

**NYE COUNTY, NEVADA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**FINANCIAL STATEMENT FINDINGS**

**2012-01 and 2011-01 Timely bank account and investment reconciliation to the general ledger**

**Condition:** Bank and investment accounts are not reconciled timely to the general ledger.

**Recommendation:** Bank and investment accounts should be reconciled to the general ledger promptly after the end of the month. All reconciling items should be investigated and corrections made as needed in the general ledger. Prior to the monthly closing of the general ledger, the County Treasurer and County Comptroller should review and approve the reconciled bank and investment balances ensuring that the balances agree to the general ledger.

**Current Status:** The County retained the services of an outside professional to assist in completion of the bank and investment reconciliations and training of staff. Bank reconciliations for the months of July 2012 through June 2013 were completed between May 2013 and October 2013.

**2012-02, 2011-02 and 2010-02 Capital Assets**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. Some capital asset additions for the current year were recorded on the listing; however, not all additions were recorded.

**Recommendation:** The County should designate a capital asset manager. Monthly, the capital asset manager should examine all expenditures in excess of the County threshold for capitalization (\$3,000) to determine whether the expenditure is a capital asset. Expenditures determined to be capital assets should be recorded as capital outlay on the general ledger and included on the capital asset listing. Any capital assets recorded as a service or supply expenditure should be reclassified to a capital outlay expenditure account. General ledger capital outlay expenditures should be reconciled to asset additions each accounting period. In addition, the capital asset manager should monitor asset retirements/disposals, recording retirement of assets each month on the capital asset listing. The monthly activity should be reviewed by the County Comptroller for completeness.

**Current Status:** The County took action to correct the finding, however the finding could not be corrected by June 30, 2013, the end of the current year audit. The County designated a capital assets manager. The general ledger activity for the year ending June 30, 2013 was reviewed by the capital asset manager for proper posting of capital outlay purchases. Assets were added to the capital asset listing. Departments have performed an inventory of capital assets within their departments and provided the results to the capital assets manager. The capital asset manager is reviewing location, custodial care, asset tag and ID information. Assets that cannot be located will be investigated to determine the disposition of the asset.

**2012-03, 2011-04 and 2010-01 Lack of ability to independently prepare financial statements and related footnote disclosures**

**Condition:** As is common for small companies across the country, the County does not possess the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP).

**Recommendation:** It was recommended that the County arrange for sufficient training of accounting personnel in order to provide them with the expertise necessary to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

**Current Status:** The County believes that the benefit would be outweighed by the cost of training their accounting personnel to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles. They have requested that the independent auditor assist in drafting the financial statements and related footnote disclosures during the course of the audit. County management have reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2012-04 and 2011-06 Revenue apportionment**

**Condition:** Revenues are recorded by the County Treasurer. A treasurer's receipt is prepared which records the revenue received and the fund and account the revenue is to be posted to. This process is performed by a treasurer employee. The revenue posting is not reviewed by a second person to ensure accuracy.

**Recommendation:** Treasurer receipts and related supporting documentation should be examined by a responsible official from the County Comptroller's office. The review should determine that the revenue is apportioned to the correct fund and account. This review should be documented by the signature of the official and the date the review was performed. Documentation supporting the review should be filed for future reference.

**Current Status:** The County took action to correct the finding, however the finding could not be corrected by June 30, 2013, the end of the current year audit. The County Comptroller's office reviewed the apportionment of significant revenues for the year ending June 30, 2013 by reviewing detailed property tax apportionments and making budget comparisons to other significant revenues. Equipment and technology has been purchased and placed in service in place in the treasurer's office in September 2013 to provide electronic documents supporting revenue apportionment for review by the Comptroller's office.

**2012-05 and 2011-05 General Ledger Adjusting Entries**

**Condition:** Journal entries were posted in reverse causing account balances to be misstated. Some expenditure posting errors were corrected by recording checks that had cleared the bank as void and then the checks were recreated in the system and reposted to the correct fund and account.

**Recommendation:** Adjusting entries to the general ledger should be prepared by an accounting clerk. A journal entry worksheet should be prepared showing the accounts to be adjusted and the detailed entries to those accounts. Documents supporting the reason for the entry should accompany the journal entry worksheet. The journal entry worksheet should be signed and dated by the accounting clerk. An accounting supervisor should review the documentation and, if appropriate, post the entry to the general ledger. General ledger accounts affected by the entries should be printed and reviewed to ensure the intended correction was posted properly. The accounting supervisor should sign and date the journal entry worksheet to document the review of the proper posting of the entry. The journal entry documentation should be filed in numerical order.

**Current Status:** The County took action to correct the finding; however some transactions that occurred during the year ending June 30, 2013 could not be corrected. The County software provider instructed staff to correct mis-postings by voiding the mis-posted check and then recreating the check in the system and reposting the check to the correct account. In June of 2013, staff was instructed to use journal entries to correct posting errors and to cease following the software provider procedure.

**2012-06 Improper Allocation of Property Tax**

**Condition:** Each year the County adopts its operating budget and determines the amount of property taxes and tax rates to be levied for fund operations. Tax rates used to apportion property taxes to the four funds of the County did not agree with the approved tax rates in the adopted budget. The tax rates used were from the 2011 budget year. The correct amount of tax was collected from taxpayers. The allocation of the collected tax between four funds was incorrect.

**Recommendation:** The Budget Director should provide to the County Treasurer and the County Comptroller the tax rates approved by the County Commission. The Budget Director, County Treasurer, and County Comptroller should review and document, in writing, that the rates levied for property taxes and rates to be used for apportionment of tax revenues to funds is correct. The apportionment of property tax revenues should be examined monthly by the County Comptroller's office for accuracy.

**Current Status:** In June of 2013, The Deputy County Treasurer, and County Comptroller reviewed the rates levied for property taxes and rates to be used for apportionment of tax revenues to funds for the 2013-2014 budget year to ensure the accuracy of the rates. This review was not documented in writing.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2012-07 Payroll Summary Fund Reconciliation**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. In order to streamline the payroll process, a payroll summary fund is used. All payroll activity is processed through the fund. The various funds of the County to whom the payroll expenditures belong are charged for the payroll and benefit expenditures. When this occurs, a receivable is created in the payroll summary fund showing the amount due to it from other funds. In the funds to which the payroll expense belongs, a liability is created in the fund showing the amount due to the payroll summary fund. After each payroll is processed and all checks have been prepared, the payroll summary fund is to be repaid the cash due to it from the other funds. At the end of each month the balances in the payroll summary fund are to be zero.

For the period of January through June, 2012, the reimbursing entries to repay the cash due to the payroll summary fund from the various funds were not recorded, causing the cash balance in the payroll summary fund to grow to a negative balance of \$ 8,238, 000, and causing the cash in the funds in which payroll belongs to be overstated. The account balances were not reviewed on a monthly basis for accuracy.

**Recommendation:** A Payroll staff accountant should be assigned the task of reviewing all account balances in the payroll summary fund monthly. Interfund payables and receivables should be reconciled and necessary entries to eliminate the interfund payables/receivables and cash adjustments should be prepared by the staff accountant. The adjustments should be reviewed and approved by the County Comptroller. The entries should be posted monthly.

**Current Status:** The County took action to correct the finding in April of 2013; however for the period of July 2012 through March 2013 posting errors were affecting the general ledger. The software provider was contacted in April of 2013 for assistance to correct the posting errors. The corrections were designed to cause automated entries to be made to the payroll summary fund and those funds in which payroll is expensed. The corrective action alleviated the majority of the problems with the exception of the employee benefits. Costs for some benefits are not posting to the funds in which payroll benefits should be expensed. It is anticipated that this posting error will be corrected by January 2014.

**2012-08 Financial Period Close**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. The new system requires specific procedures be performed at the end of each month. The monthly accounting period close was not performed in a timely manner. Asset and liability balance forward amounts from the prior year were not carried forward into the new system timely. Period closings for the year ending June 30, 2012, were not completed timely.

**Recommendation:** The financial closing and reporting process should be clearly defined, documented, and communicated to appropriate departments. The County Comptroller's office should assign specific closing tasks to members of the office with specific dates for completion of month end close. Tasks should include significant account reconciliation, account analysis, account variance analysis, encumbrance review, and adjusting journal entries to correct noted errors. Accounts receivable and accounts payable accounts should be reconciled to subsidiary ledgers/listings. Capital outlay expenditures should be reconciled to the capital asset listing.

Prior to the close of the month, the County Comptroller and the County Treasurer should agree on the reconciled cash and investment balances of each fund. Any reconciling items should be recorded.

**Current Status:** The County took action to correct the finding; however the finding could not be corrected by June 30, 2013. Accounting staff have been provided written direction concerning timely financial period close. Specific monthly closing dates will be adopted. Subsequent to year end, the monthly financial close has been completed timely.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2012-09 Apportionment of Investment Income**

**Condition:** The County maintains an investment pool in accordance with Nevada Revised Statutes Chapter 355.168. Investment income is to be apportioned to the participating local government funds monthly, based on the average fund balances. Investment income allocations are not completed timely. One individual is responsible for the apportionment of the investment income.

**Recommendation:** Investment income should be allocated monthly to each fund that participates in the investment pool. Investment income should be reviewed by the Comptroller's office to verify accurate revenue allocation.

**Current Status:** The County took action to correct the finding; however the finding could not be corrected by June 30, 2013. The County retained the services of an outside professional to assist in completion of investment allocations and the training of County staff concerning the reconciliation process. Investment allocations for the months of July 2012 through June 2013 were completed between May 2013 and October 2013.

**2012-10 Drug Court Collections**

**Condition:** The Nye County Commission adopted a resolution dated October 19, 2010, authorizing the creation of a petty cash account for the Fifth Judicial District Adult Drug Court to assist in the administration of activities in which the drug court is authorized by law to engage in. The Nye County Commission also approved a resolution dated October 19, 2010, to establish a checking account at Bank of America for the Fifth Judicial District Adult Drug Court. The resolution indicated that the purpose of the checking account was for depositing such fees, donations, and other funds which that department is authorized to collect. Nevada Revised Statutes 356.200 indicates that a County officer other than County Treasurer may deposit money received by the office into an insured bank account. The money deposited into the account is to be remitted to the County Treasurer not later than the first Monday of each month.

A review of the Bank of America checking account indicates that no remittance has been made to the County Treasurer for the collection of fees, donations, and other funds. Operating expenditures have been charged to the account. Petty cash expenditures have been reimbursed by the County to the bank account. The petty cash bank account was not opened. The depository account has been used as a combination petty cash and depository account.

The tax identification number associated with the bank account is the number of the non-profit corporation under the name of the Fifth Judicial District Adult Drug Court. The relationship of the non-profit corporation and the County is unclear. There are no known agreements between the County and the non-profit corporation concerning drug court operations.

**Recommendation:** Revenues generated from the operations of the Drug Court that are in the bank account of the non-profit corporation that are deemed to be that of the government should be remitted to the Nye County Treasurer. Monthly collections of Drug Court money should be remitted to the County Treasurer in accordance with Nevada Revised Statutes 356.200. Procedures should be implemented to monitor the monthly remittance of revenue to the County Treasurer from County Officers.

The petty cash account authorized by the County Commissioners in October of 2010 should be created and used in accordance with the County's petty cash policy and Nevada Revised Statutes 354.609.

The relationship between the County and the non-profit corporation should be examined to determine the role of the non-profit corporation in the Drug Court operations.

**Current Status:** On September 13, 2013, the money in the non-profit bank account was remitted to the Nye County Treasurer. The County Comptroller has provided training to Drug Court staff on the proper use of a petty cash fund.

DANIEL C. McARTHUR, LTD.  
*Certified Public Accountant*

Quail Park III • 501 So. Rancho Dr., Ste. E-30 • Las Vegas, NV 89106 • (702) 385-1899 • FAX (702) 385-9619

**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***

Honorable Board of County Commissioners  
Nye County, Nevada  
Tonopah, Nevada

I 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, each major fund, and the aggregate remaining fund information of Nye County, Nevada (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued my report thereon dated December 12, 2013.

**Internal Control Over Financial Reporting**

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

My consideration of internal control 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 I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 a 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See findings 2013-01, 2013-04, 2013-05, 2013-06, and 2013-07.

A *significant deficiency* is a deficiency, or 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See findings 2013-02, 2013-03, 2013-08, and 2013-09.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The County's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Las Vegas, Nevada  
December 12, 2013

DANIEL C. McARTHUR, LTD.  
*Certified Public Accountant*

Quail Park III • 501 So. Rancho Dr., Ste. E-30 • Las Vegas, NV 89106 • (702) 385-1899 • FAX (702) 385-9619

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Board of County Commissioners  
Nye County, Nevada  
Tonopah, Nevada

**Report on Compliance for Each Major Federal Program**

I have audited Nye County, Nevada's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the County's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the County's compliance.

**Opinion on Each Major Federal Program**

In my opinion, the County 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 major federal programs for the year ended June 30, 2013.

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

*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. A *significant deficiency in internal control over compliance* is a deficiency, or 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Michael M. Munk!

Las Vegas, Nevada  
December 12, 2013

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**Page 1 of 7**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Nye County, Nevada.
2. Nine significant deficiencies disclosed during the audit of the financial statements are reported in the 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*. Five deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Nye County, Nevada were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the audit in the auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Nye County, Nevada, expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A -133.
7. The programs tested as major programs were:

|                                                          |            |
|----------------------------------------------------------|------------|
| Schools and Roads – Grants to Counties                   | 10.666     |
| Water and Waste Disposal Systems for Rural Counties      | 10.760     |
| Payments In Lieu of Taxes                                | 15.226     |
| Airport Improvement Program                              | 20.106     |
| Brownsfield Assessment and Cleanup Cooperative Agreement | 66.818     |
| On Site Oversight                                        | 81.Unknown |
| Test Site Security                                       | 81.Unknown |
| Impact Alleviation                                       | 81.Unknown |
8. The threshold for distinguishing types A and B programs was \$533,371
9. Nye County, Nevada did not qualify as a low-risk auditee.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 2 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT**

**2013-01 Timely bank account and investment reconciliation to the general ledger**

**Condition:** Bank and investment accounts are not reconciled timely to the general ledger.

**Criteria:** Bank and investment accounts should be reconciled promptly after the end of each month to the general ledger. Unusual reconciling items should be investigated and corrected with adjustments made to the general ledger. Completed reconciliations should be reviewed and approved by appropriate officials.

**Effect:** General ledger information may be inaccurate, causing financial statements to include misstatements. Errors or irregularities may not be detected in a timely manner.

**Recommendation:** Bank and investment accounts should be reconciled to the general ledger promptly after the end of the month. All reconciling items should be investigated and corrections made as needed in the general ledger. Prior to the monthly closing of the general ledger, the County Treasurer and County Comptroller should review and approve the reconciled bank and investment balances ensuring that the balances agree to the general ledger.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding, however the finding could not be corrected by June 30, 2013, the end of the current year audit. The County retained the services of an outside professional to assist in completion of the bank and investment reconciliations and training of staff. Bank reconciliations for the months of July 2012 through June 2013 were completed between May 2013 and October 2013.

**2013-02 Capital Assets**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. Some capital asset additions for the current year were recorded on the listing; however, not all additions were recorded.

**Criteria:** The capital assets listing should be maintained on a timely basis, at least monthly. General ledger capital outlay expenditures and capital asset disposals should be reconciled to the capital assets listing.

**Effect:** Assets may be lost, stolen, or misused and not be detected by County employees in the normal course of their duties.

**Recommendation:** The County should designate a capital asset manager. Monthly, the capital asset manager should examine all expenditures in excess of the County threshold for capitalization (\$3,000) to determine whether the expenditure is a capital asset. Expenditures determined to be capital assets should be recorded as capital outlay on the general ledger and included on the capital asset listing. Any capital assets recorded as a service or supply expenditure should be reclassified to a capital outlay expenditure account. General ledger capital outlay expenditures should be reconciled to asset additions each accounting period. In addition, the capital asset manager should monitor asset retirements/disposals, recording retirement of assets each month on the capital asset listing. The monthly activity should be reviewed by the County Comptroller for completeness.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding, however the finding could not be corrected by June 30, 2013, the end of the current year audit. The County designated a capital assets manager. The general ledger activity for the year ending June 30, 2013 was reviewed by the capital asset manager for proper posting of capital outlay purchases. Assets were added to the capital asset listing. Departments have performed an inventory of capital assets within their departments and provided the results to the capital assets manager. The capital asset manager is reviewing location, custodial care, asset tag and ID information. Assets that cannot be located will be investigated to determine the disposition of the asset.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 3 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2013-03 Revenue apportionment**

**Condition:** Revenues are recorded by the County Treasurer. A treasurer's receipt is prepared which records the revenue received and the fund and account the revenue is to be posted to. This process is performed by a treasurer employee. The revenue posting is not reviewed by a second person to ensure accuracy.

**Criteria:** Revenue entries should be reviewed by the County Comptroller for accuracy.

**Recommendation:** Treasurer receipts and related supporting documentation should be examined by a responsible official from the County Comptroller's office. The review should determine that the revenue is apportioned to the correct fund and account. This review should be documented by the signature of the official and the date the review was performed. Documentation supporting the review should be filed for future reference.

**Effect:** General ledger information may be inaccurate causing financial statements to include misstatements.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding, however the finding could not be corrected by June 30, 2013, the end of the current year audit. The County Comptroller's office reviewed the apportionment of significant revenues for the year ending June 30, 2013 by reviewing detailed property tax apportionments and making budget comparisons to other significant revenues. Equipment and technology has been purchased and placed in service in place in the treasurer's office in September 2013 to provide electronic documents supporting revenue apportionment for review by the Comptroller's office.

**2013-04 General Ledger Adjusting Entries**

**Condition:** Journal entries were posted in reverse causing account balances to be misstated. Some expenditure posting errors were corrected by recording checks that had cleared the bank as void and then the checks were recreated in the system and reposted to the correct fund and account.

**Criteria:** Adjustments to the general ledger should be authorized and posted by a responsible official. General ledger accounts should be examined by a responsible official upon completion of the entries to ensure adjustments were posted properly. Cash disbursement posting errors should be corrected by journal entry, not by voiding the check and reposting the check to the correct general ledger account.

**Effect:** General ledger information may be inaccurate causing financial statements to include misstatements. Errors or irregularities may not be detected in a timely manner.

**Recommendation:** Adjusting entries to the general ledger should be prepared by an accounting clerk. A journal entry worksheet should be prepared showing the accounts to be adjusted and the detailed entries to those accounts. Documents supporting the reason for the entry should accompany the journal entry worksheet. The journal entry worksheet should be signed and dated by the accounting clerk. An accounting supervisor should review the documentation and, if appropriate, post the entry to the general ledger. General ledger accounts affected by the entries should be printed and reviewed to ensure the intended correction was posted properly. The accounting supervisor should sign and date the journal entry worksheet to document the review of the proper posting of the entry. The journal entry documentation should be filed in numerical order.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding; however some transactions that occurred during the year ending June 30, 2013 could not be corrected. The County software provider instructed staff to correct mis-postings by voiding the mis-posted check and then recreating the check in the system and reposting the check to the correct account. In June of 2013, staff was instructed to use journal entries to correct posting errors and to cease following the software provider procedure.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 4 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2013-05 Improper Allocation of Property Tax**

**Condition:** Each year the County adopts its operating budget and determines the amount of property taxes and tax rates to be levied for fund operations. Tax rates used to apportion centrally assessed property taxes for three funds did not agree with the approved tax rates in the adopted budget. The correct amount of tax was collected from taxpayers. The allocation of the collected tax between funds was incorrect.

**Criteria:** Tax rates approved in the annual budget for the various operating funds of the County are to be used for the apportionment of taxes collected to the funds.

**Effect:** Errors will occur in the amounts of revenue allocated to funds that receive property taxes. Fund financial statements will be misstated.

**Recommendation:** The Budget Director should provide to the County Treasurer and the County Comptroller the tax rates approved by the County Commission. The Budget Director, County Treasurer, and County Comptroller should review and document, in writing, that the rates levied for property taxes and rates to be used for apportionment of tax revenues to funds is correct. The apportionment of property tax revenues should be examined monthly by the County Comptroller's office for accuracy.

**County Response:** The County was informed of a similar deficiency during the prior year audit. The County took action to correct the finding; however the finding could not be corrected for the year ending June 30, 2013 because property tax billings and apportionments had already been processed for the year. In June of 2013, The Deputy County Treasurer, and County Comptroller reviewed the rates levied for property taxes and rates to be used for apportionment of tax revenues to funds for the 2013-2014 budget year to ensure the accuracy of the rates. This review was not documented in writing.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 5 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2013-06 Payroll Summary Fund Reconciliation**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. In order to streamline the payroll process, a payroll summary fund is used. All payroll activity is processed through the fund. The various funds of the County to whom the payroll expenditures belong are charged for the payroll and benefit expenditures. When this occurs, a receivable is created in the payroll summary fund showing the amount due to it from other funds. In the funds to which the payroll expense belongs, a liability is created in the fund showing the amount due to the payroll summary fund. After each payroll is processed and all checks have been prepared, the payroll summary fund is to be repaid the cash due to it from the other funds. At the end of each month the balances in the payroll summary fund are to be zero.

For the period of January 2012 through March 2013, the reimbursing entries to repay the cash due to the payroll summary fund from the various funds were not recorded, causing the cash balance in the payroll summary fund to grow to a negative balance of \$ 8,238, 000, and causing the cash in the funds in which payroll belongs to be overstated. The account balances were not reviewed on a monthly basis for accuracy.

**Criteria:** The payroll summary fund is to be used to consolidate payroll activity and to streamline payroll report processing. After each pay period, the cash in each fund in which payroll is expensed should be reduced by the amount of payroll for that period to properly reflect the cash balance of each fund. Monthly, the cash balance in the payroll summary fund should return to zero.

**Effect:** Cash balances in the various funds of the County, Towns, and Districts in which payroll is expensed will be misstated. Cash balances in the funds will appear higher than they actually are and will mislead users of the financial information.

**Recommendation:** A Payroll staff accountant should be assigned the task of reviewing all account balances in the payroll summary fund monthly. Interfund payables and receivables should be reconciled and necessary entries to eliminate the interfund payables/receivables and cash adjustments should be prepared by the staff accountant. The adjustments should be reviewed and approved by the County Comptroller. The entries should be posted monthly.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding in April of 2013; however for the period of July 2012 through March 2013 posting errors were affecting the general ledger. The software provider was contacted in April of 2013 for assistance to correct the posting errors. The corrections were designed to cause automated entries to be made to the payroll summary fund and those funds in which payroll is expensed. The corrective action alleviated the majority of the problems with the exception of the employee benefits. Costs for some benefits are not posting to the funds in which payroll benefits should be expensed. It is anticipated that this posting error will be corrected by January 2014.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 6 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2013-07 Financial Period Close**

**Condition:** The County implemented a new accounting software system during the year ending June 30, 2012. The new system requires specific procedures be performed at the end of each month. The monthly accounting period close was not performed in a timely manner. Asset and liability balance forward amounts from the prior year were not carried forward into the new system timely. Period closings for the year ending June 30, 2013, were not completed timely.

**Criteria:** Each accounting period should be closed on a timely basis at least monthly. All significant accounts should be reconciled and reviewed. Significant variances should be reviewed and adjusted where necessary.

**Effect:** Financial information will not be timely and accurate. Assets and liabilities may be misstated. Errors will not be detected and corrected in a timely manner.

**Recommendation:** The financial closing and reporting process should be clearly defined, documented, and communicated to appropriate departments. The County Comptroller's office should assign specific closing tasks to members of the office with specific dates for completion of month end close. Tasks should include significant account reconciliation, account analysis, account variance analysis, encumbrance review, and adjusting journal entries to correct noted errors. Accounts receivable and accounts payable accounts should be reconciled to subsidiary ledgers/listings. Capital outlay expenditures should be reconciled to the capital asset listing.

Prior to the close of the month, the County Comptroller and the County Treasurer should agree on the reconciled cash and investment balances of each fund. Any reconciling items should be recorded.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding; however the finding could not be corrected by June 30, 2013. Accounting staff have been provided written direction concerning timely financial period close. Specific monthly closing dates will be adopted. Subsequent to year end, the monthly financial close has been completed timely.

**2013-08 Apportionment of Investment Income**

**Condition:** The County maintains an investment pool in accordance with Nevada Revised Statutes Chapter 355.168. Investment income is to be apportioned to the participating local government funds monthly, based on the average fund balances. Investment income allocations are not completed timely. One individual is responsible for the apportionment of the investment income.

**Criteria:** Investment income should be allocated monthly to each fund that participates in the local government investment pool based on the available fund balance to invest for the month. A review should be performed by another employee to verify the accuracy of the apportionment.

**Effect:** Investment income as reported monthly in the various funds of the County and other local governments may be misleading.

**Recommendation:** Investment income should be allocated monthly to each fund that participates in the investment pool. Investment income should be reviewed by the Comptroller's office to verify accurate revenue allocation.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding; however the finding could not be corrected by June 30, 2013. The County retained the services of an outside professional to assist in completion of investment allocations and the training of County staff concerning the reconciliation process. Investment allocations for the months of July 2012 through June 2013 were completed between May 2013 and October 2013.

**NYE COUNTY, NEVADA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**Page 7 of 7**

**FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)**

**2013-09            Drug Court Collections**

**Condition:** The Nye County Commission adopted a resolution dated October 19, 2010, authorizing the creation of a petty cash account for the Fifth Judicial District Adult Drug Court to assist in the administration of activities in which the drug court is authorized by law to engage in. The Nye County Commission also approved a resolution dated October 19, 2010, to establish a checking account at Bank of America for the Fifth Judicial District Adult Drug Court. The resolution indicated that the purpose of the checking account was for depositing such fees, donations, and other funds which that department is authorized to collect. Nevada Revised Statutes 356.200 indicates that a County officer other than County Treasurer may deposit money received by the office into an insured bank account. The money deposited into the account is to be remitted to the County Treasurer not later than the first Monday of each month.

A review of the Bank of America checking account indicates that no remittance has been made to the County Treasurer for the collection of fees, donations, and other funds. Operating expenditures have been charged to the account. Petty cash expenditures have been reimbursed by the County to the bank account. The petty cash bank account was not opened. The depository account has been used as a combination petty cash and depository account.

The tax identification number associated with the bank account is the number of the non-profit corporation under the name of the Fifth Judicial District Adult Drug Court. The relationship of the non-profit corporation and the County is unclear. There are no known agreements between the County and the non-profit corporation concerning drug court operations.

**Criteria:** Collection of revenues for a County activity should be deposited into a County authorized bank account and remitted monthly to the County Treasurer.

**Effect:** Revenues in the Drug Court Special Revenue Fund may be understated.

**Recommendation:** Revenues generated from the operations of the Drug Court that are in the bank account of the non-profit corporation that are deemed to be that of the government should be remitted to the Nye County Treasurer. Monthly collections of Drug Court money should be remitted to the County Treasurer in accordance with Nevada Revised Statutes 356.200. Procedures should be implemented to monitor the monthly remittance of revenue to the County Treasurer from County Officers.

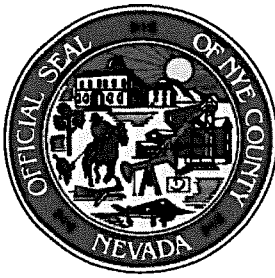
The petty cash account authorized by the County Commissioners in October of 2010 should be created and used in accordance with the County's petty cash policy and Nevada Revised Statutes 354.609.

The relationship between the County and the non-profit corporation should be examined to determine the role of the non-profit corporation in the Drug Court operations.

**County Response:** The County was informed of this deficiency during the prior year audit. The County took action to correct the finding; however the finding could not be corrected by June 30, 2013. On September 13, 2013, the money in the non-profit bank account was remitted to the Nye County Treasurer. The County Comptroller has provided training to Drug Court staff on the proper use of a petty cash fund.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None



**Office of the Comptroller  
Finance Department  
Tonopah, Nevada**

**Tonopah Office**  
Nye County Courthouse  
William P. Beko Justice Facility  
PO Box 153  
Tonopah, NV 89049  
Phone (775) 482-8186  
Fax (775) 482-8198

March 24, 2014

**Subject: CORRECTIVE ACTION PLAN**

**Dear: US Department Of Energy**

Nye County, Nevada respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and Address of independent public accounting firm: Daniel C. McArthur Ltd.  
Certified Public Accountant, 501 South Rancho Drive, Suite E-30, Las Vegas, Nevada  
89106

**Audit Period: June 30, 2013.**

The findings from the June, 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS-FINANCIAL STATEMENT AUDIT**

**2013-01 Timely bank account and investment reconciliation to the general ledger:**

**Recommendation:** Bank and investment accounts should be reconciled to the general ledger promptly after the end of the month. All reconciling items should be investigated and corrections made as needed in the general ledger. Prior to the monthly closing of the general ledger, the County Treasurer and County Comptroller should review and approve the reconciled bank and investment balances ensuring that the balances agree to the general ledger.

**Corrective Action:** Bank and Investment accounts will be brought up to date with the aid of an outside contractor. Monthly meetings will be scheduled for the Comptroller's office and the Treasurer's office to review the prior month activity. The accounting periods will be closed in a timely manner by the Comptroller's office to facilitate in the timely reconciliation. The plan for period closure is to have the previous month closed within 15 working days of the beginning of a new month. Written notice will be provided if any extension is needed.

**Implementation Time:** Immediately.

#### **2013-02 Capital Assets**

**Recommendation:** The County should designate a capital asset manager. Monthly, the capital asset manager should examine all expenditures in excess of the County threshold for capitalization (\$3,000) to determine whether the expenditure is a capital asset. Expenditures determined to be capital assets should be recorded as capital outlay on the general ledger and included on the capital asset listing. Any capital assets recorded as a service or supply expenditure should be reclassified to a capital outlay expenditure account. General ledger capital outlay expenditures should be reconciled to asset additions each accounting period. In addition, the capital asset manager should monitor asset retirements/disposals, recording retirement of assets each month on the capital asset listing. The monthly activity should be reviewed by the County Comptroller for completeness.

**Corrective Action:** Jennifer Rogers has been designated as capital asset manager. She will be performing the duties as outlined.

**Implementation Time:** Immediately

#### **2013-03 Revenue apportionment**

**Recommendation:** Treasurer Receipts and related supporting documentation should be examined by a responsible official from the County Comptroller's office. The review should determine that the revenue is apportioned to the correct fund and account. This review should be documented by the signature of the official and the date the review was performed. Documentation supporting the review should be filed for future reference.

**Corrective Action:** The treasurer's receipts and supporting documentation will be scanned and attached to the receipt within the accounting software. Backup documentation will be reviewed prior to approval and posting of receipt.

**Implementation Time:** Within 2 months as soon as equipment is installed.

#### **2013-04 General Ledger Adjusting Entries**

**Recommendation:** Adjusting entries to the general ledger should be prepared by an accounting clerk. A journal entry worksheet should be prepared showing the accounts to be adjusted and the detailed entries to those accounts. Documents supporting the reason for the entry should accompany the journal entry worksheet. The journal entry worksheet should be signed and dated by the accounting clerk. An accounting supervisor should review the documentation and, if appropriate, post the entry to the general ledger. General ledger accounts affected by the entries should be printed and reviewed to ensure the intended correction was posted properly. The accounting supervisor should sign and date the journal entry worksheet to document the review of the proper posting of the entry. The journal entry documentation should be filed in numerical order.

**Corrective Action:** All Journal Entries are entered by accounting staff, reviewed and approved by Supervisory employees prior to being posted. All supporting documentations and worksheets are attached to the entry. The system provides an audit trail which acts as signature when entering or approving.

**Implementation Time:** Immediately.

**2013-05 Improper Allocation of Property Tax**

**Recommendation:** The Budget Director should provide to the County Treasurer and the County Comptroller the tax rates approved by the County Commission. The Budget Director, County Treasurer, and County Comptroller should review and document, in writing, that the rates levied for property taxes and rates to be used for apportionment of tax revenues to funds is correct. The apportionment of property tax revenues should be examined monthly by the County Comptroller's office for accuracy.

**Corrective Action:** The Comptroller has supplied the Treasurer with the Tax rates used in preparation of the fiscal year budget document, as well as the documents received from the State Department of Taxation regarding tax rates. The comptroller will review all apportionments.

**Implementation Time:** Immediately.

**2012-06 Payroll Summary Fund Reconciliation**

**Recommendation:** A Payroll staff accountant should be assigned the task of reviewing all account balances in the payroll summary fund monthly. Interfund payables and receivables should be reconciled and necessary entries to eliminate the interfund payables/receivables and cash adjustments should be prepared by the staff accountant. The adjustments should be reviewed and approved by the County Comptroller. The entries should be posted monthly.

**Corrective Action:** Correcting entries are being prepared and will be entered and the fund balanced prior to the close of Fiscal year 2013. The payroll specialist will be responsible for monitoring the fund and verifying that all entries are made and the fund is balanced on a monthly basis.

**Implementation Time:** In process.

**2012-07 Financial Period Close**

**Recommendation:** The financial closing and reporting process should be clearly defined, documented, and communicated to appropriate departments. The County Comptroller's office should assign specific closing tasks to members of the office with specific dates for completion of month end close. Tasks should include significant account reconciliation, account analysis, account variance analysis, encumbrance review, and adjusting journal entries to correct noted errors. Accounts receivable and accounts payable accounts should be reconciled to subsidiary ledgers/listings. Capital outlay expenditures should be reconciled to the capital asset listing.

Prior to the close of the month, the County Comptroller and the County Treasurer should agree on the reconciled cash and investment balances of each fund. Any

reconciling items should be recorded.

**Corrective Action:** Accounting periods will be closed within 15 working days of the end of the month. Policy and procedures will be written and submitted to the Board of County Commissioners as part of the Accounting policy and procedures that is being developed.

**Implementation Time:** 15 working day close will be effective immediately, Accounting Policy and Procedures to be completed within 1 year. This document will contain updates on Nye County policies and procedures for accounts payable, accounts receivable, payroll, and budget functions.

#### **2013-08 Apportionment of Investment Income**

**Recommendation:** Investment income should be allocated monthly to each fund that participates in the investment pool. Investment income should be reviewed by the Comptroller's office to verify accurate revenue allocation.

**Corrective Action:** Contract employee is currently working through allocation in the current fiscal year as well as training Treasurer's office staff in the process.

**Implementation Time:** In process.

#### **2013-09 Drug Court Collections**

**Recommendation:** Revenues generated from the operations of the Drug Court that are in the bank account of the non-profit corporation that are deemed to be that of the government should be remitted to the Nye County Treasurer. Monthly collections of Drug Court money should be remitted to the County Treasurer in accordance with Nevada Revised Statutes 356.200. Procedures should be implemented to monitor the monthly remittance of revenue to the County Treasurer from County Officers.

The petty cash account authorized by the County Commissioners in October of 2010 should be created and used in accordance with the County's petty cash policy and Nevada Revised Statutes 354.609.

The relationship between the County and the non-profit corporation should be examined to determine the role of the non-profit corporation in the Drug Court operations.

**Corrective Action:** Petty Cash policy and procedures were explained to employee responsible for maintaining Drug court petty cash, and procedures are now being followed for petty cash.

**Implementation Time:** Petty Cash procedures are being followed.

### **FINDINGS-FEDERAL AWARDS PROGRAMS**

(US Department of Energy)  
(March 24, 2014)  
Page 5

NONE

If the Department of Energy has questions regarding this plan, please call Susan Paprocki at (775)482-8186.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan Paprocki".

Susan Paprocki  
Nye County Comptroller

SP/jr