Department of Agriculture will continue to annually monitor all sponsors with a Food Service Management Company and/or Vended Meal operation in place. Please reference Numbered memo NSLP 2016-36 for Food Service Management Company contracts and NSLP 2016-37 for Vended Meal contracts for more information.

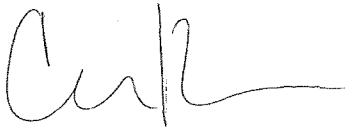
PROFESSIONAL STANDARD REQUIREMENTS

Effective July 1, 2016, the Professional Standard Requirements as part of the Healthy Hunger Free Kids Act (HHFKA) the USDA has established minimum hiring requirements based on school district enrollment size and training requirements for *all* school nutrition program employees. The number of training hours has increased from 2015 16 for *most* staffing levels. For the latest guidance, please reference the link below:

<http://www.fns.usda.gov/school-meals/professional-standards>

If have any questions please contact the Nevada Department of Agriculture, Food and Nutrition Division at 775-353-3758. Thank you for your dedication to serving nutritious meals to the children in Nevada.

Sincerely,



Catrina Peters, MS RD
School Nutrition Services Manager

Cc: Superintendent

STATE OF NEVADA

BRIAN SANDOVAL
Governor

RICHARD WHITLEY, MS
Director, DHHS



CODY L. PHINNEY, MPH
Administrator, DPBH

JOHN DIMURO, D.O., MBA
Chief Medical Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

4150 Technology Way, Suite 300
Carson City, Nevada 89706

Telephone: (775) 684-4200 · Fax: (775) 687-7570

March 9, 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-006: Procurement, Suspension, and Debarment.

Certain applicable provisions described in Appendix II to Part 200 were not included in contracts as required.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

Contracting and leasing forms are maintained by the State Purchasing Division and State Public Works Division. Public and Behavioral Health will request that the standard templates are updated with the applicable provisions described in Appendix II to Part 200 of the Title 2 U.S. Code of Federal Regulations.

Date of Completion: Prior to July 1, 2017

Responsible Party: Christina Hadwick, Administrative Services Officer III

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,


Cody L. Phinney, Administrator

STATE OF NEVADA

BRIAN SANDOVAL
Governor

RICHARD WHITLEY, MS
Director, DHHS



CODY L. PHINNEY, MPH
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March 9 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-007: Procurement, Suspension, and Debarment.

A subgrant was inappropriately used to procure services from a vendor.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

The Division will create a form to aid programs in determining the appropriate agreement for vendors and subrecipients. This form will be submitted with each contractual document and verified by the Contract Unit to ensure vendors and subrecipients are identified appropriately. Additional training to staff will be provided to ensure the contracting procedures described in the State Administrative Manual (SAM) are followed.

Date of Completion: July 1, 2017

Responsible Party: Christina Hadwick, Administrative Services Officer III

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Cody L. Phinney".

Cody L. Phinney, Administrator

STATE OF NEVADA

BRIAN SANDOVAL
Governor

RICHARD WHITLEY, MS
Director, DHHS



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JOHN DIMURO, D.O., MBA
Chief Medical Officer

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March 9, 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-0008: Cash Management

Federal Funds drawn using the funding techniques specified in the Treasury-State Agreement.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

Although the Division had policies in place that require funds to be drawn in accordance with the agreed upon funding technique, it was misunderstood on how the Estimated Clearance technique was to be used. The Division has requested that the Treasury-State Agreement be revised to an Average Clearance-Program Specific technique. The Division will revise its policies and procedures to reflect this funding technique.

Date of Completion: Prior to March 31, 2017

Responsible Party: Michele Silzell, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Cody L. Phinney".

Cody L. Phinney, Administrator

STATE OF NEVADA

BRIAN SANDOVAL
Governor

RICHARD WHITLEY, MS
Director, DHHS



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March 9, 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-009: Cash Management

Rebates were not disbursed prior to requesting additional Federal cash draws.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

The Division has policies and procedures in place requiring the disbursement of rebate dollars prior to federal funds being drawn, but in this instance the procedure was not followed. The procedure requires that staff processing the daily electronic benefits transfer reimbursement verifying no rebate dollars are available for use. If rebate dollars are available, the wire is coded to the appropriate job number to allocate those expenditures to that revenue source. The wire is then forwarded to a higher level staff for review and approval prior to submitting to the State Treasurer's Office to be processed. Training on federal draws is on-going to ensure these policies and procedures are followed.

Date of Completion: Complete

Responsible Party: Michele Silzell, Management Analyst IV

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Cody L. Phinney".

Cody L. Phinney, Administrator

STATE OF NEVADA

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Director, DHHS



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March 9, 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-010: Subrecipient Monitoring

A. Subawards did not include certain information required by Uniform Guidance and the Catalog of Federal Domestic Assistance (CFDA) number was not identified at time of disbursement.

B. Evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.

C. Did not verify that subrecipients were audited as required by Uniform Guidance.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

A. The Division will review and update its subgrant template to include the provisions required by Uniform Guidance. The Division will ensure the CFDA number is identified to the subrecipient at the time of disbursement by adding the number to payment vouchers in the State's accounting system before they are approved for payment.

B. The Division and WIC Program staff will coordinate efforts to update existing subrecipient monitoring policies and procedures and implement internal controls necessary to ensure compliance with 7 CFR 246 and Uniform Guidance Part 200.330-331.

C. The Division is pursuing an automated contract management system and anticipates to implement it in state fiscal year 2018. Additionally, due to staffing changes in the Fiscal Unit, the Contracts and Grants Management Unit will be acquiring an existing Accounting Assistant III position. Part of the duties of this position will be to ensure subrecipient audits are received and logged for review. With the implementation of an automated system and additional support, the Management Analyst II in the Contracts Unit will have sufficient time to serve as the Division's Compliance Officer for subrecipient audit reports.

STATE OF NEVADA

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Page 2

Finding 2016-010: Subrecipient Monitoring- Continued

Date of Completion: September 1, 2017

Responsible Party: A. Subgrant Template: Christina Hadwick, Administrative Services Officer III
CFDA Number: Wendy Koch, Management Analyst IV

B. WIC Policies and Procedures: Michelle Walker, Health Program Manager II
and Cathy Robinson, Management Analyst III

C. Christina Hadwick, Administrative Services Officer III

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Cody L. Phinney".
Cody L. Phinney, Administrator

STATE OF NEVADA

BRIAN SANDOVAL
Governor

RICHARD WHITLEY, MS
Director, DHHS



CODY L. PHINNEY, MPH
Administrator, DPBH

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Chief Medical Officer

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Telephone: (775) 684-4200 · Fax: (775) 687-7570

March 9, 2017

Eide Bailly LLP, CPA's performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2016 which ended June 30, 2016.

Finding 2016-011: Procurement, Suspension, and Debarment

Suspension and Debarment verification procedures were not performed prior to entering into certain covered transactions.

Nevada Division of Public and Behavioral Health response:

The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective action as described below.

Corrective Action:

The Division of Public and Behavioral Health (the Division) will request the State Public Works Division to add a clause, or condition, to their standard lease agreement to verify that a party is not suspended or debarred. Until their templates are revised, the Division will ensure suspension and debarment verification procedures are performed by checking the Excluded Parties List System prior to entering into an agreement. Additionally, the Division will work with the State Purchasing Division to verify that a vendor is not suspended or debarred prior to processing a requisition over \$25,000.00. Until their procedures are revised to include this certification, the Division will ensure suspension and debarment verification procedures are performed by checking the Excluded Parties List System prior to submitting the requisition.

Date of Completion: April 1, 2017

Responsible Party: Leases: Christina Hadwick, Administrative Services Officer III
Requisitions: Wendy Koch, Management Analyst IV

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Page 2

Finding 2016-011: Procurement, Suspension, and Debarment - Continued

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at mwine@health.nv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Cody L. Phinney".

Cody L. Phinney, Administrator

cc: Daniel Rushin, CPA, Eide Bailly, LLP
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau
Richard Whitley, Director, DHHS
Ellen Crecelius, Deputy Director, DHHS
Kirsten Coulombe, Deputy Administrator, DPBH
Julia Peek, Deputy Administrator, DPBH
Beth Handler, Bureau Chief, DPBH



STATE OF NEVADA OFFICE OF THE MILITARY

Office of the Adjutant General
2460 Fairview Drive
Carson City, Nevada 89701-6807



Brian Sandoval
Governor

WILLIAM R. BURKS
Brigadier General
The Adjutant General

March 1, 2017

Corrective Action Plan

Audit Report: U.S. Department of Defense
National Guard Military Operations and Maintenance (O&M) Projects
CFDA 12.401

Finding & Recommendation

Finding Number: 2016-012
Finding: Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance

Recommendation: We recommend the Office enhance internal controls to ensure all contracts
under Federal awards contain the applicable provisions and ensure
suspension and debarment verification procedures are performed prior to
entering into all covered transactions.

Agency Response

The Office of the Military has reviewed and accepts the finding. The auditors conducted a
nonstatistical sample of 40 procurement transactions for their audit. 32 contracts tested were
subject to Appendix II to Part 200.26 and did not contain certain applicable provisions.
Suspension and debarment verification procedures were not performed for 26 of the contracts
tested.

Corrective Action

The Office of the Military has taken corrective action by working with the agency's Attorney
General to amend agency contract templates and ensure that contracts contain the applicable
provisions described in Appendix II to Part 200. In addition, the agency is developing an internal
control policy to ensure verification of suspension and debarment is completed prior to contract
execution. The agency has July 1, 2017 as an estimated completion date.

Agency Responsible for Corrective Action Plan

Name, Title: Cheryl Tyler
Administrative Officer II
Office of the Military
Address: 2460 Fairview Drive
Carson City, NV 89701
Phone Number: 775-884-8458
Email: CTyler@govmail.state.nv.us



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF WILDLIFE

1100 Valley Road
Reno, Nevada 89512
Phone (775) 688-1500 • Fax (775) 688-1595

TONY WASLEY
Director

JACK ROBB
Deputy Director

LIZ O'BRIEN
Deputy Director

Finding: 2016-013:

**U.S. Department of the Interior
Fish and Wildlife Cluster:
Sport Fish Restoration Program, CFDA 15.605
Wildlife Restoration and Basic Hunter Education, CFDA 15.611**

The Nevada Department of Wildlife received an audit conducted by the Eide Bailly firm in January of 2017. A sample of 60 procurement transactions were selected and reviewed. In this review Eide Bailly found one contract that did not contain the Clean Air Act disclosure which is required in any contract over \$150,000.00 per *CFR Title 2 Part 200 Appendix II*.

The Nevada Department of Wildlife accepted this finding in a post-audit meeting with the firm held on February 27th, 2017. Though the finding was deemed as the lowest tier level the department has already taken measures to correct this finding prior to the close of the audit.

Corrective Action Plan (CAP): The Nevada Department of Wildlife has worked with the Nevada Attorney General's Office and the Nevada Purchasing Office to draft a new approved pre-form which includes the Clean Air Act disclosure. The department will obtain the new form in the next few weeks and will begin to amend contracts identified with the threshold amount of \$150,000 to include the one omitted disclosure. Once in receipt of the new form the department will then begin using the new form for all future contracts.

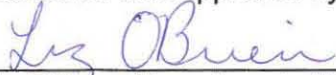
Projected date of completion: 06/30/2017

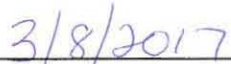
Point of Contact for Audit Response and CAP
Name Title: Katie A. Jameson
Address: 6980 Sierra Center Parkway
Suite #120
Reno, NV 89511-2099

Phone Number: (775) 688-1581

Email: kajameson@ndow.org

Reviewed and Approved by:


Liz O'Brien Department of Wildlife Deputy Director


Date

**State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2016**

**U.S. Department of Labor
Unemployment Insurance**

CFDA 17.225

CORRECTIVE ACTION PLAN

Finding 2016-014

The system utilized by the Nevada Department of Employment, Training and Rehabilitation (DETR) to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Recommendation

We recommend that Nevada DETR take measures to ensure the UINV system is modified with the necessary operational capability to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Compliance Supplement*.

Nevada DETR's Response

After completion of a comprehensive User Acceptance Testing (UAT) regimen, the Relief of Charging functionality (CR 9917) was promoted to UInv production on February, 8 2017. The functionality is now operational and UI business units to include Benefit Claims, Adjudication, Rulings and Appeals, have been provided with end user instruction.

Date of Completion: Completed on February 8, 2017
Contact Person: Brian Bracken ESD Program Chief, DETR

Finding 2016-015

Wage record data included on the Trade Act Participant Report (TAPR) did not agree to information obtained from the Wage Record Interchange System (WRIS). A non-statistical sample of one out of four reports was selected for testing. The wage record data on one of the report's lines did not agree to the WRIS.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure that information included on the TAPRs agrees to the WRIS.

Nevada DETR's Response

The TAPR process and procedure both have been updated to mitigate any WRIS wage file processing errors. Reportlink software is now utilized to request, merge and calculate the WRIS and Nevada wage totals. Several validation steps have also been added to the procedure to assure

reporting accuracy. Attached is the new TAPR report checklist that reflects the additional validation steps.

The State of Nevada has just contracted with a new Vendor (Geographic Solutions) to change the MIS system of record. It is anticipated the implementation will be complete prior to the reporting of the end of TAA Program Year 16 (September 30, 2017). The new Vendor is successfully reporting TAA data out of 23 other states. We expect this to resolve the need for additional steps and consolidates the reporting to one software instead of the two utilized now.

Estimated Date of Completion: The current, updated process is now complete and implemented using the attached checklist. As stated above the upcoming new MIS/Reporting system is estimated to go live in August of 2017 in order to report PY 16 ending in September 2017.

Contact Person: Grant Nielson, Chief, Workforce Investment Services Section (WISS), DETR

Finding 2016-016

Federal funds were not drawn using the required funding technique. A non-statistical sample of eight out of 54 Federal cash draws was selected for testing. None of the Federal cash draws selected for testing were drawn using the estimated clearance funding technique.

Recommendation

We recommend the Department implement internal controls to ensure funds are drawn using the required funding technique.

Nevada DETR's Response

The Nevada DETR has a Memorandum of Agreement (MOA), with the Nevada State Controller, and the Nevada State Controller has a Treasury-State Agreement (TSA) with the Department of the Treasury, required by the Cash Management Improvement Act (CMIA). The stated documents define the Federal cash management process established for UI Administrative (17.225F) and UI Benefits Payment (17.225S) draws.

The UI Administrative (17.225F) funds are drawn weekly, based on 100% of the previous week expenditures. The UI Benefit Payments (17.22S) funds are drawn into the benefits account based on 100% of the benefit payment debit card issued. On each business day, 100% of that days issued debit card file is drawn and 100% of those same funds clear the benefits bank account two (2) days after the draw.

After careful review of the MOA, TSA, and the Federal Register 31 CFR Part 205, DETR has proposed to the Nevada State Controller the correct funding technique for UI Administrative (17.225F) and UI Benefits Payment (17.225S) draws, to match the actual funding used. The Nevada State Controller will draft an amended MOA and TSA for SFY16 and SFY17, to reflect the correct funding technique used by DETR for the SFY16 and SFY17.

Additionally, DETR FM will document the CMIA requirements within the Revenue Policy and Procedure, which will be reviewed annually as part of DETR FM internal control review.

Estimated Date of Completion: May 1, 2017
Contact Person: Kathleen DeSocio

TAPR Year _____ TAPR Quarter _____ File Name: _____

Reporting Period _____ through _____

Step 1: Date TAPR10 Files Created and Saved _____

Step 1.1 Validate the file is correct _____

Step 1.2 Validate that all four quarters of wages after exit have data _____

Step 1.3 Format File; add Multi Header, verify columns line up _____

Step 2: Send Hyperlink to Admin Assistant for SSN _____

Step 2.1 Validate/Verify SSN _____

Step 3: Import Data > Import DART_TAPR Files (CSV) _____

You can import up to 3 files (TAPR, RTAA, and TRA). Note: If you just have one file you will want to import into the TAPR program.

Step 4: Merge Data (Even if there is just one file) _____

Import Data > Merge/Compare TAA Files

Step 5: Request Wages _____

Output Files > Wage Files >

TAA WRIS Wage Request

Quarter's Requested:

Step 5.1 Get WRIS request off FileZilla; pull each quarter (8 quarters of data), save in the TAPR file.

Step 5.2 Verify the WRIS files from FileZilla have SSN in them _____

Step 6 Email Nancy/Tammy to upload WRIS to Tumbleweed _____

Step 6.1 Nancy/Tammy via Tumbleweed, place WRIS files in the WISS inbox. Notify R&A that the files have been uploaded and date due.

Date WISS Submitted Request to R & A _____

Date WRIS Data Due to WISS from R & A _____

Step 7: Create DART_TAPR10 Header and send to UI. UI will then use this header to record current quarter expenses for TRA/RTAA _____

Date Emailed _____ Date Due _____ Returned _____ Date Copy/Paste to 2nd Final Extract (see step 12) _____

Step 8: Create TAPR10 List for TAA Coordinator Review and validation

Date Emailed _____ **Date Due** _____ **Returned** _____ **Date Copy/Past to 2nd/Final Extract (see step 12)** _____

Step 9: Verify that all participants are on the new extract/repot, validate with the previous quarter to ensure participants that should be on the report or have dropped off _____

Step 10: 1st of the second Month after the quarter (Feb, May, Aug, Nov) request a 2nd Extract of DART TAPR10. (Prelim report is for wages) _____

Step 11: Verify that all participants are on the new extract/repot, validate with the previous quarter to ensure participants that should be on the report or have dropped off _____

Step 12: Ensure all SSN are entered (manual entry) from previous report _____

Step 13: Copy/Paste Current Quarter Training Expenses & Total Training Expenses _____

Step 14: Copy/Paste UI TRA/RTAA totals _____

Step 15: Review Pre-Edit-Check instructions _____

Step 16: Verify all edit check, all items from TAA Coordinator and UI Representative are correct _____

Step 17: Clean files in Browse > Clean Wages (Important) _____

Step 18: Upload, Import new DART TARPR 10 (see step 9) _____

Step 19: Merge the DART TAPR10 File _____
(Notes per RL you still need to merge even if only 1 file)

Step 20: Retrieve (Nancy/Tammy) Wages from Outbox of Tumbleweed _____

Step 21: Upload > Import TAPR WRIS Wages _____

Step 22: Update TAA with Wages _____
Import Data > Update Wages > Update TAA with Wages

Step 23: View/Validate TAA Quarterly Report _____
Browse > Validate Log

Step 24: Produce/Create Output File _____
Output Files > EBSS Files > TAPR Data Submission File

Step 25: Validate utilizing the DOL Self-Check Tool (9130) _____

Step 26: Peer review: additions, wages and benefits _____

Step 27: Supervisor review: additions, wages and benefits _____

Step 28: Submit Final File to EBSS aka DOL Grantee Site _____

Step 29: Complete Edit Checks, save edit check to TAPR folder _____

Step 30: Save finished file to S drive: S/WISS/TRADE ACT/TAPR: _____

Step 31: Ending 9/30 and 12/31 the WRIS files must be locked down, all other quarters must be deleted _____

Step 32: Capture & Save Submission Completed with date and Time _____



DEPARTMENT OF TRANSPORTATION

CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Date: March 06, 2017

Corrective Action Plan

Finding Number: 2016-017

Finding: Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.

Corrective Action to be Taken: Include language in the LPA Agreement identifying the DUNS number in the same paragraph the CFDA number is identified commencing in all new agreements initiated after March 1, 2017. This language will be added into existing agreements when they are being amended for other reasons but not just to add this language.

Include language in the LPA Agreement that notifies the sub-recipient that the Federal Award Identification Number (FAIN) will be provided with the Notice to Proceed (NTP). We have three paragraphs that discuss the different types of NTPs that we could have on a project. We will identify the FAIN number on each NTP issued. These paragraphs will be included as applicable to the phases of work associated with the project. This will be in all new NTPs and agreements started after March 1, 2017. And we will amend to add the language into agreements if and when we are amending the agreements for other reasons. But we will not be amending just to add this to existing agreements.

Identifying the Federal Grant Award Number (CFDA 20.205) to the subrecipient at the time of disbursement. Effective immediately, the Nevada Department of Transportation (NDOT) is implementing the procedure. Each division takes the responsibility to communicate with the subrecipient about the federal grant(s) they receive in writing at the time of disbursement, printed on checks, or included in EFT payments. The Accounting division takes the responsibility to ensure that the NDOT is in full compliance with this requirement.

If to be taken, estimated date of completion:

April 1, 2017

Agency Response

Does the Agency Agree with finding: Yes

Additional Comments: New procedures attached.

Individual Responsible for Corrective Action Plan

Name, Title: Kristena Shigenaga, P.E., C.P.M
Assistant Chief Road Design Engineer

Address or Mailstop: 1263 Stewart Street

City, State, Zip Code: Carson City, NV 89712

Phone Number: 775-888-7490

Email: KShigenaga@dot.nv.gov

Name, Title: Hua Riley, Chief Accountant

Address or Mailstop: 1263 Stewart Street

City, State, Zip Code: Carson City, NV 89712

Phone Number: 775-888-7450

Email: HRiley@dot.nv.gov

Reviewed and Approved



Signature of Director

3-6-17

Date:

Highway Agreement _____

COOPERATIVE (LOCAL PUBLIC AGENCY) AGREEMENT
PROJECT NAME

This Agreement is made and entered the _____ day of _____, _____, by and between the STATE OF NEVADA, acting by and through its Department of Transportation (hereinafter "DEPARTMENT") and [insert Name and Address of Local Public Agency] (hereinafter "LOCAL AGENCY").

WITNESSETH:

WHEREAS, agreements between the DEPARTMENT and local public agencies are authorized under Nevada Revised Statutes (NRS) Chapters 277 and 408; and

WHEREAS, the DEPARTMENT and the Nevada Division of the Federal Highway Administration (FHWA) have entered into a Stewardship Agreement pursuant to Title 23 United States Code (U.S.C.) § 106; and

WHEREAS, NRS 408.245 authorizes the DEPARTMENT to act as agent and to accept federal funds on behalf of local public agencies; and

WHEREAS, 23 Code of Federal Regulations (CFR) § 635.105(a) provides the DEPARTMENT shall be responsible for insuring that local public agency projects receiving federal funds receive adequate supervision and inspection to insure that such projects are completed in conformance with approved plans and specifications; and

OR

WHEREAS, 23 Code of Federal Regulations (CFR) § 635.105(c) provides that when a local public agency project is located on a street or highway over which the DEPARTMENT does not have legal jurisdiction, or when special conditions warrant, the DEPARTMENT may arrange for the local public agency having jurisdiction over such street or highway to perform the work with its own forces or by contract provided certain conditions are met; and

[MODIFY AS NEEDED]

WHEREAS, the LOCAL AGENCY is willing to agree to design, acquire right-of-way, adjust and/or relocate utility facilities, advertise, award, and manage construction of [description of project] as outlined in the Project Scope attached hereto and incorporated herein as Attachment A (hereinafter "PROJECT"); and

WHEREAS, the PROJECT has been approved by [insert applicable agency i.e., the DEPARTMENT, the Regional Transportation Commission for Southern Nevada, the Regional Transportation Commission of Washoe County] for Federal [insert applicable funding source i.e., Transportation Alternatives Program (TAP), Congestion Mitigation and Air Quality (CMAQ), Surface Transportation Program (STP) Local] funds; and

WHEREAS, the LOCAL AGENCY is a sub-recipient of federal transportation funds, Catalog of Federal Domestic Assistance (CFDA) Number 20.205 and the LOCAL AGENCY's Date Universal Numbering System (DUNS) Number [insert agency's DUNS #] will be used for reporting purposes; and

Date

Name
Title
Agency
Agency
Address
Address

Federal Project No.:
Project Number:
Federal Award Identification Number:
Notice to Proceed with Design Phase

Dear Name,

Please find enclosed a fully executed copy of Agreement No. [PR000-00-063](#) between the [Local Agency](#) and the State of Nevada to advertise, award and administer a contract to construct the [Project](#).

The necessary paperwork for programming the Federal funds for the project has been completed and approved. This letter is a confirmation that the [Local Agency](#) received a "Notice to Proceed" with the design of the project on [Date](#), as outlined in the agreement.

The Federal Award Identification Number (FAIN) for this project is [FAIN Number](#). Also, per 2 CFR 200 and the LPA Agreement, the Project End date for the Design Phase has been established as [Date](#). This is the end date of federal participation for the design phase of the project, unless an extension for this end date is granted by FHWA.

The project has been assigned the following project number, [EA number](#). It has also been assigned the following federal project number, [fed number](#). The Federal project number must be shown on every plan sheet, as well as on the pages of the bid package. Please refer to the project number on future correspondence and billings.

If you have any questions or require more information, please feel free to contact [Dean Morton at \(775\)888-7595](#) [Jason Tyrrell at \(702\)671-8852](#) [Tonia Andree at \(775\)888-7988](#), or me at [\(775\)888-7669](#).

Sincerely,

Kirsten E. Kehe, P.E.
Principal Road Design Engineer
Local Public Agency Program

KK:sv

Enclosure

Cc: Norfa Lanuza, Accounting
Name, LPA Coordinator

Date

Name
Local Agency
Local Agency
Address
Address

Project Number:
Federal Project Number:
Federal Award Identification Number:
Notice to Proceed with Construction Phase

Dear Name,

This is confirmation that the Local Agency was given Notice to Proceed with the advertisement, award, and construction management of the Project on Date as outlined in the Agreement No. PXXX-XX-063.

The Federal Award Identification Number (FAIN) for this project is FAIN Number. In accordance with 2 CFR 200 and the LPA Agreement, the Project End date for the construction phase of the project has been established as Date. This is the end date of federal participation for the construction phase of the project, unless an extension for this end date is granted by FHWA.

Neil Kumar has been assigned as the Resident Engineer in charge of the construction oversight for the Department. Please be sure to notify Mr. Kumar when the contract is awarded and when the Notice to Proceed has been issued to the contractor. In addition, please be sure to keep him informed of any change orders, as well as updates to key dates, associated with the project. Mr. Kumar can be reached at the following address and phone number:

Neil Kumar, P.E.,
Nevada Department of Transportation
Construction - Crew 914
123 E. Washington Ave.
Las Vegas, NV 89101

Phone: (702) 671-6633
Fax: (702) 671-6626

Please have three copies of the complete bid package made available to Tonia Andree. She will ensure two copies are provided to the Resident Engineer for his use. If you have any questions, please feel free to contact me at (775) 888-7669 or Dean Morton at (775) 888-7595 Jason Tyrrell at (702)671-8852 Tonia Andree at (775)888-7988.

Sincerely,

Kirsten E. Kehe, P.E.
Principal Road Design Engineer
Local Public Agency Program

KK:

Cc: [Tonia Andree/Dean Morton/Jason Tyrrell](#), Design
Norfa Lanuza, Accounting
Mary Martini, District 1
Neil Kumar, District 1
Sharon Foerschler, Construction
Mario Gomez, District 1
April Pogue, FM
Teresa Schlaffer, Contract Compliance



MEMORANDUM

March 15, 2017

TO: Deputy Directors, Assistant Directors, District Engineers, and Divisions
FROM: Rudy Malfabon, PE, Director
SUBJECT: Identifying the Federal Grant Award Number to the Subrecipient at the Time of Disbursement

According to Title II U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), it is the responsibility of a pass-through entity to ensure that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Effective immediately, the Nevada Department of Transportation is implementing the procedure attached to this memo. Each division takes the responsibility to communicate with the subrecipients about the federal grant(s) that they receive in writing at the time of disbursement, printed on checks, or included in EFT payments. The Accounting division takes the responsibility to ensure that the NDOT is in full compliance with this requirement.

Additional Internal Control Procedure to Subrecipient Monitoring

Purpose: This procedure is to identify the federal award's CFDA number to the subrecipient at the time of disbursement (processing a payment voucher).

Criteria: According to Title II U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), it is the responsibility of pass-through entities to ensure that the award's CFDA number is identified to the subrecipient at the time of disbursement.

Effective Date: March 15, 2017

Procedure: When Federal funds are used for payments and reimbursements to the subrecipients, vendors, consultants and service providers, the corresponding CFDA numbers must be included in the coding description line of the payment vouchers. Also, this procedure is a part of the corrective action plan to the fiscal year 2016 Single Audit Finding 2016-17.

A CFDA number should be keyed first in the field without any space and then may be followed by other information, such as an invoice number, if the space allows (20 characters). For instance, Federal Award 20205 should be input as "CFDA20205". If a payment voucher is paid out of more than one federal grant, enter a separate line for each grant.

NDOT Accounting Accounts Payable will take a final review of the payment vouchers to ensure that the award numbers are identified. Accounting will reject any payment voucher that does not meet the requirement. The following information is the review guideline:

Federal Projects CFDA Number:

Federal projects beginning with activity number "1" must include the CFDA number 20.205 in the coding description line of the payment voucher. This number must be keyed into the payment voucher system when the payment voucher is created by the division initiating the payment.

Federal project SPR17 (FFY17) beginning with activity number "3" also requires the CFDA number 20.205 in the coding description line of the payment voucher and 51's. The CFDA number must be keyed into the system when processing payments to vendors, consultants and service providers.

The screen shot of the payment voucher # 1 will be available here!

Federal Grants CFDA Numbers:

The Federal Transit grants have multiple CFDA numbers. Below is a list of the grant numbers and the corresponding CFDA numbers.

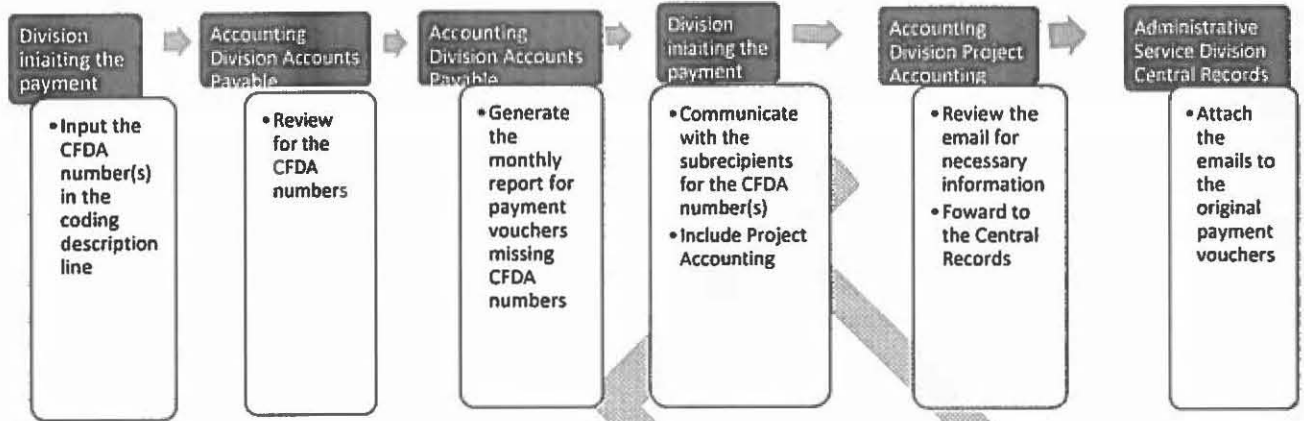
Grant No.	CFDA No.
N0408	20.500
N1602	50.513

N1638	20.513
N1825	20.509
N1831	20.509
N1832	20.509
N1835	20.509
N1838	20.509
N1839	20.509
N1840	20.509
N3402	20.526
N3405	20.526

The screen shot of the payment voucher # 2 will be available here!

At the beginning of each month, Accounts Payable will generate a report filtering the previous month's payment vouchers that slipped through the above review. The report is distributed by Accounting to the appropriate divisions. It is the responsibility of the division initiating the payment voucher to communicate with the subrecipients and Project Accounting via email what type of grant(s) they received. The email must include the PVR number, dollar amount, subrecipient invoice number, and CFDA number(s). Such correspondence will be reviewed and forwarded to Central Records to be attached with the original payment voucher. Project Accounting monitors the report and ensures NDOT is in full compliance with this requirement.

Below is the flow chart of this procedure:



DRAFT



**NEVADA DEPARTMENT OF TRANSPORTATION
CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 06, 2017

Corrective Action Plan

Finding Number: 2016-018

Finding: Certain certified payrolls were not submitted weekly as required and in certain instances, there was no documentation of timely follow up with contractors to support efforts to ensure future reports would be submitted weekly as required.

Corrective Action Taken or to be Taken:

The above referenced audit finding was due to an unsuccessful attempt to automate confirmation of receipt of weekly certified payrolls in the LCPTracker system.

Subsequent to the identification of the failure, steps were taken to evaluate manual procedures and to provide new procedural controls for immediate compliance. The new controls were implemented February 21, 2017 and the Division will follow-on with additional training of both Department staff and the contracting community. All training will be completed by April 28, 2017.

While the External Civil Rights Division will continue to investigate systematic controls for future implementation, the new procedural controls will remain in place until such time the Division can guarantee successful compliance.

The Director discussed the new policy to Resident Engineers (R.E.) at the recent R.E. Academy held in January 2017. The Assistant Director for Operations covered the importance of complying with the new policy at the March 2017 Annual Resident Engineers meeting, which was attended by the R.E.s, District Management, and HQ Contract Compliance Division.

If already taken,
date of completion:

If to be taken, estimated
date of completion:

April 28, 2017

Individual Responsible for Corrective Action Plan

Name, Title: Teresa Schlaffer, Contract Compliance Manager
Address or Mailstop: 1263 South Stewart Street
City, State, Zip Code: Carson City, NV 89712
Phone Number: 775 – 888 - 7497
Email: TSchlaffer@dot.nv.gov

Reviewed and Approved



Signature of Director

3-6-17

Date:



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 S. Stewart Street
Carson City, Nevada 89712

RUDY MALFABON, P.E., Director
In Reply Refer to:

POLICY MEMORANDUM

DATE: February 15, 2017
TO: Assistant Directors; District Engineers; Division Heads; Resident Engineers
FROM: Rudy Malfabon, Director *Rudy Malfabon*
SUBJECT: NDOT Policy Memo 15-01 "Revised"
CERTIFIED PAYROLL COMPLIANCE FOR PRIME CONTRACTORS,
SUBCONTRACTORS AND SERVICE PROVIDERS

Effective immediately, the Director is implementing the policy below regarding checking of prime contractors', subcontractors' and service providers' weekly certified payrolls on construction contracts.

1. PURPOSE

To establish policy, procedures and responsibilities to ensure the timely entering, monitoring and reviewing of weekly certified payroll submission requirements for all federal and state funded highway construction contracts.

2. POLICY

It is the policy of the NDOT to review and audit certified payroll information entered into the electronic payroll submission system (LCPtracker) in accordance with the 2017 Certified Payroll and Compliance Manual. These procedures are considered necessary to ensure compliance with federal and state regulations.

3. SCOPE

This policy is applicable to the Director's Office, District Engineers, Construction Division, Resident Engineers, Contract Compliance and Project Accounting.

4. RESPONSIBILITY

State funded contracts greater than \$250,000 and federally funded contracts greater than \$2,000 require the submission of weekly certified payrolls each week for work performed, or non-performance payrolls when no work is performed. Penalties for

payrolls that are determined late in accordance with NRS 338 (15 days after the end of the month) shall be calculated and forwarded to the Nevada Labor Commissioner for a violation determination. Payrolls that are determined late in accordance with 29 CFR and FHWA-1273 but do not exceed NRS 338, shall be identified and written notification forwarded to the prime contractor with possible recommendations to withhold the next progress payment.

a. The Resident Engineer is responsible for:

- (1) Confirming that a Request to Sublet and Subcontract Agreement have been fully executed prior to the subcontractor's start of work.
- (2) Forwarding all hauling agreements to Contract Compliance for review.
- (3) Confirming that a Request to Utilize Service Provider has been fully executed prior to the service provider's start of work.
- (4) Verifying that each prime contractor, subcontractor and service provider have uploaded a Fringe Benefit Statement into LCPtracker.
- (5) Verifying that each prime contractor, subcontractor and service provider have uploaded a current Request for Apprentice Verification form, and apprenticeship agreement into LCPtracker for each apprentice for each contract.
- (6) Verifying that each prime contractor, subcontractor and service provider have uploaded a request to work 4-10 hour days into LCPtracker (if applicable).
- (7) Ensuring that each prime contractor, subcontractor and service provider that worked on the contract have submitted a payroll into LCPtracker each week. Payroll must be submitted within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.
- (8) Ensuring that each prime contractor, subcontractor and service provider that did not work on the contract have submitted a non-performance payroll into LCPtracker each week. Non-performance payroll must be submitted within fourteen (14) calendar days of the week ending date. No additional calendar days are allowed for payrolls with week ending dates falling on Saturday, Sunday or a holiday.
- (9) Reviewing payrolls and submission dates in LCPtracker weekly.
- (10) Informing the prime contractor in writing of payrolls that were not entered weekly or payrolls not entered at all into LCPtracker. The correspondence will include a statement that future progress payments may be withheld until the issue is addressed. Continue weekly letters to address each

week's payrolls.

- (11) Assessing penalties on the progress payment as requested by Contract Compliance upon receipt of the Labor Commissioner's Affirming Order. After the penalty is assessed, notify Contract Compliance with the contract number, name of prime contractor, penalty amount assessed and the payment number confirming the penalty was held.
- (12) Notifying Contract Compliance if there are no more progress payments to process or if the contract is picked up by the Construction Division.
- (13) Taking a proactive role to reduce late payroll submissions by contacting prime contractors who continually submit payrolls late. With the prime contractors' knowledge, contact subcontractors and service providers if necessary.
- (14) Submitting CERTIFIED PAYROLL LOG to District Engineer monthly for signature. Place signed copy with contract files.

b. Contract Compliance is responsible for:

- (1) Reviewing hauling agreements.
- (2) Assisting the Resident Engineer with payroll issues.
- (3) Providing contract information regarding payroll requirements during the preconstruction meetings.
- (4) Investigating questions/discrepancies concerning wages, overtime, working out of classification, etc.
- (5) Providing ongoing training for Resident Engineers and their staff to monitor payrolls in LCPtracker.
- (6) Providing ongoing training and guidance for prime contractors, subcontractors and service providers to enter and monitor payrolls in LCPtracker.
- (7) Reviewing active contracts within eight (8) business days of the 15th of each month for payrolls entered late into LCPtracker.
- (8) Applying late payroll considerations uniformly and if applicable, prepare a letter to the prime contractor informing them of the requirement and violation, and why penalties were waived.
- (9) a. If late payroll considerations are not applicable, calculate the late payroll penalty in accordance with NRS 338 and prepare a late payroll determination letter to the Labor Commissioner that the

prime contractor, subcontractor or service provider is in violation. Since penalties are based on the number of employees per day for the late payroll period, the amount cannot be calculated until the payroll is submitted.

- b. Upon receipt of the Labor Commissioner's review and Affirming Order, notify the Resident Engineer to withhold the penalty as a liquidated damage on the next progress payment.
 - c. If there are no further progress payments to be made by the Resident Engineer, notify the Construction Division requesting to withhold the penalty from the final payment/retention release.
 - d. If final payment/retention release has already been processed, prepare a billing request with proper coding obtained from Project Accounting. Deliver billing request to Project Accounting.
- (10) Reviewing and investigating all disputed violations returned to NDOT from the Labor Commissioner.
- (11) Checking all prime contractor, subcontractor and service provider payroll and non-performance payroll submission dates as part of the Contract Compliance Clearance for all contracts. Document all late (15 days after the end of the month) payrolls and verify that violation letters were submitted to the Labor Commissioner, and a determination was received by NDOT. Verify that all penalties were assessed in accordance with Item (9) above. Any discrepancies will be discussed with the Resident Engineer, and if necessary, prepare additional violation letters to the Labor Commissioner. Contract Compliance shall not grant clearance for any contract until all issues are resolved.
- (12) Notifying the Labor Commissioner in writing after violation penalty has been held from the prime contractor by the Resident Engineer or by the Construction Division, or when payment from the prime contractor, subcontractor or service provider is received in Project Accounting.
- c. The District Engineer is responsible for:
- (1) Conducting monthly payroll reviews of the Resident Engineers' CERTIFIED PAYROLL LOG to assure that payroll submissions are checked weekly in accordance with requirements mentioned above. Acknowledge review by signing CERTIFIED PAYROLL LOG and returning to Resident Engineer for his contract files.
 - (2) Discussing late payrolls with the Resident Engineers monthly.
 - (3) Taking a proactive role to reduce late payroll submissions by contacting prime contractors who continually submit payrolls late.

- d. The Construction Division is responsible for:
 - (1) Obtaining Contract Compliance Clearance before final payment/retention release is processed.
 - (2) Assessing late payroll penalty on the final payment if the Resident Engineer was unable to assess on a progress payment or if the contract is already picked up.
 - (3) Notifying Contract Compliance that penalty was assessed on final payment/retention release and that final payment/retention release was processed.
 - (4) Notifying Contract Compliance if the final payment/retention release has already been processed through Project Accounting and they are unable to assess the late payroll penalty.
- e. Project Accounting is responsible for:
 - (1) Providing proper coding to Contract Compliance upon their request for any billing request necessary to receive payment for penalties directed on the Labor Commissioner's Affirming Order.
 - (2) Notifying Contract Compliance when payment is received from the prime contractor, subcontractor or service provider.
- f. The Assistant Director, Operations is responsible for:
 - (1) Reviewing the Resident Engineers' weekly correspondence to prime contractors.
 - (2) Approving or waiving the Resident Engineers' request to withhold progress payments for late payrolls.
 - (3) Providing written confirmation to the Resident Engineers to withhold the progress payment.
- g. The Deputy Director - Southern Nevada is responsible for:
 - (1) Updating this POLICY MEMORANDUM as necessary.

5. DEFINITION

- a. DBRA - Davis Bacon and Related Acts - a federal regulation requiring the payment of prevailing wages on federally funded or assisted construction projects and the weekly submission of the prime contractors', subcontractors' and service

providers' certified payrolls. The Davis Bacon Act applies to each federal government contract in excess of \$2,000.

- b. Federally funded - any project or activity that is awarded to a prime contractor, assigned a contract and project number, and the contract is funded with any amount of federal funds.
- c. NRS 338 - Nevada Revised Statutes - state regulations requiring the payment of prevailing wages on state funded construction projects and the submission of the prime contractors', subcontractors' and service providers' certified payrolls. NRS 338 applies to each public works project in excess of \$250,000.
- d. State funded - any project or activity that is awarded to a prime contractor, assigned a contract and project number, and the contract is funded without any federal funds.
- e. Picked up - Construction Division has reviewed pay quantities and required documentation in order to establish final quantities and prepare a final payment/retention release to the prime contractor.

6. PROCEDURES

- a. The Resident Engineer shall oversee the process and assure that compliance is achieved. The inspector shall be aware of the prime contractor, subcontractors and service providers working on the project and document them on an Inspector Daily Report (IDR in FieldBook). The office person will review the reports and document which prime contractor, subcontractors and service providers worked for each week. During the weekly check of LCPtracker, the office person will verify that payrolls were submitted for those weeks employees were working on the contract, and non-performance payrolls were submitted for all others.
- b. For late payroll or no payroll submissions, the Resident Engineer and Contract Compliance will take appropriate action as outlined in the 2017 Certified Payroll and Compliance Manual.



**NEVADA DEPARTMENT OF TRANSPORTATION
CORRECTIVE ACTION PLAN FOR AUDIT FINDING**

Date: March 6, 2017

Corrective Action Plan

Finding Number: 2016-019

Finding: Certain required test related to the QA program were not performed

Corrective Action Taken or to be Taken: Procedures were implemented in January 2015 to ensure all required tests have been performed in accordance with the Nevada Department of Transportation's Construction Manual, Testing Frequencies for Independent Quality Assurance. Three out of six contracts selected for this audit were found to be deficient in meeting required frequencies. However, they began construction prior to the Department implementing these new procedures to ensure testing frequencies were met. The Single Audit for year ending June 30, 2013, which resulted in similar findings to the above referenced audit finding, resulted in the Department developing, implementing and enforcing these new procedures. However, these three contracts selected under this audit were still under the processes and procedures prior to the new policy of January 2015.

Additional efforts are underway to achieve compliance with required testing frequencies. The Department's construction program average between \$300M to \$400M annually which requires hundred to thousands of tests to be completed on each contract in order to meet our required frequencies. With the amount of testing the Department performs on any given contract and in whole with the size of our program, it is an unrealistic expectation that the Department will meet 100% of the frequencies, 100% of the time due to limited staffing and resources combined with the ever changing contractor's operations.

The Department is in the process of developing a realistic approach to measure success in complying with federally acceptable guidelines in meeting required testing frequencies. The Construction Division in cooperation with FHWA will be adopting a performance measure approach to determine a satisfactory acceptance level for testing frequency. For example, if 90% of the contracts meet or exceed required frequencies, the Department will be found to have met a federally acceptable level of compliance.

This approach is supported by FHWA and we anticipate a revised Construction Manual approved by FHWA in the fall of 2017.

Note: It is important to note the number of tests required to meet frequencies on the above reference contracts. To highlight the results:

Contract 3534: 797 out of 816 required testes were completed (2% failure)
Contract 3540: 768 out of 776 required tests were completed (1% failure)
Contract 3571: 61 out of 63 required tests were completed (3% failure)

If already taken,
date of completion:

If to be taken, estimated
date of completion:

September 2017

Agency Response

Does the Agency Agree with finding?: Yes

Additional Comments: 2015 Policy and procedure memo attached.

Individual Responsible for Corrective Action Plan

Name, Title: Sharon Foerschler, P.E. Chief Construction Engineer

Address or Mailstop: 1263 South Stewart Street

City, State, Zip Code: Carson City, NV 89712

Phone Number: 775 – 888 – 7460

Email: SFoerschler@dot.nv.gov

Reviewed and Approved



Signature of Director

3-6-17


Date:



MEMORANDUM

January 14, 2015

TO: District Engineers
Assistant District Engineers (Construction)
Resident Engineers
Assistant Construction Engineers
Quality Assurance Engineer

FROM: ^{for} Jeff Shapiro, Chief Construction Engineer 

SUBJECT: Construction Division Policy and Procedure No. 01-2015
Construction Contract Materials Acceptance Testing Frequencies

This Policy and Procedure is intended to provide guidance for construction materials sampling and testing and applies to all NDOT construction contracts using the 2001 or 2014 Standard Specifications. The following is defined for this policy:

Project Acceptance Sampling and Testing: The required sampling and testing for acceptance of materials commonly used in roadway construction are found in the NDOT Construction Manual. The results of such tests are recorded on various NDOT forms. Project acceptance testing results are used to determine compliance with the contract requirements and become part of the permanent project record. Project acceptance sampling and testing is subject to Independent Assurance (IA) testing and auditing by the Quality Assurance (QA) Section. (Note: IA testing is used to confirm NDOT's quality assurance program is operating within tolerances. Although IA test results also become part of the project file they are not used to determine compliance with the terms of the contract and are not used for acceptance).

Informational Project Tests: Examples of informational project tests are given in Section 5-403 of NDOT's Construction Manual. This includes testing performed as directed by the Resident Engineer to aid in assuring compliance with the contract requirements. Informational project tests are for informational purposes only and are not subject to IA testing by the QA Section. Informational project tests are also not considered as tests required for final project acceptance and should not be listed as a required test on forms such as the Acceptance Testing Summary Sheet (NDOT Form 040-076).

Procedures: All project construction material sampling and testing shall be conducted in accordance with approved NDOT test methods and the contract requirements. Table 5.1 in NDOT's Construction Manual shows the minimum frequencies of project acceptance sampling and testing of materials commonly used in roadway projects under ordinary conditions. The frequencies shown are based on AASHTO guidelines and are general in nature for a typical NDOT transportation project. The frequencies in Table 5.1 are intended to be used as a guide by the Resident Engineer to plan and conduct project acceptance testing that reflects the specific needs of a project and the contract requirements.

Prior to the beginning a project the Resident Engineer will receive the following:

- Materials Sampling and Testing Checklist (By the Materials Division)
- Draft Acceptance Testing Summary Sheet (By the QA Section)

The draft Acceptance Testing Summary Sheet prepared by the QA Section will be based on plan quantities shown in the contract documents and is considered, along with the Materials Sampling and Testing Checklist, informational and general in nature based on the contract requirements and NDOT policies and procedures. Prior to construction, the Resident Engineer should meet with the Materials Division and the QA Section to discuss any questions regarding the minimum required samples and tests for the project acceptance testing program or if there are any items that are not listed in the minimum required samples and tests at which time all should agree on specific testing frequencies (found in the Construction Manual) to be used and to discuss communication protocols as construction proceeds. This is the first step in what should be ongoing communication between the Resident Engineer, Materials Division and QA Section that should continue throughout the life of the construction contract. As situations can change frequently on any construction project; communication between all is critical to ensure the contract requirements are met. Mobile devices, email, SharePoint, etc. should help everyone working on a project to be knowledgeable of what testing is required and when it is required. Good communication is essential between the involved Sections and Divisions. If at the end of construction the minimum frequencies are not met that were set at the beginning of the project, the Resident Engineer shall submit a written explanation for approval to the Construction Engineer explaining the circumstances which caused the shortage of tests.

In general, the sampling and testing frequencies of materials used in the roadbed on a typical construction project should meet the minimum requirements shown in Table 5.1 of the Construction Manual. This includes embankment, base courses, pavements and major concrete structures including foundations for overhead lighting, traffic signals and sign structures. The Resident Engineer is most knowledgeable of and responsible for the successful completion of a construction contract. They are also responsible for the project acceptance testing program. Some smaller, unique, NDOT construction contracts may include small quantities of work normally used on typical roadway projects. In situations where the plan quantity of a specific item of work is less than 10% of the Construction Manual testing frequency and has a contract value less than \$50,000 the Resident Engineer, in consultation with the QA Engineer, has discretion to forgo acceptance testing on that item and perform informational testing, if desired.

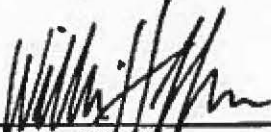
(Example: A small demolition contract to remove a building includes an item for Borrow Embankment of 400 cubic yards and a value of \$4,000. A later contract completes the roadway embankment for the roadbed. Table 5.1 of the Construction Manual shows one "R" value test per 50,000 cubic yards and one density test every 5,000 cubic yards. Since 400 cubic yards of Borrow Embankment with a value of \$4,000 is considered insignificant to the overall construction program and very low risk in this case, the Resident Engineer has discretion to perform only informational testing if desired.)

Note: if the Resident Engineer elects to perform Acceptance testing on work of a minor and insignificant nature it will be the Resident Engineer's responsibility to inform the QA Section to assure that IA testing is also performed as appropriate.

Finally, District and QA Section Staff are advised to use caution when adding remarks in the Acceptance Testing Summary Sheet in cases where Acceptance or IA testing was not performed on

item work. Remarks such as "*Was not notified of work*" or "*Contractor refused to perform test*" as apparent reasons why a sample and test wasn't performed have been interpreted in past Federal Audits as examples of NDOT not following its QA Policy and indicators of communication breakdowns or substandard work. Any communication or staff performance problems should be brought to the District Engineer's and / or Chief Construction Engineer's attention for disposition. Please contact the Chief Construction Engineer at (775)888-7460 if you have any questions.

Approved:



Deputy Director

1/14/15

Date

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
ACCEPTANCE TESTING SUMMARY SHEET
(TO BE CONTINUALLY UPDATED AND SUBMITTED AT THE END OF EACH CONTRACT)

CONTRACT NO. 3578
PROJECT NO. 14 84-01(0027)

BD ITEM NO.	DESCRIPTION	PLAN QUANTITY	FINAL QUANTITY	UNITS	PROJECT ACCEPTANCE TEST	NO. OF FIELD SAMPLES	NO. OF TESTS COMPLETED	NO. OF FIELD TESTS	REMARKS	NO. OF FIELD TESTS COMPLETED - 1	NO. OF FIELD TESTS - 1A	REMARKS
827016	Penetration Slugs (Ground Monitoring) (Metal Sensors)	80 82		SOFT	Materials Division							
828202	Ultrasonic Penetration Slugs (Type 2)(Metal)	8 23		SLUG	Paint							
					Beads							
					Representivity	50						
					Thickness							
828202	Ultrasonic Penetration Slugs (Type 2)(Metal)	4 75		SLUG	Paint							
					Beads							
					Representivity	15						
					Thickness							

*Remarks are required when the minimum number of tests are not completed under explanation of acceptance of non-qualification material.

**Remarks are required when the minimum number of tests are not completed.

*** Minimum number of test will have to be recalculated when the test design is reviewed.

NOTE: ALL ITEMS THAT REQUIRE FIELD SAMPLES AND SAMPLES FROM THE "MATRIALS SAMPLED AND TESTED CHECKLIST" MUST BE INCLUDED. REFER TO THE "MATRIALS SAMPLED AND TESTED CHECKLIST", SPECIAL PROVISIONS, AND ANY OTHER ABNORMAL ITEMS ADD TO THE CONTRACT.

Prepared by _____ Date _____
I.A. Tester _____ Date _____

Resident Engineer _____ Date _____
Reviewed by _____ Date _____
QA Representative _____ Date _____

Materials Division _____ Date _____

Distribution: Materials Division, Headquarters Construction, District, Resident Engineer

BRIAN SANDOVAL
Governor

STEVE CANAVERO, Ph.D.
Superintendent
of Public Instruction

STATE OF NEVADA



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DEPARTMENT OF EDUCATION
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Carson City, Nevada 89701-5096
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March 9, 2017

From: Roger Rahming, Deputy Superintendent
Business and Support Services

Subject: Status of Corrective Action on FY 2016 Audit Findings

This letter is in response to the annual Single Audit performed by Eide Bailly LLP, CPA's relating to Federal Programs administered by the State of Nevada, Department of Education (NDE) for the fiscal year ended June 30, 2016. The audit findings pertain to the Federal Title I-A and Special Education programs listed below:

Title I Grants to Local Educational Agencies, CFDA 84.010
Special Education Cluster:
 Special Education Grants to States, CFDA 84.027
 Special Education Preschool Grants, CFDA 84.173
Child Care Development Block Grant, CCDF Quality, CFDA 93.575

Below are the Department of Education's responses to audit findings: 2016-020, 2016-021, 2016-022, 2016-023, 2016-024, and 2016-035.

Finding #2016-020 resulted in the following recommendation

We recommend that the Department enhance internal controls to ensure compliance with sub-recipient monitoring requirements.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

- A. The Nevada Department of Education (NDE) began including certain required information at the time of sub-awards, as well as CFDA numbers on checks starting in February 2017. NDE will set up all non-district entities that receive pass-through Title I, part A awards in the ePage grants management system starting in FY18 in a manner similar to IDEA Special Projects and NSHE Board of Regents entities.

- B. NDE evaluated expenditure reporting and compliance monitoring through our State's eNOTE desktop monitoring system for non-district entities receiving Title I, Part A awards. A "Title I Contract-Special Projects" monitoring instrument was set up to monitor sub-recipients receiving Title I awards for the 2017 fiscal year. University of Nevada, Reno, Board of Regents (UNR), was selected for this instrument. Both compliance indicators and required proof of evidence documentation was reviewed and evaluated by the NDE Title I team. On March 3, 2017, the entity received an evaluation report that indicated the sub-recipient was in compliance with sub-grant requirements.
- C. UNR staff submitted a self-review, which included the submission of activity and general ledger proof of evidence reports into the eNOTE desktop monitoring instrument on January 3, 2017. On March 3, 2017, the entity received a monitoring evaluation report that indicated the sub-recipient met compliance requirements. Title I, Part A expenditures were initially awarded to UNR to help support activities at the Mega Conference, hosted by the NDE. The content area presented at this conference is applicable to all diverse learners, including students with disabilities, children in poverty, and those with language and cultural differences. The Mega Conference also features Nevada schools that show success and improvement such as Title I Distinguished, Blue Ribbon, and Reward Schools. Title I and other NDE team members attend the Mega Conference onsite annually. All general ledger and activity reports, and proof of evidence requests matched the initial award approved by the NDE Title I Director.

Division Responsible for Corrective Action Plan

Name, Title: Andrea McCalla, Director of Fiscal, ammccalla@doe.nv.gov
Seng-Dao Keo, Director of Student and School Support; skeo@doe.nv.gov

Finding #2016-021 resulted in the following recommendation

We recommend that the Department implement internal controls to monitor expenditures and maintain adequate documentation to support that earmarking requirements were met.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

Title I Response

Prior to state fiscal year 2016, the Department received technical assistance from the U.S. Department of Education to create an allocation procedure to ensure earmarking requirements were met for Title I programs. These procedures are designed to align with the OMB Compliance Supplement, including hold harmless thresholds.

Once allocations and associated earmarks are calculated using the aforementioned procedures (e.g. 95% for aid to schools, 4% for school improvement, 1% for state-level activities and administrative costs), these amounts are entered into the ePAGE system (electronic Plans, Applications, Grants and Expenditures) and appropriate access is

provided to local education agency (LEA) grant staff. Requests for funds and final financial reports are processed via ePAGE.

For fiscal year 2017, general ledger details are being uploaded with each payment to an LEA. Monthly budget monitoring will be conducted by the Department's Business and Support Services staff to reflect the descending balance of each sub-grant award throughout the course of the year, beginning on March 1, 2017. This monthly budget monitoring will ensure that ePAGE and DAWN match, and will further ensure that earmarks are accounted for separately to adhere to the 2016 OMB Compliance Supplement requirements.

Special Education Response

On **July 8, 2016**, in correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, the NDE updated its progress implementing the Corrective Action Plan (CAP), and refined its CAP to state that a project code would be added to the ePAGE online grants management system to allow for the monitoring of expenditures to document that earmarking requirements were met. This system would allow set asides to be earmarked and requests for funds to be monitored and tracked for compliance.

On **September 1, 2016**, in follow-up correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, NDE provided an update with an example of the project code in ePAGE.

March 2017 Update: Because FY 2016 was nearly completed at the time the FY 2015 audit findings were finalized and the CAPs were accepted, full CAP implementation for FY 2016 was not feasible prior to the end of the fiscal year. As of September 2017, NDE implemented the corrective actions (as refined in July 2016).

Division Responsible for Corrective Action Plan

Name, Title: Seng-Dao Keo, Director of Student and School Support; skeo@doe.nv.gov
Will Jensen, Director of Special Education; wjensen@doe.nv.gov

Finding #2016-022 resulted in the following recommendation

We recommend that the Department implement internal controls to ensure amounts charged to the Federal program are adequately documented.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

NDE previously had this finding in 2015-16. NDE initially planned to collect all receipts for each request for funds. This proved to be extremely cumbersome, and entities were unable to comply with this request due to the volume of paperwork that would be required.

In February 2017, NDE implemented the requirement for sub-recipients to send their general ledger summary detail for each request for funds for FY 2017. The grants analysts will verify these ledgers for the entire 2017 fiscal year.

Division Responsible for Corrective Action Plan

Name, Title: Andrea McCalla, Director of Fiscal, ammccalla@doe.nv.gov

Finding #2016-023 resulted in the following recommendation

We recommend that the Department implement internal controls to ensure adequate supporting documentation is maintained for Federal cash draws.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

NDE previously had this finding in 2015-16. However, NDE did not have adequate staff assigned to the control of backup documentation to support all draws. NDE is currently training the Grant's Unit, who may utilize seven employees, to uniformly track each of their grants. The analysts doing the draws will have all available information to attach and save with each individual draw. NDE has also implemented a back-up system, so grant backup documentation will be easily accessible on the server.

Additionally, NDE is currently changing the accounting office process of finalizing payments daily to Mondays and Tuesdays only, so that draws can be done weekly for each grant needed. The draws will occur within the 3-4 day clearance pattern to match the appropriate funding technique per the Treasury-State Agreement.

Division Responsible for Corrective Action Plan

Name, Title: Andrea McCalla, Director of Fiscal; ammccalla@doe.nv.gov

Finding #2016-024 resulted in the following recommendation

We recommend that the Department enhance internal controls to ensure compliance with subrecipient monitoring requirements.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

On **July 8, 2016**, in correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, NDE updated its progress implementing the CAP, and refined its CAP to state the eNote Tracker system would not be employed. Alternately, NDE would use a more effective system for program monitoring which would allow formalizing the state set-aside subgrant application process by requiring that specific items be

addressed in an IDEA subgrant application and an IDEA final project report. Examples of the revised application and final project report forms and completed examples were provided to the U.S. Department of Education.

In addition, NDE stated that it would incorporate a series of checklists into the ePAGE system to ensure that all requirements for LEA entitlement funding as well as for set-aside funding have been verified/approved prior to approval of subgrant awards. The draft content included, for state set-aside recipients, quarterly contact with subrecipients to monitor that funded projects are being implemented according to approved applications. The ePAGE system would also allow subrecipients to upload evidentiary documents and/or responses to requests for additional information or documentation. A draft of the checklists was provided to the U.S. Department of Education.

On **September 1, 2016**, in follow-up correspondence to Mr. Charles Kniseley and Ms. Hannah Hodel at the U.S. Department of Education, the NDE provided an update with an example of the ePAGE checklists.

March 2017 Update: Because FY 2016 was nearly completed at the time the FY 2015 audit findings were finalized and the CAPs were accepted, full CAP implementation for FY 2016 was not feasible prior to the end of the fiscal year. As of September 2017, the NDE implemented the Corrective Actions (as refined in July 2016).

Division Responsible for Corrective Action Plan

Name, Title: Andrea McCalla, Director of Fiscal, ammccalla@doe.nv.gov
Will Jensen, Director of Special Education; wjensen@doe.nv.gov

Finding #2016-035 resulted in the following recommendation

We recommend that the Division and the Department implement internal controls to ensure compliance with subrecipient monitoring requirements.

NDE Response

The NDE has reviewed and accepts this finding.

Corrective Action

- A. NDE began including certain required information at the time of sub-awards, as well as CFDA numbers on checks starting in February 2017. NDE will set up all non-district entities that receive pass-through Child Care Development Block Grant awards similar to those in the ePage grants management system starting in FY18.
- B. NDE has revised existing policies and procedures for risk monitoring, and all documents and instructions are currently being reviewed through the Department's Policy and Procedure Committee. Once approved, these procedures will be followed to ensure adequate compliance with Federal statutes, regulations and the terms and conditions of the subaward. This risk assessment will determine the appropriate level of subrecipient monitoring.

- C. NDE will continue to audit the A-133's when NDE determines that the entity is a sub-recipient. NDE will develop a standard procedure for determining whether or not the entity is a contractor or sub-recipient by working with both the State's external auditors and the Governor's internal auditors.

Division Responsible for Corrective Action Plan

Name, Title: Andrea McCalla, Director of Fiscal, ammccalla@doe.nv.gov
Patti Oya, Director of the Office of Early Learning and Development,
poya@doe.nv.gov

Sincerely,

Roger M Rahming

Roger M. Rahming
Deputy Superintendent
Business and Support Services

**State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2016**

**U.S Department of Education
Rehabilitation Services -Vocational Rehabilitation Grants to States, CFDA 84.126
Eligibility**

CORRECTIVE ACTION PLAN

Finding 2016-025

Eligibility determinations were not made within 60 days and no exceptional or unforeseen circumstances existed. A non-statistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For two of the 12 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met. For one of the 12 individuals selected for testing, the applicant was enrolled in a trial work experience; however, not within 60 days from the application submission.

Recommendation

We recommend the Department enhance internal controls to ensure that eligibility determinations occur within the required time frame.

Nevada DETR's Response

The State of Nevada, DETR, Rehabilitation Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the

counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. Lastly, the Quality Assurance (QA) team conducts a case review and addresses the issue of Eligibility in 60 days three times per year and an Eligibility targeted review each January, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and *all* of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

- The Division will continue to provide training and coaching to all Rehabilitation Counselors, and Rehabilitation Technicians, new and experienced, regarding the importance of meeting this eligibility requirement timeframe.
- Consequences leading up to disciplinary action will continue to be in place and enforced for exceptions.
- The Division will continue to direct all staff to monitor the aging reports in RAISON, our case management system, to track eligibility determination due dates for compliance. As a best practice Supervisors and Rehabilitation Counselor IIIs will run the Aging Report every week to two weeks to monitor staff.
- The Division will work with our Business Process Analyst II and IT Programmer to determine whether it is feasible to add any new enhancement to our case management system to prompt staff 30 days prior to an eligibility determination due date.
 - * It should be noted that the Division has included in their new budget a request for a new case management system. If the Alliance Case Management System, RAISON, is approved by the legislature, then we anticipate that the new system will have some additional prompts, checks and balances in place to assist Counselors in making timely eligibility determinations. It is anticipated that a new system could be in place by May of 2019.
- The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on process, procedure, compliance and self-evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.
- It is our goal to have 100% compliance in this element.

Estimated Date of Completion: May 1, 2017 –Ongoing training will continue throughout the year.

Contact Person: Mechelle Merrill, Rehabilitation Division Bureau Chief

Finding 2016-026

Financial participation forms were not completed and signed by the counselor and participant. A non-statistical sample of 12 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. For three of the 12 individuals selected for testing, no financial participation form was completed and signed by the counselor and participant.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure that financial needs tests are applied uniformly in accordance with its written policies.

Nevada DETR's Response

The State of Nevada, DETR, Rehabilitation Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. The Quality Assurance (QA) team conducts a case review and addresses the issue of Reporting and Tracking Financial Participation three times per year and Case Documentation and Case and Financial Management Review each July, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and *all* of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

- As a result of this finding from last year's audit the Division submitted a request to DETR IT for a RAISON enhancement. This request made in May 2016, would prompt counselors to check the "Meets Financial Needs" box. This enhancement was created and implemented later in 2016. Since that time administration has gone a step further and

requested an additional enhancement. Work Order #67174 was deployed on December 30, 2016. Currently when a Counselor saves a new IPE, a pop-up message reads, "REMINDER: Counselors, please ensure that the Financial Participation form has been completed and the financial tab of the Application form is updated accordingly." The Division feels that this stronger and more clearly stated reminder will be effective in correcting this finding.

- The Division will continue to monitor and train staff to address this important deficiency.
- The importance of completing the financial participation form will be stress in our New Counselor Academy with our Rehabilitation Technician training to ensure accurate and timely completion.
- The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on process, procedure, compliance and self-evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.
-

Estimated Date of Completion: May 1, 2017 - Ongoing training will continue throughout the year.

Contact Person: Mechelle Merrill, Rehabilitation Bureau Chief

Finding 2016-027

Certain required IPEs were not done within 90 days after the date of determination of eligibility. A non-statistical sample of 15 out of 2,713 applicants deemed eligible during the fiscal year was selected for testing. Out of 15 IPEs tested, we noted two instances where IPEs were performed later than 90 days and one instance where an IPE was required, but was not completed.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure participants' IPEs are completed and performed timely.

Nevada DETR's Response

The State of Nevada, DETR, Rehabilitation Division has issued clear guidance to staff and has reminded and re-trained staff on these processes. Training occurred in the northern district on 4/13/16 and in the southern district on 3/17/16. Training was provided to counselors, technicians and supervisors.

Administration implemented stricter consequences for non-compliance. An email was sent out to all supervisors, counselors and district managers from the Bureau Chief on 3/15/16, identifying the work performance standard for these elements and the requirements of compliance. Consequences for not following the process or meeting compliance were outlined in this email. The email is also posted on our internal Share Point site for easy access. The Division created a tool within our case management system to trigger staff to address the financial needs test and documentation. As a best practice, supervisors and Rehabilitation

Counselor IIIs are running the Aging Report in our case management system every week to two weeks to monitor and address with staff, as needed, regarding required timeframes.

The Division received approval from our Attorney General's office in April 2016 to enable us to receive extension requests from our consumers via email, which should have mitigated issues when extensions of time are needed under the allowable exemptions. Counselors may email a scanned extension form to clients and request that it be signed and scanned or faxed back to the counselor. An email from the client stating that they are in agreement with the extension and the dates is now allowable in exceptional circumstances.

Rehabilitation Supervisors and Counselors IIIs review a minimum of 10 cases per year for each Rehabilitation Counselor within their chain of command. At the time of review, any exception to the eligibility determination process, financial needs test or IPE process would be documented and then reviewed with the counselors to prompt them to take action. The QA team conducts a case review and addresses the issue of completing IPE within 90 days three times per year and Assessment of Rehabilitation Needs (AVRN/IPE targeted review each March, (1 case reviewed per caseload). Additionally, the QA team conducts District wide case reviews each spring, (2 cases reviewed per caseload) and Statewide case reviews each fall, (2 cases reviewed per caseload).

NOTE: However, one very real factor is that the SFY16 Single Audit included cases sampled throughout the state fiscal year, and *all* of the cases that were found out of compliance and for which the Division received audit findings #025, 026 and 027, pre-dated the time period in which the Division implemented its Corrective Action Plan (CAP) from the previous year's single audit. (The CAP was implemented between March 7, 2016 and May 16, 2016). These cases with actions prior to 5/16/16, would not have had the benefit of all the changes outlined in this email and in our formal responses to you dated 3/07/16 and 5/16/16 from the previous year's single audit.

- The Division will continue to provide training and coaching to all Rehabilitation Counselors, new and experienced, regarding the importance of meeting the requirement of developing an IPE 90 days after the date of determination of eligibility.
- Consequences leading up to disciplinary action will continue to be in place and enforced for exceptions.
- The Division will continue to direct all staff to monitor the aging reports in RAISON, our case management system. Staff will track due dates for the development of IPEs within 90 days after the date of determination of eligibility or documentation of an extension. As a best practice Supervisors and Rehabilitation Counselor IIIs will run the Aging Report every week to two weeks to monitor staff.
- It should be noted that the Division has included in their budget a request for a new case management system. If the Alliance Case Management System, RAISON, is approved by the legislature, then we anticipate that the new system will have some additional prompts in place to assist Counselors in developing timely IPEs within 90 days of eligibility determination. It is anticipated that a new system could be in place by May of 2019.
- The Division has requested permission to hire a new position; Training Officer. This incumbent's sole responsibility will be to train staff on process, procedure, compliance

and self –evaluation to improve program performance. This position will be supervised by the Quality Control Specialist II. It is anticipated that this position may be approved for a July 1, 2017 hire.

- It is our goal has 100% compliance in this element.

Estimated Date of Completion: May 1, 2017 - Ongoing training will continue throughout the year.

Contact Person: Mechelle Merrill, Rehabilitation Division Bureau Chief

Finding 2016-028

Expenditure amounts included on the RSA-2 report (*Annual Vocational Rehabilitation Program/Cost Support*) did not agree to the State’s underlying accounting records. No sampling was used; we examined the RSA-2 report submitted during the fiscal year.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure that all expenditure amounts included on the RSA-2 report are supported by underlying accounting records.

Nevada DETR’s Response

The Nevada DETR uses the U.S. Department of Education, Office of Special Education and Rehabilitative Services’ Policy directive RSA-PD-14-02 as DETR’s Financial Management’s (FM) policy for producing the RSA-2 annual report. Expenditure information is compiled from two Budget Accounts, B/A 3254, Bureau of Services to the Blind (BSB) and B/A 3265, Bureau of Vocational Rehabilitation (BVR). The Amounts on this report reflect Federal and State expenditures for the 12 month Federal Fiscal Year, the report is supported by a spreadsheet with detailed accounting records that identify the expenditures using job numbers previously established. The aforementioned spreadsheet showed two transactions not coded or without the identifier job number and consequently, these transactions were inadvertently omitted on the RSA-2 report period ending September 30, 2015.

The process has been revised to ensure that expenditures without the identifying job numbers are researched to determine if they should be part of the RSA-2 report. We have instituted clearer calculations and check figures in the spreadsheet to ensure that the underlying accounting records are more identifiable and correctly reported on the RSA-2. Additionally, we will be writing procedures to supplement the U.S. Department of Education, Office of Special Education and Rehabilitative Services Policy directive RSA-PD-14-02.

Estimated Date of Completion: March 31, 2017
Contact Person: Kathleen DeSocio

Finding 2016-029

IPE dates reported on the RSA-911 (Case Service Report) report were not supported by the Vocational Rehabilitation database, RAISON. A non-statistical sample of 40 out of 3,109 individuals included on the RSA-911 report was selected for testing. Of the 40 individuals tested, we noted three instances where the date of IPE per the report did not match the date of the IPE per RAISON.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure that critical data elements included on the RSA-911 report, including the date of IPE, are supported by the data in RAISON.

Nevada DETR's Response

This issue has been identified and corrected. On December 16, 2016, Work Order #67414 was created to address this and the correction was deployed to Production on February 8, 2017. The RSA-911 parameters were pulling the most current IPE date and it was revised to pull the oldest date. See attached spreadsheet RSA-911 Report Line Items.

Date of Completion: February 8, 2017

Contact Person: Heather Johnson, Rehabilitation Division Business Process Analyst II

Finding 2016-030

Certain applicable provisions described in Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Appendix II to Part 200 were not included in contracts as required. A non-statistical sample of three contracts subject to Appendix II to Part 200 was selected for testing. None of the contracts contained all of the applicable provisions.

Recommendation

We recommend that Nevada DETR enhance internal controls to ensure all contracts under federal awards contain the applicable provisions.

Nevada DETR's Response

The Financial Management (FM) Bureau has contacted the Attorney General's Office to provide advise concerning the additional provisions required under Appendix II to Part 200 of the Uniform Guidance for non-Federal entity contracts under the Federal award. The State of Nevada contracts need to include the additional provisions to comply with the Uniform Guidance.

The Attorney General's Office will work with DETR to implement the best approach for enhancing internal controls for ensuring all contracts under federal awards contain the applicable provisions. In addition, based upon this implementation, the applicable contracts and provider agreements will be amended as they expire and are up for renewal.

Estimated Date of Completion: May 1, 2017

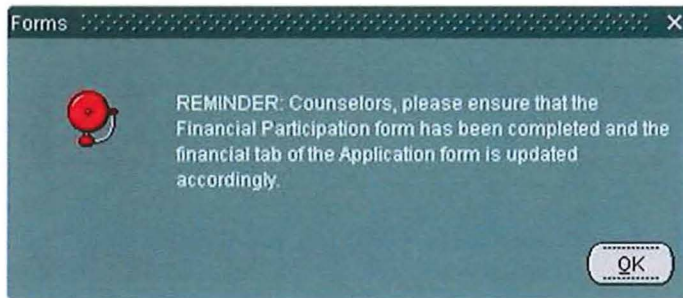
Contact Person: Kathleen DeSocio, Deputy CFO, DETR

**State of Nevada
Department of Employment, Training and Rehabilitation**

ATTACHMENT TO Finding 2016-026

DOCUMENTATION:

Work Order 67174 has been deployed to RAISON Production so when staff save a new Plan, the pop-up message reads:



RSA-911 Report Line Items			RSA-911 Policy Directive	Reporting	Response (Agree or Disagree incl explanation)
Case ID 2	Date of IPE 49	Type of Closure 213	Below are excerpts from the US Dept. of Ed Office of Special Ed and Rehabilitation Services Policy Directive for the RSA-911:	Per the federal guidance, we were to test that data was accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.	
	20140527	4	Record the date on which the first IPE for the individual became effective.	In our testing, we noted the First IPE date associated with this case ID is 2/7/14; however, the Date of IPE listed in the report is the date of the second IPE. Per the policy directive, the first IPE date should be reported and thus the date reported appears inaccurate and not in accordance with the stated criteria. Do you agree this is an exception? If not, please provide further explanation.	Agree. A Work Order (#67414) has been assigned to correct this issue and the programmer is currently working on it. The data in RAISON is accurate; the report is simply pulling the most current IPE date instead of the earliest. Update: This issue has been corrected and the Work Order closed February 8, 2017.
	20150113	3	Record the date on which the first IPE for the individual became effective. For purposes of this data element, assume that the IPE is effective on the date on which both the agency and individual reach agreement (i.e. date signed).	In our testing, we noted the Date of IPE reported was '20150113'; however, the date the IPE was signed was '20150115'. Per the policy directive, the IPE date should be the date on which both the agency and individual signed the IPE and thus the date reported appears inaccurate and not in accordance with the stated criteria. Do you agree this is an exception? If not, please provide further explanation.	Agree. A Work Order (#67414) has been assigned to correct this issue and the programmer is currently working on it. The data in RAISON is accurate; the report is simply pulling the most current IPE date instead of the earliest. Update: This issue has been corrected and the Work Order closed February 8, 2017.
	20150113	4	Record the date on which the first IPE for the individual became effective. For purposes of this data element, assume that the IPE is effective on the date on which both the agency and individual reach agreement (i.e. date signed).	In our testing, we noted the Date of IPE reported was '20150113'; however, the date the IPE was signed was '20150114'. Per the policy directive, the IPE date should be the date on which both the agency and individual signed the IPE and thus the date reported appears inaccurate and not in accordance with the stated criteria. Do you agree this is an exception? If not, please provide further explanation.	Agree. A Work Order (#67414) has been assigned to correct this issue and the programmer is currently working on it. The data in RAISON is accurate; the report is simply pulling the most current IPE date instead of the earliest. Update: This issue has been corrected and the Work Order closed February 8, 2017.
	20150512	5	Enter a one-digit code from the following list to indicate when in the VR process an individual exited the program: 4 Exited without an employment outcome, after receiving services 5 Exited without an employment outcome, after a signed IPE, but before receiving services	In our testing, we noted the Type of Closure was reported as "5" which per the manual is "Exited without an employment outcome, after a signed IPE, but before receiving services". From our review of the case, we noted the individual appeared to have received services and thus the correct code should have been "4" which per the directive is "Exited without an employment outcome, after receiving services." Based on these facts, it appears the Type of Closure may be inaccurate. Do you agree this is an exception? If not, please provide further explanation.	Disagree. Although RSA Policy Directive 14-01 does not provide a definition for this data element, it was determined over twelve years ago by Alliance Enterprises (who we purchased our information system from), with direction from RSA, that this code would count all participants that closed without employment, with a signed IPE and received services BEFORE their IPE date. That is the distinction between Closure Type 4 and Closure Type 5: Closure Type 4: Exited without an employment outcome, after a signed IPE, after receiving services. Closure Type 5: Exited without an employment outcome, after a signed IPE, but before receiving services. For this specific participant, two authorizations for services were paid: Autho 396264: Begin Date 3/03/2015 (Assessment) Autho 397245: Begin Date 3/02/2015 (Transportation) The individual's IPE date was 5/12/2015 and because these two services were provided BEFORE this date, the Closure Type is 5. If one or both of these authorizations were provided on or after 5/12/2015, the Closure Type would be coded to 4. This code is used in both the RSA-113 Quarterly Cumulative Caseload Report (Line D4) and the RSA-911 Annual Case Service Report (Data Element 213).

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES

1470 College Parkway
Carson City, NV, 89706
Telephone (775) 684-0500 • Fax (775) 684-0614
http://dwss.nv.gov

CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding Number: 2016-031

Finding: Administrative costs were not allocated to the Federal program in accordance with the approved cost allocation plan.

Corrective Action Taken or To Be Taken: Procedures have been updated and staff has received training to ensure a more comprehensive review.

If already taken, date of completion: January 31, 2017

If to be taken, estimated date of completion:

Agency Response

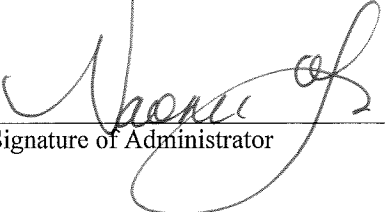
Does the Agency agree with finding: Yes No Partially

If No or Partial, Please Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Lee Ann Hollingsworth, Chief Accountant
Phone Number: 775-684-0660
Email: lahollingsworth@dwss.nv.gov



Signature of Administrator

Reviewed and Approved

Date 3/9/2017

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding Number: 2016-032

Finding: Federal funds related to EBT Payments were not drawn using the estimated clearance funding technique.

Corrective Action Taken or To Be Taken: The Division began using the Actual Drawdown method versus Estimated, as this ensures a more accurate draw. The Office of the Controller was notified of the changes needing to be made to the Treasury State Agreement for FY16 and FY17 on February 27, 2017. Controller's staff is updating the Agreements and will forward to DWSS for review and approval.

If already taken, date of completion: February 27, 2017

If to be taken, estimated date of completion:

Agency Response

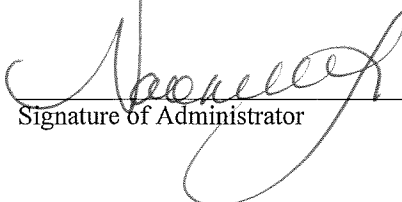
Does the Agency agree with finding: Yes No Partially

If No or Partial, Please Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Lee Ann Hollingsworth, Chief Accountant
Phone Number: 775-684-0660
Email: lahollingsworth@dwss.nv.gov


Signature of Administrator

Reviewed and Approved 3/9/2017
Date

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding Number: 2016-033

Finding: An eligibility determination was not performed correctly and certain TANF assistance amounts were calculated incorrectly.

Corrective Action Taken or To Be Taken: The agency agrees errors are not acceptable, and there are multiple controls in place to manage the human system risks including 4 levels of case review, however it does not appear this is a systemic issue, but rather individual training needs. The agency will provide specific feed back to the individual employees and their supervisors. Additionally, the findings will be reviewed at the next Process Improvement Statewide Call so all the office Process Improvement Teams can share the information. The next Team Call is April 12.

If already taken,
date of completion:

If to be taken,
estimated date of completion: April 12, 2017

Agency Response

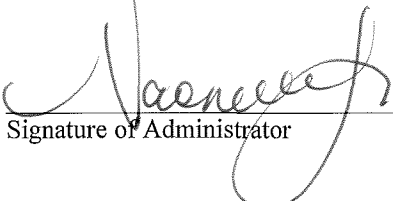
Does the Agency agree with finding: Yes x No _____ Partially _____

If No or Partial, Please
Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Naomi Lewis, Deputy Administrator
Phone Number: 775-684-0618
Email: nlewis@dwss.nv.gov



Signature of Administrator

Reviewed and Approved _____
Date 3/9/2017

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558
Child Care and Development Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Finding Number: 2016-034

Finding: Expenditures reported on the ACF-196 TANF Financial Reports and ACF-696 Child Care and Development Fund Financial Reports were not supported by the applicable accounting records.

Corrective Action Taken or To Be Taken: This finding occurred due to a revision in one report not being reflected or updated in the other report. Procedures have been updated and staff has been trained to perform a more comprehensive review and to ensure better communication among DWSS units completing the reports.

If already taken, date of completion: January 31, 2017

If to be taken, estimated date of completion:

Agency Response

Does the Agency agree with finding: Yes No Partially

If No or Partial, Please Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Lee Ann Hollingsworth, Chief Accountant
Phone Number: 775-684-0660
Email: lahollingsworth@dwss.nv.gov

Reviewed and Approved

Date

Signature of Administrator

3/9/2017

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
Child Care and Development Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Finding Number: 2016-035

Finding: A. Subawards did not include certain information required by Uniform Guidance and the CFDA number was not identified at the time of disbursement.
B. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed.
C. The Nevada Division of Welfare and Supportive Services (the Division) did not verify that subrecipients were audited as required by Uniform Guidance, review audit reports for audit findings, issue management decisions, as applicable and ensure the subrecipient took timely corrective action on all audit findings, as applicable.

Corrective Action Taken or To Be Taken: A. Procedures have been updated and staff has been directed to include the CFDA number on the description line of all payment vouchers to sub recipients.

If already taken, date of completion: January 31, 2017

If to be taken, estimated date of completion:

Agency Response

Does the Agency agree with finding: Yes No Partially

If No or Partial, Please Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title: Lee Ann Hollingsworth, Chief Accountant
Phone Number: 775-684-0660
Email: lahollingsworth@dwss.nv.gov
Corrective Action Taken

or To Be Taken:

B. The division was unaware of this additional risk evaluation but will create and implement procedures to add to our monitoring going forward. Both entities are sole source, providing services for many years and are considered to be low risk.

If already taken,
date of completion:

If to be taken,
estimated date of completion:

April 7, 2017

Agency Response

Does the Agency agree with
finding:

Yes x

No _____

Partially _____

If No or Partial, Please
Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title:

Jack Zenteno, Chief, Child Care

Phone Number:

775-684-0630

Email:

JZENTENO@dwss.nv.gov

Corrective Action Take
or To Be Taken:

C. The division recognizes this is related to a prior finding when both entities were considered vendors and not sub-grantees in SFY2015 as determined by the auditors. New documents were written effective July 1, 2015 (SFY16) converting both to sub grantees. As both entities operate on a state fiscal year, they have until March 31, 2017 to obtain and file an audit as required. A review of their filed audits for SFY15 when we did not have them as sub recipients showed neither had any findings. Sub recipient audit filings are tracked in the DWSS budget contract unit and by the internal auditor as well as program monitors. Children's Cabinet has already filed their FY 16 audit and there were no findings that warranted corrective actions or management decisions. The other sub recipient will be reminded of the requirement and if there are any findings requiring corrective action, a management decision will be issued.

If already taken,
date of completion:

July 1, 2015

If to be taken,
estimated date of completion:

Agency Response

Does the Agency agree with
finding:

Yes x

No _____

Partially _____

If No or Partial, Please
Explain reason(s) why:

Additional Comments:

Individual Responsible for Corrective Action Plan

Name, Title:

Jack Zenteno, Chief, Child Care

Phone Number:

775-684-0630

Email:

JZENTENO@dwss.nv.gov

Reviewed and Approved

3/9/2017

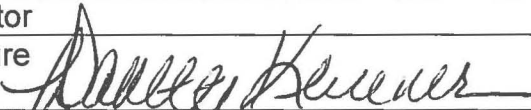
Signature of Administrator

Date



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF CHILD AND FAMILY SERVICES
4126 TECHNOLOGY WAY, SUITE 300
CARSON CITY, NV 89706
Telephone (775) 684-4400 • Fax (775) 684-4455
dcfs.nv.gov

Date:	March 5, 2017
Program:	Title IV-E Foster Care 93.658
Corrective Action Plan	
Finding Number:	2016-036
Finding:	Duplicate payments were made to certain providers.
Corrective Action Taken or To Be Taken	<p>The Information Technology Unit that manages the UNITY/SACWIS system has identified problems with the concurrency rules in the UNITY Child Welfare Information System, testing has occurred and additional issues have been discovered. Due to the complexity of this issue additional time is required for programming and testing. Which must be followed by user training to ensure the solution corrects the problems identified.</p> <p>The Eligibility staff will continue to review payments prior to issuance of the payment to try and catch any improper payments from being issued to the providers. This manual process will stay in effect until validation of corrective action of the UNITY Payments System.</p>
If <u>already</u> taken, date of completion:	The IMS workgroup has been making progress on this issue and will continue until fully rectified.
If to be taken, estimated date of completion:	<p>Overpayment letters have been issued to the 3 providers to recoup the 7 duplicate payments in the amount of \$2,597.82.</p> <p>The claims detail has been provided to the Grants Management Unit for process the IV-E Claim adjustment on the next Federal Quarterly Report.</p>
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	

Additional Comments:	Prior Year Finding 2014-39 and 2015-39
Division Responsible for Corrective Action	
Name, Title	Melaine Mason, Administrative Services Officer 3
Address	4126 Technology Way
City, State, Zip Code	Carson City, NV 89706
Phone Number	775-684-4462
Email	mmsason@dcfs.nv.gov
Reviewed and Approved	
Danette Kluever, Deputy Administrator	
Date: 3/10/17	Signature 



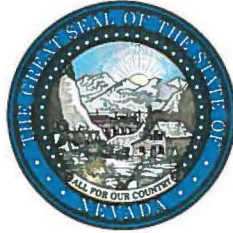
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CARSON CITY, NV 89706
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dcfs.nv.gov

Date:	March 5, 2017
Program:	Title IV-E Foster Care 93.658
Corrective Action Plan	
Finding Number:	2016-037
Finding:	There was no provision included in the State's IV-E plan to provide for the periodic review of maintenance payment rates.
Corrective Action Taken or To Be Taken	A policy has been written to provide for the periodic review of payment rates for maintenance payments. This has been submitted along with a State Plan amendment and is waiting for approval at the federal level. A statewide workgroup will be convened that includes county partners to review the rates.
If <u>already</u> taken, date of completion:	
If to be taken, estimated date of completion:	Workgroup to convene in July 2017
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	Prior Year Finding 2015-038
Division Responsible for Corrective Action	
Name, Title	Reesha Powell, Child Welfare Deputy Administrator
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Reviewed and Approved	
Danette Kluever, Deputy Administrator	
Date: 3/10/17	Signature



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Date:	March 5, 2017
Program:	Title IV-E Foster Care 93.658, Title IV-E Adoption 93.659
Corrective Action Plan	
Finding Number:	2016-038
Finding:	Amounts reported on the SEFA did not properly reflect amounts provided to subrecipients.
Corrective Action Taken or To Be Taken	Internal controls have been enhanced to include accurate identification of subgrantee versus provider payments. Provider payments will be included on the "all other expenditures" line and labeled with the amount for each object code. Manual SARFs for state fiscal year 2016 were updated and provided to the auditors and the Controller's office.
If <u>already</u> taken, date of completion:	Internal controls updated 2/27/17 Manual SARFs resubmitted on 2/2/17
If to be taken, estimated date of completion:	
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
Division Responsible for Corrective Action	
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Date: 3/10/17	Signature



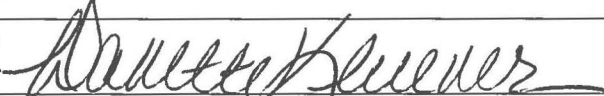
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Date:	March 5, 2017
Program:	Title IV-E Foster Care 93.658
Corrective Action Plan	
Finding Number:	2016-039
Finding:	While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established over eligibility determinations until February 2016.
Corrective Action Taken or To Be Taken	The Eligibility Unit put a review and approval system in place immediately following recommendations from the 2015-40 audit recommendation to implement controls to provide for the review of eligibility determinations by an individual independent of the initial determination. Staff continue to follow the internal controls and procedure put in place effective, February 2016.
If <u>already</u> taken, date of completion:	The Eligibility Determination Review Procedure was implemented February 23, 2016.
If to be taken, estimated date of completion:	
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	Fully Implemented
Division Responsible for Corrective Action	
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Reviewed and Approved	
Danette Kluever, Deputy Administrator	
Date 3/10/17	Signature



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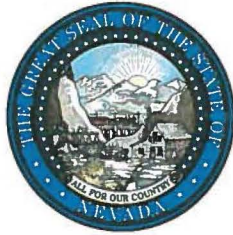
Date:	March 5, 2017
Program:	Title IV-E Foster Care 93.658, Title IV-E Adoption 93.659
Corrective Action Plan	
Finding Number:	2016-040
Finding:	Various administrative accounts were not allocated in accordance with the cost allocation plan. In addition, various allocation statistics were improperly recorded, which impacted the percentages upon which costs were allocated.
Corrective Action Taken or To Be Taken	<p>Internal controls are being enhanced to include a quarterly comparison of the approved Cost Allocation Plan narrative, the chart of accounts and the allocation methodology used. The comparison will be completed in the month preceding cost allocation by the Management Analyst II's and reviewed and approved by the Management Analyst IV. The comparison spreadsheet will be kept with each quarter's cost allocation back-up documents. Any discrepancies noted are reported to the Administrative Services Officer IV immediately. The ASO IV will determine whether AlloCAP or the narrative need to be updated, and will verify whether or not a plan amendment is required. Any changes to allocations in AlloCAP must be reviewed and approved by the MA IV and ASO IV prior to entry in AlloCAP to ensure they are accurate and match the narrative. Once the updated procedures have been finalized, training will be conducted with all pertinent staff and the procedures will be implemented immediately.</p> <p>The allocation statistics for the 1st quarter of state fiscal year 2016 were updated and cost allocation was run again. The difference in Title IVE funding will be reported as a prior quarter adjustment on the CB-496 filed for the 3rd quarter of state fiscal year 2017.</p>
If <u>already</u> taken, date of completion:	Cost allocation was re-run for 1 st quarter SFY 2016 on 2/4/17.
If to be taken, estimated date of completion:	Report prior quarter adjustment on CB-496 for quarter ending 3/31/17 (due by 4/28/17). Updating procedures, training and implementation will be completed by 3/31/17.
Agency Response	

Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	Prior Year Finding 2015-041
Division Responsible for Corrective Action	
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Date:	March 2, 2017
Program:	Title IV-E Foster Care 93.658, Title IV-E Adoption 93.659
Corrective Action Plan	
Finding Number:	2016-041
Finding:	Subawards were not issued and the information required by Uniform Guidance was not communicated. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate monitoring was not performed.
Corrective Action Taken or To Be Taken	Subgrant awards will be issued that will include all elements that need to be communicated per Uniform Guidance. The CFDA number will be entered on each line item of each voucher. Upon issuance of new subgrant awards the CFDA number will replace the alpha grant identifier. Risk Assessments will be completed on each subrecipient.
If already taken, date of completion:	
If to be taken, estimated date of completion:	Subgrant awards and Risk Assessments April 1, 2017 CFDA number March 4, 2017
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
Division Responsible for Corrective Action	
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Danette Kluever, Deputy Administrator	
Date 3/10/17	Signature



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Date:	March 6, 2017
Program:	Title IV-E Adoption Assistance 93.659
Corrective Action Plan	
Finding Number:	2016-042
Finding:	A subsidy was paid that was not the amount specified in the adoption assistance agreement.
Corrective Action Taken or To Be Taken	The current process is a manual paper process between the Adoptive Parent and the Agency Social Worker for the Adoption Subsidy Agreements. The information is entered into the UNITY/SACWIS system by the Social Worker. A transposition error occurred during the data entry of the amount entered into the system causing an underpayment of \$40 per month, the agreement amount was \$773 and \$733 was entered into the system. The Agency already has an independent review and approval process by the Eligibility Unit to ensure the paper Adoption Subsidy Agreement matches the electronic payment entry for each new subsidy agreement and annual re-determinations.
If <u>already</u> taken, date of completion:	Upon notification of this error, on March 3, 2017 the Eligibility Unit made the correction to the UNITY Payment windows, processed a manual service authorization to reimburse the Adoptive parents the \$600 underpayment due and conducted an in-house training session with the Eligibility Unit to reinforce the emphasis of following the established Policies, Procedures and Adoption Checklist for each case.
If to be taken, estimated date of completion:	
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	

Additional Comments:	Fully Implemented
Division Responsible for Corrective Action	
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Danette Kluever, Deputy Administrator	
Signature <i>3/10/17</i>	Date <i>Danette Kluever</i>



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Date:	March 10, 2017
Program:	Title XX Social Services Block Grant 93.667
Corrective Action Plan	
Finding Number:	2016-043
Finding:	The amounts reported on the SEFA did not properly reflect the total Federal awards expended for this program or the total amounts provided to subrecipients for the program.
Corrective Action taken or to be taken:	The Office is taking steps to use transfer GLs when sending funds to other state agencies, and have the Agency receiving funds use matching job #s. This would properly record total expenditures and payments to subrecipients.
If already taken, date of completion:	
If to be taken, estimated date of completion:	Internal controls are being updated and will be in place by April 1, 2017.
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional comments:	

Division Responsible for Corrective Action	
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Signature	Date



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Date:	March 2, 2017
Program:	Title XX Social Services Block Grant 93.667
Corrective Action Plan	
Finding Number:	2016-044
Finding:	Personnel costs were charged to the Federal program without regard to employee time and effort activity.
Corrective Action Taken or To Be Taken	An update to the Federally approved cost allocation plan was submitted with an effective date of July 1, 2016 to allow for time and effort activities to be tracked and charged for Title XX. Approval received February 2017. The cost allocation plan statistics will be updated to reflect this activity. Cost allocation will be rerun for the quarters ending 9/30/16 and 12/31/16 and trued up to what was earned.
If <u>already</u> taken, date of completion:	
If to be taken, estimated date of completion:	7/31/17
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
Division Responsible for Corrective Action	
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Date 3/10/17	Signature

BRIAN SANDOVAL
Governor



RICHARD WHITLEY
Director

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Date:	March 10, 2017
Program:	Title XX Social Services Block Grant 93.667
Corrective Action Plan	
Finding Number:	2016-045
Finding:	While no instances of noncompliance were noted, there was no discernible evidence that internal controls had been established to ensure compliance with reporting requirements.
Corrective Action taken or to be taken:	A procedure is in the process of updating a procedure for Federal reporting to include a reviewer and submitter.
If already taken, date of completion:	For the reporting period ending September 30, 2016, the Office did submit all reports using a reviewer and submitter. The procedure will be updated to show the process by April 1, 2017.
If to be taken, estimated date of completion:	
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional comments:	

Division Responsible for Corrective Action


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Date:	March 10, 2017
Program:	Title XX Social Services Block Grant 93.667
Corrective Action Plan	
Finding Number:	2016-046
Finding:	The information required by Uniform Guidance was not included in the subawards issued by the Nevada Department of Health and Human Services Director's Office. Subawards were not issued by the Nevada Division of Child and Family Services. In addition, the CFDA number was not identified to the subrecipient at the time of disbursement by either the Office or the Division.
Corrective Action taken or to be taken:	The Department of Health and Human Services will subaward Title XX funds that will follow the Grant Instructions and Requirements and will be added to the on-site review schedule to be monitored and which include Requirements for pass-through entities, §200.331.
If already taken, date of completion:	
If to be taken, estimated date of completion:	July 1, 2017
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional comments:	

Division Responsible for Corrective Action

Name, Title	Jason Kolenut, Administrative Services Officer 3
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Date:	March 2, 2017
Program:	Title XX Social Services Block Grant 93.667
Corrective Action Plan	
Finding Number:	2016-046
Finding:	Subawards were not issued by the Nevada Division of Child and Family Services. An evaluation of each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring was not performed at the Division.
Corrective Action Taken or To Be Taken	The Division will request that the Office produce separate subgrant awards for each of the entities that are receiving Title XX funds to include the CFDA number. The Division is in the process of rewriting the subrecipient monitoring policy to include a risk assessment.
If <u>already</u> taken, date of completion:	
If to be taken, estimated date of completion:	Subgrant awards – July 1, 2017 Subrecipient monitoring policy – April 1, 2017
Agency Response	
Does the Agency agree with finding?	Yes
If no or partial, please explain reason(s) why:	
Additional Comments:	
Division Responsible for Corrective Action	
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Reviewed and Approved	
Danette Kluever, Deputy Administrator	
Date 3/10/17	Signature

ADAM PAUL LAXALT
Attorney General



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Carson City, Nevada 89701

WESLEY K. DUNCAN
First Assistant Attorney General
NICHOLAS A. TRUTANICH
Chief of Staff
KETAN D. BHIRUD
General Counsel

February 27, 2017

Corrective Action Plan

Program Name: Medicaid Cluster, State Medicaid Fraud Control Units, CFDA 93.775

Finding Number: 2016-047

Finding: A Federal Financial Report (SF-425) was prepared and submitted without being reviewed and approved by an individual independent of the preparation process.

Corrective Action Taken: The Office of the Attorney General will enhance internal controls to ensure that all reports submitted to the Federal Agency are reviewed and approved by an individual independent of the preparation process. Additional reviewers are to be added to internal controls to ensure a reviewer is available at all times.

Date of Completion: January 30, 2017

Agency Response

Does the Agency Agree with the Finding: Yes No Partially

Division Responsible for Corrective Action Plan

Name, Title: Christian Schonlau, Chief Financial Officer

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Phone Number: 775-684-1116

Email: Cschonlau@ag.nv.gov

Reviewed and Approved

Handwritten signature of Christian Schonlau in blue ink.

Signature, Chief Financial Officer

Handwritten date "2-27-2017" in blue ink.

Date:

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

STEVE H. FISHER
Administrator

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CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Corrective Action Plan

Date: March 9, 2017

Program: U.S. Department of Health and Human Services
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, CFDA 93.777
Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

Finding Number: 2016-048

Finding: Individuals received benefits in the incorrect aid category for a period of time during the fiscal year.

Corrective Action Taken
or To Be Taken:

DWSS currently has multiple controls in place consisting of four different review levels and a Process Improvement Team established in 2016, to further evaluate and address eligibility determination issues performed by individuals. This team, in conjunction with DWSS administrative staff will conduct a second statewide supplemental training conference for eligibility staff in the coming year, on a variety of quality improvement topics to address issues and help reinforce all aspects of program eligibility processing. The fourth layer of review added as a result of the previous findings has improved the accuracy rate, the agency will continue the four distinct levels of case monitoring to address ongoing development needs for the more than 800 staff determining eligibility for the State, and strive to alleviate future data errors. Conference to be held by October 1, 2017 with current and ongoing case reviews every month.

If already taken,
date of completion:

If to be taken,
estimated date of completion: October 1, 2017 (Training conference)

Agency Response

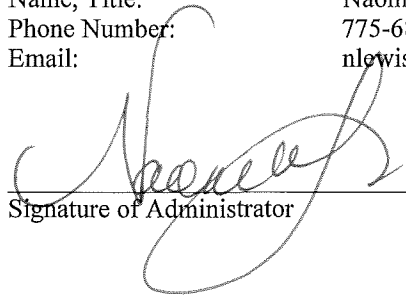
Does the Agency agree with
finding: Yes No Partially

If No or Partial, Please
Explain reason(s) why:

Additional Comments:

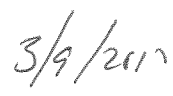
Individual Responsible for Corrective Action Plan
"Working for the Welfare of ALL Nevadans"

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Signature of Administrator

Reviewed and Approved



Date