



TO: SOUTHERN NEVADA DISTRICT BOARD OF HEALTH **DATE: April 27, 2023**

RE: *Approval of Plan of Correction to the State of Nevada Department of Taxation to the Fiscal Year 2022 Annual Audit Report, Finding Note 3: Noncompliance with Nevada Revised Statutes Budget Requirements*

PETITION #26-23

That the Southern Nevada District Board of Health *adopt the attached response and recommendation to the Fiscal Year 2022 Annual Audit Report, note 3: Noncompliance with Nevada Revised Statutes Budget Requirements NRS 354.626, (page 33-34 of audit report) to forward said response to the State of Nevada Department of Taxation*

PETITIONERS:

Donnie (DJ) Whitaker, CPA, Chief Financial Officer *DW*

Fermin Leguen MD, MPH, District Health Officer *FL*

DISCUSSION:

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

The Southern Nevada Health District’s Special Revenue Fund expenditures exceeded the available approved appropriation by \$1,697,446 due to underbudgeting services and supplies for grants in the amended Fiscal Year 2021-2022 budget that was submitted in June 2022.

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

(a) The person designated to administer the budget for a local government may transfer



appropriations within any function.

(b) The person designated to administer the budget may transfer appropriations between functions or programs within a fund, if:

(1) The governing body is advised of the action at the next regular meeting; and

(2) The action is recorded in the official minutes of the meeting.

(c) Upon recommendation of the person designated to administer the budget, the governing body may authorize the transfer of appropriations between funds or from the contingency account, if:

(1) The governing body announces the transfer of appropriations at a regularly scheduled meeting and sets forth the exact amounts to be transferred and the accounts, functions, programs and funds affected;

(2) The governing body sets forth its reasons for the transfer; and

(3) The action is recorded in the official minutes of the meeting.

The Southern Nevada Health District made transfers in excess of budget of \$1,740,568 from the General Fund to the Special Revenue Fund without obtaining Board approval or including a sufficient adjustment in the June 2022 budget augmentation for Fiscal Year 2021-2022.

Staff is aware of responsibilities in reporting budget changes per NRS 354 and will continue to review budget status regularly; review and refine projection methods to estimate budget levels and prepare budget augmentations as needed to minimize the potential for transfers and expenditures exceeding approved budget levels.

FUNDING:

No funds are required in approving the above requested action.



Memorandum

Date: April 17, 2023

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

From: Donnie (DJ) Whitaker, CPA, Chief Financial Officer

RE: Response to State of Nevada Department of Taxation, Annual Audit Report - Fiscal Year 2022

Response to State of Nevada Department of Taxation, Annual Audit Report - Fiscal Year 2022
Noncompliance with Nevada Revised Statutes Budget Requirements; Material Weakness in Internal Control Over Compliance

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

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

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



Condition – Southern Nevada Health District made transfers in excess of budget of \$1,740,568 from the General Fund to the Special Revenue Fund without obtaining Board approval. Additionally, the District’s Special Revenue Fund expenditures exceeded the available budget appropriations by \$1,697,446.

Cause – Controls over adhering to the NRS budget requirements were not properly followed to prevent material noncompliance from occurring. The Health District’s budget augmentation did not fully take into account the increased revenues and resource demands of the special revenue funds that result from the Health District’s cost allocation plan. As a result, allocations to the Special Revenue fund from the General Fund were not adequately budgeted.

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

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

Views of Responsible Officials: Agree

Management’s Response:

Although a budget augmentation was presented and approved for Fiscal Year 2021-2022, the approved budget for grant funded supplies utilized in the public health laboratory were not adequate to accommodate the actual expenditures recorded at June 30, 2022. Additionally, transfers from the general fund to the special revenue fund were not estimated at a sufficient level to accommodate the increased activity in cost allocations and related transfers.

To remediate budgetary noncompliance issues in the future, the budget will continue to be reviewed regularly and in depth at least twice during each fiscal year to determine if a budget augmentation is needed. Analytical and projection methods will be reviewed and refined to provide additional confidence in establishing budgetary estimates. Any budget augmentation will be completed and presented to the board of health for review and approval.



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March 13, 2023

Norlon Munroe
 South Nevada Health District
 P.O. Box 3902
 Las Vegas, NV 89127

Re: Annual Audit Report – Fiscal Year 2022

Dear Mr. Munroe:

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The department must also identify all violations of statute and/or regulations reported therein. Your audit meets the provisions required in NRS 354.624 and NRS 354.6241.

In our review of your audit, we identified a violation of NRS 354.626 that was noted by your auditor on page 34.

The Health’s District’s Special Revenue Fund expenditures for the public health function exceeded appropriations by \$1,697,446.

Within 60 days after delivery of the annual audit to the local government, the governing body shall advise the department what action has been taken to prevent recurrence of violation of law or regulation and to correct each continuing violation.

If you have any questions, please call me at 775-684-2065 or e-mail me at Kgrahmann@tax.state.nv.us.

Sincerely,

Kellie Grahmann
 Budget Analyst
 Local Government Finance

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 FINANCIAL SERVICES