

State of Nevada
Department of Administration
Division of Internal Audits

Audit Report

**Department of Agriculture
Board of Agriculture
Fiscal Administration**

Report No. 15-04
June 22, 2015

EXECUTIVE SUMMARY

Department of Agriculture

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Objective: Can the Department Diversify Board of Agriculture Representation?

Add a Representative of the General Public to the Board of Agriculture
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Adding a representative of the general public to the Board of Agriculture (board) will provide additional perspectives and oversight not currently provided for in the organizational structure of the department. This will also align the board with other boards and commissions. The board is comprised of representatives from industries regulated by the department. The Director of the Department of Agriculture is the only department director who does not report directly to the Governor or a board chaired by the Governor.

Objective: Can the Department Improve Management of Audit Expenditures?

Monitor Staff Time Coding to Properly Manage Audit Expenditures page 9

Monitoring audit expenditures to correctly account for staff time and using proper funds would benefit the state by almost \$24,000. The department used Nevada Dairy Commission fees to pay for audits of the federal food and nutrition program because some staff did not correctly code their time.

Objective: Can the Department Enhance Vehicle Operations?

Track Mileage and Assign Vehicles to Meet the Needs of Each Division..... page 11

Tracking mileage will allow the department to ensure vehicles are being assigned and used efficiently and effectively throughout the divisions. Mileage use for the period March 2014 through February 2015 showed a total excess of four vehicles in some divisions, whereas other divisions had a total shortage of five vehicles.

**Implement Policies and Procedures to Centralize and Maintain Vehicle Mileage
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Centralizing and maintaining records for vehicle mileage and maintenance will provide standardized information to help the department make management decisions, improve the useful service life of the vehicle fleet, and help reduce costs to the state. Policies and procedures for centralized operations are currently in draft form and have not been

issued to guide department staff. The department was unable to produce historical vehicle maintenance records and indicated records were not properly maintained in the past.

Determine If GPS Reports Can Be Used to Document Vehicle Maintenance
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Documenting vehicle maintenance through GPS reports would provide a centralized, automated process for managing vehicle records. This may also save time and produce more reliable data. The department uses a GPS system which has the capability to track repairs and maintenance, and notify drivers when maintenance needs to be performed. The department is not currently using these features.

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Timetable for Implementing Audit Recommendations

INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Department of Agriculture (department). Our audit addressed the following four questions:

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

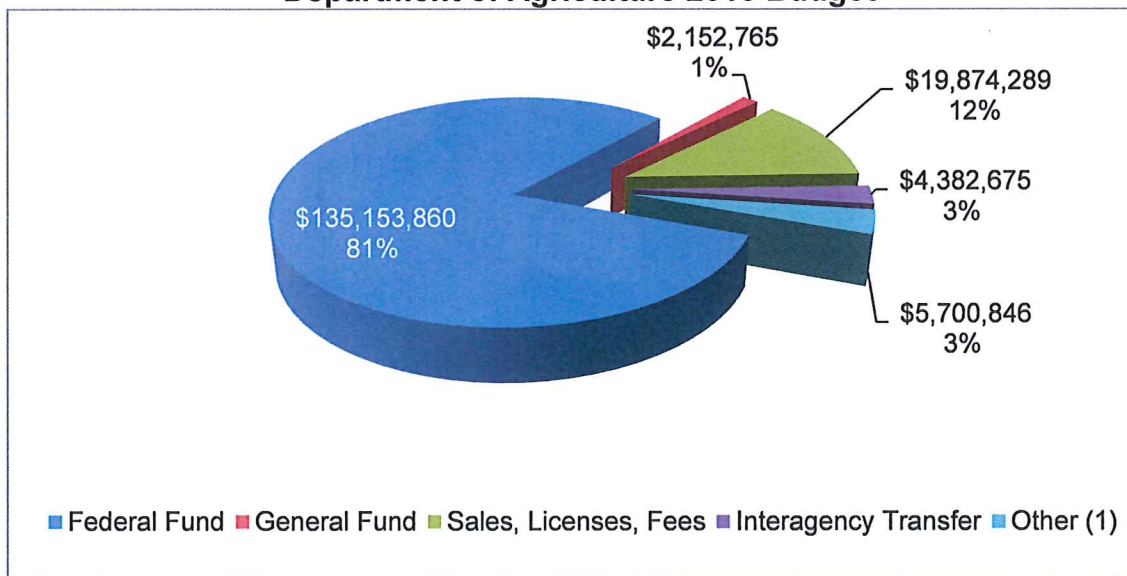
Our audit focused on the department's Board of Agriculture organizational structure, audit expenditures, and vehicle operations managed by the Fiscal Administration Division.

Department's Role and Public Purpose

The department is comprised of five divisions: Fiscal Administration, Animal Industry, Consumer Equitability, Food and Nutrition, and Plant Industry. The fiscal year 2015 budget is approximately \$167.3 million. Exhibit I summarizes the department's budget.

Exhibit I

Department of Agriculture 2015 Budget



(1) Other includes balance forward from prior year.

Proper Level of Government

The state is the proper level of government to oversee and manage agriculture programs because they relate to public policy and government funds. The department enforces Nevada Revised Statutes (NRS) and federal guidelines to promote the agriculture industry, protect the public, and ensure federal and state funds are properly managed.

Objectives and Scope

Our audit focused on the following objectives:

- ✓ Can the department diversify Board of Agriculture representation?
- ✓ Can the department improve management of audit expenditures?
- ✓ Can the department enhance vehicle operations?

We began the audit in January 2015. In the course of our work, we interviewed department and division staff and discussed processes inherent to the department's authorities. We reviewed department and division records for fiscal years 2014 and 2015, applicable policies and procedures, applicable Nevada Revised Statutes, and other state and federal guidelines. We reviewed the organizational structure of other State of Nevada departments. We also reviewed other states' organizational structure within their Department of Agriculture and compared them with Nevada. We concluded field work and testing in April 2015.

We performed our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*.

We express appreciation to the department director, division administrator, and staff for their cooperation and assistance throughout the audit.

Contributors to this report included:

Warren Lowman
Executive Branch Audit Manager

Lynnette Pagaling, CPA, MBA
Executive Branch Auditor

Department of Agriculture Response and Implementation Plan

We provided draft copies of this report to the department for review and comments. The department's comments have been considered in the preparation of this report and are included in Appendix A. In its response, the department accepted our recommendations. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps the department has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The administrator shall report the six month follow-up results to the committee and department officials.

The following report contains our findings, conclusions, and recommendations.

Can the Department Diversify Board of Agriculture Representation?

The Department of Agriculture (department) can diversify the Board of Agriculture (board) by submitting a bill to the Legislature to change statute by adding a representative of the general public. Including a representative of the general public in board decisions will provide additional perspectives and oversight not currently provided for in the organizational structure of the department. Additionally, general public representation will align the board with other boards and commissions.

Board of Agriculture

The board is comprised of representatives from industries regulated by the department. The board was established in 1961 and has eleven members, each appointed by the Governor for a term of three years. The board is part-time and oversees a full-time department of state government. NRS 561.055 sets the organization of the board. See Exhibit II.

Exhibit II

Board of Agriculture		
Cattle Production ^a (3)	General Farming (1)	Petroleum Industry (1)
Dairy Production (1)	General Agriculture (1)	Nursery Stock (1)
Sheep Production (1)	Row Crops (1)	Pest Control (1)

Table Note:

^a Chairman

Public Interest Representation

The Governor is the elected chief executive of the state and represents the interest of the general public in Nevada. The Governor manages state government through the members of the cabinet and statutorily established boards and commissions. As such, there are three ways the public interest is represented in the various departments of state government:

- The director of the department reports directly to the Governor;
- The director of the department reports to a board/commission chaired by the Governor; and
- State boards/commissions include representatives of the general public appointed by the Governor.

Director's Reporting Structure Differs from Other Departments

The Director of the Department of Agriculture is the only department director who does not report directly to the Governor or a board chaired by the Governor. NRS 561.145.3(b) states the director reports to the Board of Agriculture upon all matters pertaining to the administration of the department. Exhibit III summarizes the organizational structures of other executive branch departments with boards.

Exhibit III

Organization of Nevada Departments with Boards

Department	Director Reports to Governor	Governor is a Member	Public Member on Board	Statute
Agriculture	✘	✘	✘	NRS 561.145
Corrections	✘	✓	✘	NRS 209.121
Education	✓	✘	✓	NRS 385.150
Taxation	✓	Ex-officio	✘	NRS 360.120
Tourism & Cultural Affairs	✘	Lt. Gov. ^a	✘	NRS 231.170
Transportation	✘	✓	✘	NRS 408.160
Veteran Services	✓	✘	✓	NRS 417.030
Wildlife	✓	✘	✓	NRS 501.333

Table Note:

^a The Lieutenant Governor represents the public interest and is the designated chair of the Commission on Tourism per NRS 231.170.

Board Structure Unique Among Other Departments

The organizational structure of the board is unique among other departments because the Governor is not a member of the board and there is no representative of the general public. Consequently, accountability for the public interest rests with a board comprised of industry representatives. This is important because the board exercises operational control over the department. The board is directly involved with crafting and implementing public policy.

Board Structure Unique Among Other States

The board is also unique among western states. It is the only one of the western states' boards or commissions that exercises operational control of the department, controls the director, and does not include a representative of the general public. Exhibit IV summarizes the organizational structure of other western departments of agriculture.

Exhibit IV

Organization of State Agriculture Departments

State	Director Reports to Governor	Board/ Commission	Operational Control	Public Member on Board
Arizona	✓	✓	Director	✗
California	✓	✓	Director	✓
Idaho	✓	✗	Director	n/a
Nevada	✗	✓	Board	✗
New Mexico	✗	✓	Board	✓
Oregon	✓	✓	Board	✓
Utah	✓	✓	Director	✗
Washington	✓	✗	Director	n/a

Nevada Revised Statutes 561.105 and 561.115 establish the board's span of control, to include:

- Appointing the director with Governor's approval;
- Establishing the policy of the department;
- Adopting regulations for operating the department and for carrying out laws and programs administered by the department; and
- Prescribing rules for managing and governing the department.

The board has a broad span of control over the department and public policy without representation from the general public.

Public Representation Enhances Accountability

The department should add public representation on the board. Representation of the general public in board decisions will enhance accountability and oversight, provide additional perspectives, and help fulfill the department's mission.

Governing boards have the responsibility of maintaining the public trust and balancing the needs of the state. Our state surveys revealed a range of participation by public representatives on other state boards/commissions of agriculture. See Exhibit V.

Exhibit V

Public Representation on State Boards of Agriculture

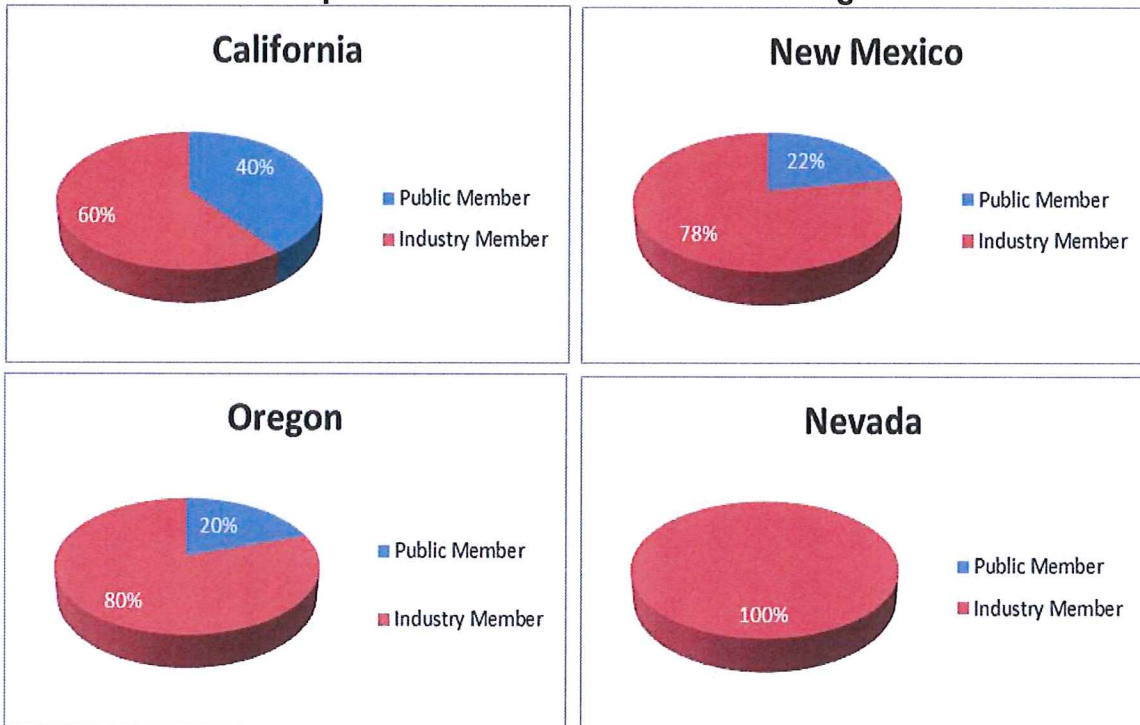


Table Note:

The New Mexico pie chart represents the Livestock Board, which has program and regulatory authorities similar to Nevada's Division of Animal Industries. Livestock Board members are appointed by the Governor. New Mexico's Department of Agriculture is part of the university system and is controlled by a public Board of Regents. The department's primary focus is education and cooperative extension services. The director of the department is chosen by the Board of Regents and is a member of the Governor's cabinet.

The department's mission is to promote a business climate that is fair, economically viable, and encourages a sustainable environment that protects food, fiber, and human health and safety through effective service and education. Representation of the general public on the board will help the department fulfill its mission.

The department should submit a bill to the Legislature to change statute by adding a representative of the general public. This will enhance public accountability and oversight, provide additional perspectives, and help fulfill the department's mission.

Recommendation:

1. Submit a bill to the Legislature to change statute by adding a representative of the general public on the Board of Agriculture.

Can the Department Improve Management of Audit Expenditures?

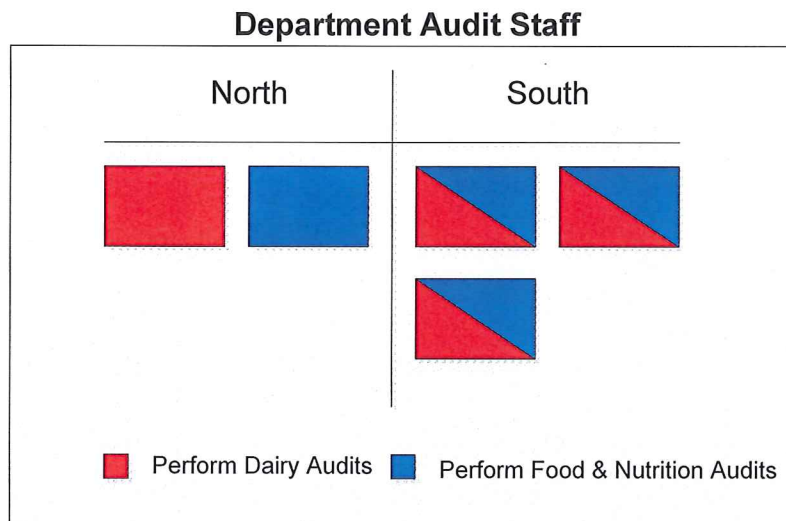
The Department of Agriculture (department) can improve management of audit expenditures by correctly accounting for staff time and using proper funds. Improved management would benefit the state by almost \$24,000 annually from using federal funds to conduct audits of federal programs.

Monitor Audit Expenditures

The department should monitor staff time coding to properly manage audit expenditures. The department used Dairy Commission fees to pay for audits of the federal food and nutrition program because some staff did not correctly code their time for audits.

The department has five auditors reviewing the federal food and nutrition program grant and Dairy Commission fees. Exhibit VI shows auditor staffing in the department.

Exhibit VI



Staff is required to code their time for the audit they are working. Coding staff time allows the department to properly fund audits. Audits of the food and nutrition grant are funded with federal grant funds. Audits of the Dairy Commission are funded from state fees.

State Funds Were Used For Federal Program Audits

Three of the four auditors who conduct Dairy Commission audits also conduct food and nutrition audits. However, only one auditor properly coded time to both types of audits. Two staff conducted both types of audits but only coded time to the Dairy Commission. Consequently, almost \$24,000 of state fees funded staff time that should have been funded with federal grants.

Department management did not monitor staff time coding entries to ensure audit expenditures were properly funded. Managers should monitor staff time coding to ensure audit expenditures are properly funded.

Recommendation:

- 2. Monitor staff time coding to properly manage audit expenditures.

Exhibit VII

Estimated Benefits	
Recommendation	Benefit
2. Monitor staff time coding.	\$24,000

Can the Department Enhance Vehicle Operations?

The Department of Agriculture (department) can enhance vehicle operations by strengthening fleet management. Enhanced operations include: tracking mileage and assigning vehicles; implementing policies and procedures; and determining usefulness of GPS reports.

Strengthening fleet management procedures will allow the department to ensure vehicles are being used efficiently and effectively throughout the divisions. Additionally, strengthening fleet management procedures will improve management information, the useful service life of the vehicle fleet, and help reduce costs to the state.

Track Mileage and Assign Vehicles

The department should track mileage and assign vehicles to meet the needs of each division. Based on mileage use, some divisions have more vehicles than required and some have fewer than needed.

The department does not consistently track vehicle mileage. The department consolidated vehicle mileage information in March 2014 when they implemented centralized fleet management operations. However, vehicle mileage was not tracked thereafter. Consequently, the department cannot determine if divisions are effectively using their assigned vehicles.

Vehicles May Not Be Properly Assigned

Our analysis shows vehicles may not be properly assigned.¹ Vehicles should be assigned based on utilization group classification and mileage use.

The department did not maintain documentation to classify vehicles to the utilization group classifications for individually assigned or pooled vehicles as required by State Administrative Manual (SAM) Section 1322. Consequently, we considered all vehicles with SAM mileage requirements as pooled vehicles, which have a greater mileage and time requirement than individually assigned vehicles.

¹ Excludes vehicles purchased with federal funds, designated for public safety, and specialty vehicles.

SAM requires pooled vehicles to be driven at least 8,400 miles per year or used a minimum of 80 percent of the available time.² We requested the department compile vehicle mileage information as of February 2015. Mileage use for the period March 2014 through February 2015 showed a total excess of four vehicles in some divisions, whereas other divisions had a total shortage of five vehicles. See Exhibit VIII.

Exhibit VIII

**Vehicle Mileage
(March 2014 through February 2015)**

Division	Number of Vehicles	Mileage Needed To Meet SAM Requirement ¹	Mileage Use (11 months)	Under/(Over) Utilization ²	Vehicle Excess ³	Vehicle Shortage ³
Administration	8	61,600	48,952	12,648	2	
Animal Industry ^a	10	77,000	114,613	(37,613)		5
Dairy Commission ^b	6	46,200	45,145	1,055	0	
Food and Nutrition ^b	3	23,100	25,702	(2,602)		0
Plant Industry	14	107,800	97,870	9,930	1	
Consumer Equitability	2	15,400	11,195	4,205	1	
Wildlife Services ^a	5	38,500	40,846	(2,346)		0
Total	48	369,600	384,323	(14,723)	4	5
Total (%)	100%	100%	104%	-4%		

Source: Mileage information provided by the department.

Table Notes:

^a Animal Industry Division.

^b Food and Nutrition Division.

¹ Number of vehicles multiplied by 7,700 miles (Annual SAM requirement of 8,400 miles prorated for 11 months).

² Mileage Needed to Meet SAM Requirement minus Mileage Use.

³ Under/(Over) Utilization divided by 7,700 miles.

The department should track mileage and assign vehicles to meet the needs of each division.

² The department did not track actual time usage and we could not determine if vehicles met the required percentages of available time.

Implement Policies and Procedures for Centralized Fleet Operations

The department should implement policies and procedures to centralize and maintain records for vehicle mileage and maintenance. Implementing policies and procedures will provide centralized and standardized information to help the department make management decisions, improve the useful service life of the vehicle fleet, and help reduce costs to the state.

Draft Policies and Procedures Have Not Been Implemented

The department decided to centralize fleet management operations in fiscal year 2014. However, policies and procedures for centralizing operations are currently in draft form and have not been issued to guide department and division staff.

The department assigned fleet manager responsibilities to a newly created Program Officer I position in January 2014 to oversee centralized fleet operations. The program officer also has other responsibilities, including managing the department's buildings and facilities. The program officer is responsible for monitoring and enforcing all policies and procedures concerning mileage, maintenance, repair, and replacement of vehicles. However, procedures have not been implemented to enable the program officer to gather vehicle mileage and maintenance information from the divisions that is necessary to manage centralized fleet operations.

According to SAM 1316 – Records, state agencies are required to maintain vehicle maintenance records for owned and leased vehicles. The department was unable to produce historical vehicle maintenance records and indicated records were not properly maintained in the past. We were unable to determine whether the vehicles are being maintained in accordance with the manufacturer's maintenance schedules. Additionally, the department was unable to identify which staff had responsibility for ensuring vehicle maintenance is performed and subsequently documented.

Implementing policies and procedures to document and maintain centralized records for vehicle mileage and maintenance will strengthen the department's fleet management operations. Policies and procedures will allow the department to gather information necessary to manage centralized fleet operations.

Department GPS May Help Document Vehicle Fleet Maintenance

The department should determine if its Global Positioning System (GPS) reports can be used to document vehicle maintenance. This would provide a centralized, automated process for managing vehicle maintenance records. This may also save time and produce more reliable data.

The department uses a GPS to track vehicles for safety reasons and to monitor agricultural programs. The GPS system also has the capability to track repairs and maintenance, and notify drivers when maintenance needs to be performed. However, the department is not currently using these features. The department indicates there are additional data collection features that may help manage fleet operations and is researching these features.

The department's maintenance management process requires physical documentation for each vehicle to be manually entered into a centralized spreadsheet. Automating entries through the existing GPS tracking and recording functions for each vehicle could save time and may produce more reliable data. Additionally, the department indicated the GPS vendor is capable of compiling the vehicle data in reports to help make management decisions. There may be an additional cost to modify reports; however, the department's first effort should be to understand the data collection and reporting capabilities with the current GPS vendor.

Approximately 60 percent of the fleet is GPS enabled. The department pays just over \$21,000 annually for GPS support.

The cost to enable the remaining 40 percent of the department's vehicle fleet is almost \$12,000 for initial set-up costs and about \$14,000 annually for GPS support.

The department should determine if GPS reports can be used to document vehicle maintenance. A better maintenance management process using automated data should lead to better operational decisions. Better decisions may lead to additional benefits from more efficiently and effectively managing vehicle fleet operations.

Recommendations:

3. Track mileage and assign vehicles to meet the needs of each division.
4. Implement policies and procedures to centralize and maintain vehicle mileage and maintenance records.
5. Determine if GPS reports can be used to document vehicle maintenance.

Appendix A

Department of Agriculture Response and Implementation Plan

BRIAN SANDOVAL
Governor

STATE OF NEVADA

JAMES R. BARBEE
Director

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June 3, 2015

Steve Weinberger, Administrator
Nevada Department of Administration
Division of Internal Audits
209 East Musser Street, # 302
Carson City, NV 89701

Dear Steve Weinberger:

The Nevada Department of Agriculture (NDA) has reviewed the draft audit report received May 19, 2015 related to the Department's governance and fiscal management. NDA appreciates the review and research performed by the audit staff and the recommendations to improve our processes. We also appreciate the opportunity to review and provide comment on the draft audit report. Pursuant to NRS 353A, the following contains the Department's response to the findings and recommendations in the report.

Recommendation #1: Revise statute to add a representative of the general public on the Board of Agriculture

Response: The Department cannot provide a response to this finding until recommendation has been presented to the Board of Agriculture Board Meeting scheduled for September.

Recommendation #2: Monitor staff time coding to properly manage audit expenditures

Response: In general, NDA agrees with this recommendation. Since the Dairy Commission has been incorporated into the Nevada Department of Agriculture, we've been able to streamline the Dairy Audit process, complete a backlog of unfinished audits, and maintain 100% compliance with statutory and regulatory audit timelines. This also meant that we reduced the number hours needed to complete these audits and we've have had the auditors help with audits required by USDA related to the child nutrition and the school lunch programs. While we did not monitor their timesheets like we should have, we did track their assignments to these audits and as result will be billing USDA for those hours and have submitted a work program for the June IFC to transfer these funds from the Child Nutrition budget account to the Dairy Commission budget account before SFY 2015 is closed.

We have instructed all auditors on coding and will be checking their timesheets to ensure coding is done correctly. For SFY 2016, we are working on completing their audit schedule and assignments this week and will be submitting a work program for the August/September IFC meeting to make sure USDA is billed correctly and the funds can be transferred from Child Nutrition budget account to the Dairy Commission budget account. This recommendation is being fully implemented right now.

Recommendation #3: Track mileage and assign vehicles to meet the needs of each division.

Response: NDA agrees with this recommendation. Our Fleet Manager is working with each Division to properly assign vehicles according to the groupings and criteria established in SAM 1322. We also are working with our current GPS vendor on how to track mileage by program using their system and we will have the administrative staff in each Division report mileage on a monthly basis to accounting staff for cost allocation purposes. This should be fully implemented no later than September 30th, 2015.

Recommendation #4: Implement policies and procedures to centralize and maintain vehicle mileage and maintenance records

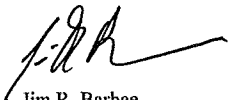
Response: NDA agrees with this recommendation. We are currently in the process of drafting policies and procedures to be approved at our September Board Meeting. These policies and procedures will address the centralization and maintenance of mileage and maintenance records. This should be fully implemented no later than September 30th, 2015.

Recommendation #5: Determine if GPS reports can be used to document vehicle maintenance

Response: NDA agrees with this recommendation. We met with our current GPS vendor in late May and discussed this issue. We are currently determining all of our needs as far as tracking vehicle maintenance and will again meet with our vendor to see what can and cannot be tracked. This should be fully implemented no later than December 31st, 2015.

Again, we appreciate the contribution from your staff and the opportunity to improve our processes

Respectfully,



Jim R. Barbee
Director

Appendix B

Timetable for Implementing Audit Recommendations

In consultation with the department, the Division of Internal Audits categorized the five recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The department should begin taking steps to implement all recommendations as soon as possible. The department's target completion dates are incorporated from Appendix A.

Category 1: Recommendations with an anticipated implementation period of less than six months.

<u>Recommendations</u>	<u>Time Frame</u>
2. Monitor staff time coding to properly manage audit expenditures. (page 9)	Sep 2015
3. Track mileage and assign vehicles to meet the needs of each division. (page 14)	Sep 2015
4. Implement policies and procedures to centralize and maintain vehicle mileage and maintenance records (page 14)	Sep 2015
5. Determine if GPS reports can be used to document vehicle maintenance. (page 14)	Dec 2015

Category 2: Recommendation with an anticipated implementation period exceeding six months.

<u>Recommendation</u>	<u>Time Frame</u>
1. Submit a bill to the Legislature to change statute by adding a representative of the general public on the Board of Agriculture. (page 7)	Jun 2017

The Division of Internal Audits shall evaluate the action taken by the department concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the committee and the department.