



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2021

County of Douglas, Nevada

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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*

To the Honorable Board of Commissioners and Audit Committee
County of Douglas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Douglas, Nevada (County), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2021. Our report contained an emphasis of matter stating that the County adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-009 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

County's Responses to Findings

The County's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California
November 24, 2021



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

To the Honorable Board of Commissioners and Audit Committee
County of Douglas, Nevada

Report on Compliance for Each Major Federal Program

We have audited the County of Douglas, Nevada’s (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the County’s major federal programs for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each of the Major Federal Program

In our 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 other major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-010. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 our audit of compliance, we 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-010 that we consider to be a significant deficiency.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 24, 2021, which contained unmodified opinions on those financial statements. Our report contained an emphasis of matter stating that the County adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California

March 29, 2022

County of Douglas, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture				
Direct Program				
Rural Business Development Grant	10.351	N/A	\$ 25,209	\$ -
Cooperative Fire Protection Agreement - US Forest Svc Lake Tahoe Basin Mgt	10.703	N/A	4,862	-
Cooperative Fire Protection Agreement - US Forest - Humboldt Toyabe Patrol	10.703	N/A	3,457	-
Subtotal Cooperative Fire Protection Agreement			8,319	-
Passed through State of Nevada Department of Agriculture				
Child Nutrition Cluster				
National School Lunch Program - FY20 NSLP China Spring School Meals	10.555	NSLP 2016-36 NSLP 2016-37	53,027	-
Passed through the South Tahoe Public Utility District				
Cooperative Forestry Assistance				
	10.664	17-DG-11052012-140	27,446	-
Partnership Agreements - Cave Rock	10.699	20-PA-11051900-024	500,000	-
Total U.S. Department of Agriculture			614,001	-
U.S. Department of Interior				
Direct Programs				
Payment in Lieu of Taxes	15.226	N/A	704,848	-
Passed through State of Nevada Department of Wildlife				
Fish and Wildlife Cluster				
Sport Fish Restoration - Topaz Break Water	15.605	SG21-07	8,092	-
Total U.S. Department of Interior			712,940	-
U.S. Department of Justice				
Direct Programs				
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2017-WR-AX-0014	197,090	-
Public Safety Partnership and Community Policing Grants	16.710	15X0406	28,979	-
Passed through State of Nevada Office of Attorney General				
Violence Against Women Formula Grants				
	16.588	2019-VAWA-14	303	-
Violence Against Women Formula Grants	16.588	2020-WF-AX	26,137	-
Subtotal Violence Against Women Formula Grants			26,440	-
Passed through Carson City				
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738	19-JAG-04	1,721	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	20-JAG-04	29,055	-
Passed through State of Nevada Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738	19-JAG-06	111,564	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	20-JAG-05	97,027	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-JAG-57	1,533	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			240,900	-
Total U.S. Department of Justice			493,409	-

County of Douglas, Nevada
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Transportation				
Direct Programs				
Airport Improvement Program - 32	20.106	3-32-0013-034-2020	\$ 146,794	\$ -
Airport Improvement Program - 32	20.106	3-32-0013-036-2020	<u>3,118,742</u>	<u>-</u>
Subtotal Airport Improvement Program			<u>3,265,536</u>	<u>-</u>
Highway Planning and Construction Cluster				
Passed through Carson City				
Highway Planning and Construction	20.205	NM696-16-804	155,815	-
Passed through Nevada Department of Transportation				
Highway Planning and Construction	20.205	P492-12-063	9,271	-
Highway Planning and Construction	20.205	PR056-15-063	<u>751,469</u>	<u>-</u>
Subtotal Highway Planning and Construction Program			<u>916,555</u>	<u>-</u>
Passed through Nevada Division of Public Safety, Emergency Management				
Recreational Trails Program	20.219	P656-15-063	<u>31,255</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			<u>947,810</u>	<u>-</u>
Passed through State of Nevada Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program -				
FTA Section 5311 DART-2020	20.509	PR504-19-802	135,375	-
Formula Grants for Rural Areas and Tribal Transit Program -				
FTA Section 5311 DART-2021	20.509	P403-20-802	<u>456,092</u>	<u>-</u>
Subtotal Formula Grants for Rural Areas and Tribal Transit Program			<u>591,467</u>	<u>-</u>
Highway Safety Cluster				
Passed through State of Nevada Department of Public Safety				
State and Community Highway Safety	20.600	JF-2020-DSCO-00036	71,368	-
Research and Development Cluster				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	TS-2021-DCSO-00049	9,012	-
Passed through State of Nevada Department of Public Safety				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	21-SERC-04-01	2,265	2,265
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	20-HEMP-04-01	<u>10,237</u>	<u>10,237</u>
Subtotal Interagency Hazardous Materials Public Sector Training and Planning Grants Program			<u>12,502</u>	<u>12,502</u>
Total U.S. Department of Transportation			<u>4,897,695</u>	<u>12,502</u>
U.S. Department of Treasury				
Passed through State of Nevada				
COVID-19 Coronavirus Relief Fund	21.019	N/A	<u>8,925,080</u>	<u>1,487,805</u>
Total U.S. Department of Treasury			<u>8,925,080</u>	<u>1,487,805</u>
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund Cluster				
Passed through State of Nevada Department of Conservation and Water Resources				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000118	<u>1,650,226</u>	<u>-</u>
Subtotal Clean Water State Revolving Fund Cluster			<u>1,650,226</u>	<u>-</u>
Passed through State of Nevada Department of Environmental Protection				
Nonpoint Source Implementation Grants	66.460	DEPS 21-033	<u>988</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>1,651,214</u>	<u>-</u>

County of Douglas, Nevada
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through Carson City, State of Nevada Department of Health and Human Services				
Family Planning Services - Title X	93.217	N/A	\$ 85,774	\$ -
Passed through State of Nevada Governor's Office of Economic Development				
Community Services Block Grant - 2017	93.569	1138	53,555	-
COVID 19 - Community Services Block Grant	93.569	1154	18,673	-
Subtotal Community Services Block Grant			<u>72,228</u>	<u>-</u>
Passed through State of Nevada Department of Health and Human Services				
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program				
	93.912	FHPA00644 9-03-00	61,959	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program				
	93.912	1080	94,385	-
Subtotal Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			<u>156,344</u>	<u>-</u>
Direct Program				
Aging Cluster				
Special Programs for the Aging, Title III, Part C, Nutrition Services - Congregate 2019				
	93.045	04-000-07-1X-18	32,016	-
Special Programs for the Aging, Title III, Part C, Nutrition Services - Congregate 2020				
	93.045	04-000-04-24-18	54,751	-
Special Programs for the Aging, Title III, Part C, Nutrition Services - ADSD Planning, Advocacy & Community Services Home				
	93.045	04-000-02-LX-21	48,285	-
Special Programs for the Aging, Title III, Part C, Nutrition Services - Meals on Wheels				
	93.045	04-000-04-24-21	86,175	-
Nutrition Services Incentive Program	93.053	04-000-57-NX021	43,566	-
Subtotal Aging Cluster			<u>264,793</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>579,139</u>	<u>-</u>
U.S. Social Security Administration				
Direct Programs				
Disability Insurance SSI Cluster				
Social Security - Disability Insurance (DI)	96.001	N/A	2,800	-
Total U.S. Security Administration			<u>2,800</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through State of Nevada Department of Public Safety				
Emergency Management Performance Grants	97.042	19-EMPG-9704219	57,239	57,239
BRIC: Building Resilient Infrastructure and Communities - State Route 88 Flood Mitigation Project				
	97.047	9704715-2506	1,572,404	-
Homeland Security Grant Program	97.067	EMW-2020-SS0056	35,200	-
Total U.S. Department of Homeland Security			<u>1,664,843</u>	<u>57,239</u>
Total Expenditures of Federal Awards			<u>\$ 19,541,121</u>	<u>\$ 1,557,546</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the County of Douglas, Nevada (County) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting for the governmental funds and the accrual basis of accounting for the proprietary funds, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the prior year.

Note 3 - Indirect Cost Rate

The County has not elected to use the 10-percent de minimis indirect cost rate.

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County has determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Highway Planning and Construction Cluster Coronavirus Relief Fund	20.205, 20.219 21.019
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 Review of Financial System User Roles

Criteria:

Internal controls should be established to ensure that user roles in the County’s financial system are reviewed on a regular basis.

Condition:

Significant Deficiency – Evidence of Information Technology Service (ITS) Department’s and Finance Department’s review of user roles in the County’s financial system was not documented or retained.

Context:

During our observation of the internal controls over the County’s user role process, we identified that there are not formal policies or procedures for the review of user roles in the County’s financial system, New World System (NWS), on a regular basis. ITS asserted that an informal review was being performed; however, the reviews are not required as there are not policies or procedures in place requiring the review. In addition, during our observation of the County’s human resources and cash disbursement processes, we noted that the Finance Department and ITS Department personnel have the ability to create vendors and approve payments to vendors. We also identified that the Finance Department personnel has the ability to make changes to employees’ pay rates without additional review or approval.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-001.

Cause:

There are no policies or procedures in place requiring review of NWS user roles.

Effect:

There is an increased risk of inappropriate or erroneous entries made in the financial system due to inappropriate user roles and access rights.

Recommendation:

We recommend that management implement policies and procedures to document and retain evidence of the review of user roles in NWS and to ensure user roles are appropriately assigned.

Views of Responsible Officials and Corrective Action:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the recommendation to develop policies and procedures to document user roles and NWS and to ensure user roles are appropriately assigned. Finance Department staff will work with Technology Services to develop a policy that will outline processes and responsibilities and provide a timeframe for review of roles. Finance staff have engaged Regional Government Services (RGS) during Fiscal Year 2021 and this project was included in the scope of work for that contract.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	June 30, 2022

2021-002 Disaster Recovery and Server Room & Backup Locations

Criteria:

A disaster recovery plan should be developed to ensure continuity of County services in the case of an emergency. Additionally, the County should relocate its server room and backup locations to safe locations.

Condition Found:

Significant Deficiency – The County did not have a disaster recovery plan and its server room and backup locations are not located in safe locations.

Context:

Based on inquiries of the County's Information Technology personnel, we identified that the County lacked a disaster recovery plan. Additionally, we noted that some County servers and backups are located in the basement. The offsite locations were also within relatively close proximity of the onsite server room.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-002.

Cause:

The County did not have a disaster recovery plan documented, and the server room and backup locations are not safe for storing critical data.

Effect:

There is an increased risk of flood damage to the servers and backups as they are located in the basement. The risk of flood damage may potentially affect all recovery locations as they are within close proximity of the County. In addition, without a disaster recovery plan, the County's operations could be negatively impacted when disasters occur.

Recommendation:

We recommend that management implement a disaster recovery plan to prepare for any emergencies that may affect the County's operations. We also recommend that management to relocate its main server from the basement to higher elevations and to relocate its recovery servers outside of the County to mitigate risks of damage in the case of a disaster.

Views of Responsible Officials and Corrective Action:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the recommendation. On December 17, 2020, the Douglas County Board of County Commissioners authorized a contract with Tyler Technologies, the parent company of New World Systems. A key component of this contract includes having our New World Systems information hosted on shared hardware in a Tyler data center or third-party data center. These data centers have fully redundant telecommunications access, electrical power, and the required hardware to provide access to the Tyler Software (NWS) in the event of a disaster or component failure. Additionally, Technology Services staff is transitioning the County's data center to the second floor of the Town of Minden's Public Works building at a remote site. That work began during Fiscal Year 2021 and is expected to be completed during Fiscal Year 2022.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	June 30, 2022

2021-003 Vendor File Maintenance

Criteria:

Internal controls should be established to ensure the creation of vendors and changes to the vendor master file in the County's financial system, New World System (NWS), is properly reviewed by management.

Condition Found:

Significant Deficiency – The County did not have a proper review process in place to ensure the validity of additions or changes made to vendor files in NWS.

Context:

During our observation of the internal controls over the County’s vendor file maintenance process, we identified that NWS does not prevent an individual from creating new vendors or making changes to existing vendor profiles. We noted that finance management reviews and approves the change report generated by NWS on a monthly basis; however, the review is a higher-level review that does not mitigate the risk of unauthorized changes made to the vendor files.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-003.

Cause:

The County does not have an effective review process in place to keep track of additions or changes made to vendor files.

Effect:

There is an increased risk of error or fraud if the changes made to vendor files are not reviewed on a timely basis.

Recommendation:

We recommend that management implement policies and procedures to ensure changes made to vendor files are reviewed on a regular basis by personnel who understand the details of daily operations at their departmental level.

Views of Responsible Officials and Planned Corrective Actions:

Management’s or Department’s Response:

We concur. See County's Separate Corrective Action Plan.

This was partially corrected during Fiscal Year 2021, as Finance staff security roles were segregated to ensure that those staff responsible for creating vendor payments were unable to create or modify vendor profiles. However, it was discovered that a few Technology Services staff had profiles in both the vendor creation and invoice creation templates. These profiles were removed from both profiles in Fiscal Year 2022.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	November 30, 2021

2021-004 General Computing Controls – Exception Logs

Criteria:

System logs on hardware, software applications and server operating systems creates an investigative path to determine the nature and extent of a system breach or failure. In addition, systems should be reviewed, every 30-90 days, to ensure that terminated users have been removed, user roles changes have been removed, user role changes have been implemented, group access rights are appropriate and group membership is appropriate.

Condition Found:

Significant Deficiency – The County did not have policies and procedures in place to ensure exception logs are reviewed and that the reviews are documented.

Context:

A log server was installed in July 2015 and tested but has not been fully implemented. Although the log server is capable of exception reporting, it is currently configured to only gather data for investigative purposes and there is no documentation supporting the periodic review of the system log data.

As of April 2018, the County is now using Solar Winds to log specific types of events such as switch, Active Directory, password and server related events. There are also automatically generated reports related to modifications to the administrative groups. However, these logs are only reviewed when it is deemed necessary, generally upon notification of a potential problem.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-007.

Cause:

The County does not have a formal policy to review when change logs are reviewed and what items are necessary to monitor.

Effect:

The lack of exception reporting and failure to periodically review system logs may result in unnoticed system breaches, unauthorized access, anonymous changes and malicious user access. This could lead to inappropriate modifications or loss of financial data and materially misstated financial statements.

Recommendation:

We recommend the County implement a procedure to ensure exception reports and logs are periodically reviewed and any unusual or executed activities (exception reporting) are promptly investigated and documented.

In addition, design, document and implement a process to periodically review (at least quarterly) and update user access rights.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. Technology Services has implemented Solar Winds & Arctic Wolf technology that is streamlining the logging process. Technology Services has developed procedures in Fiscal Year 2022 to ensure the exception logs and reports are reviewed. They are also developing processes to review and update user rights.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	December 31, 2021

2021-005 General Computing Controls – Payment Card Industry (PCI), Network Security

Criteria:

Internal controls should be established to ensure compliance with the most recent PCI standards.

Condition Found:

Significant Deficiency – The County did not have policies and procedures in place to ensure compliance with the most recent PCI standards.

Context:

The County did not have a plan to address identified security issues to ensure compliance with the most recent PCI standards which should include all 40 findings noted in the June 2015 PCI assessment.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-008.

Cause:

The County does not have controls in place to ensure compliance with the most recent PCI standards.

Effect:

The lack of policies and procedures to ensure compliance with applicable PCI requirements could lead to misappropriation of card holder data and materially misstated financial statements.

Recommendation:

We recommend the County implement policies and procedures to ensure compliance with the most recent PCI standards.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. An updated PCI-DSS assessment has been completed by Moss Adams and was approved by the County's Audit Committee and Board of County Commissioners at their November 30, 2020 meeting. The Board of County Commissioners approved the Douglas County Payment Card Industry (PCI) Compliance Policy at their July 1, 2021 meeting.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	July 31, 2021 (policy)

2021-006 Capital Assets

Criteria:

Internal controls should be established to ensure the information reported in the capital assets rollforward reconciles to the County's general ledger system, and the rollforward should be reviewed and finalized prior to the annual financial statements audit.

Condition Found:

Significant Deficiency – The County did not have a formal reconciliation process in place to ensure the information reported in the capital assets rollforward reconciles to County’s general ledger system. In addition, the County did not have policies and procedures in place to ensure the preparation and review of the capital assets rollforward is performed timely.

Context:

Based on our audit procedures performed over our understanding of the County’s capital assets process, we identified that the County did not have reconciliation processes to ensure the information reported in the capital assets rollforward reconciles to the County’s general ledger system. Based on our audit procedures performed over the capital assets rollforward, we identified that multiple versions of the capital assets rollforward were provided by the County as the information reported in the capital assets rollforward did not reconcile to the general ledger details provided.

Repeat Finding from Prior Year(s):

Yes, prior year finding 2020-009.

Cause:

The County did not have a formally documented reconciliation process and that the capital assets rollforward was not formally reviewed and finalized prior to the financial statements audit.

Effect:

The lack of reconciliation and review processes over the preparation of the capital assets rollforward could lead to material misstatements in the financial statements.

Recommendation:

We recommend the County to implement policies and procedures over the reconciliation of capital assets rollforward and the review and approval of the capital assets rollforward.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. Staff have been trained on the importance of distinguishing current-year capital expenditures from prior year expenditures, and the understanding of whether or not those prior year expenditures have been recognized as Construction in Progress. The Capital Asset Accountant has been trained on the Capital Asset policies, and will be creating written desk procedures in the coming year. The Capital Asset Accountant will attach adequate source documentation to all capital asset transactions when they are entered, and the Finance Manager will verify and approve those transactions. The rollforward schedules will be created and reconciled on a quarterly basis, which should ensure that the year-end rollforward schedule can be accurately prepared prior to the start of the audit. In addition, a review of the County's capital asset policies and procedures was added to the Douglas County Internal Audit Program for Fiscal Year 2021-22.

Additionally, staff have been provided training in capital asset subject matter to improve their understanding of capital asset accounting concepts.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	June 30, 2022

2021-007 Budget Monitoring

Criteria:

Internal controls should be established to ensure that budget adjustments are properly prepared and reviewed on a regular basis.

Condition Found:

Significant Deficiency – The County's financial system does not prevent a user from entering entries that exceed budget limitations and the County does not perform and document their budget monitoring.

Context:

During our observations, we identified that a County finance user can enter adjustment entries that exceed budget amounts. While appropriate segregation of duties does exist between preparer and approver of these entries, we noted that the County does not perform and document their review of budget to actual.

Repeat Finding from Prior Year(s):

No.

Cause:

The County did not have policies or procedures in place to monitor budget to actual.

Effect:

There is an increased risk of error or fraud if budget monitoring is not documented and reviewed on a regular basis.

Recommendations:

We recommend the County to perform regular review over their budget to actual.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. Finance staff will address this finding by adding a quarterly review of budget to actual to the quarterly closing process and will also implement budgetary controls in the financial system.

<i>Name of Responsible Person:</i>	Terri Willoughby, CFO
<i>Name of Department Contact:</i>	Terri Willoughby, CFO
<i>Projected Implementation Date:</i>	June 30, 2022

2021-008 Town of Gardnerville – Revenue Generation Process

Criteria:

Internal controls should be established over the Town of Gardnerville's revenue generation process to mitigate the risks of financial statements misstatements and or fraud.

Condition Found:

Significant Deficiency – We identified deficiencies in the Town's internal controls involving segregation of duties in the cash receipt process and the lack of evidence of review over reconciliations performed.

Context:

During our observation of the Town of Gardnerville's revenue generation process, we identified the following:

- Fees assessed for trash services can be altered by any of the Town's administration personnel.
- For in-person cash payments, there was no evidence of review over the manual check receipt book to ensure sequential order in carbon copies.
- For online payments, there was no evidence of review over the reconciliation between the Town's cash receipt system and the report from the Town's online service payment provider.
- For payments received in mail, there was no evidence of segregation of duties between the essential functions (i.e. Custody, Recording, Authorization & Reconciliation).
- There was no evidence of review over the daily or monthly reconciliations performed by Town personnel (i.e. Documentation of preparer and approver.)

Repeat Finding from Prior Year(s):

No.

Cause:

The Town of Gardnerville did not have policies and procedures in place to ensure proper segregation of duties and to retain evidence of review of reconciliations performed.

Effect:

There is an increased risk of error or fraud if internal controls are not properly designed and implemented over the Town's revenue generation process.

Recommendations:

We recommend that management review its current policies and procedures to ensure proper segregation of duties over critical functions. In addition, documentation of document preparer and approver should be retained as evidence of performance.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. Finance staff will be working with the Town of Gardnerville to modify existing policies and procedures to ensure proper segregation of duties exists and that sufficient evidence of review is retained going forward. Due to the Town's limited staff, Finance staff will assist the Town by providing an additional layer of review if necessary.

Name of Responsible Person: Terri Willoughby, CFO
Name of Department Contact: Terri Willoughby, CFO
Projected Implementation Date: June 30, 2022

2021-009 Town of Gardnerville – Accounts Payable Vouchers

Criteria:

Internal controls should be established to ensure that the preparation and approval of Accounts Payable (AP) vouchers are segregated and documented.

Condition Found:

Significant Deficiency – Evidence of segregation of duties between the preparer and approver of AP vouchers was not documented or retained.

Context:

During our observation of the internal controls over the County's cash disbursement process, we identified that the AP vouchers have signature lines for the preparer and approver; however, the preparer's signatures are typewritten rather than wet signatures, which can easily be edited or duplicated.

Repeat Finding from Prior Year(s):

No.

Cause:

The AP voucher was not signed by both the preparer and the approver.

Effect:

There is an increased risk of error and fraud going undetected without the proper segregation of duties between the preparer and the approver.

Recommendation:

We recommend that management implement policies and procedures to ensure the preparation and approval processes of AP vouchers are segregated and documented.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management agrees with the finding. Finance staff will revise the voucher form to clearly define that the preparer line is to be an actual signature. Also, staff will provide training to departments to advise them of the need to demonstrate segregation of duties.

Name of Responsible Person:	Terri Willoughby, CFO
Name of Department Contact:	Terri Willoughby, CFO
Projected Implementation Date:	June 30, 2022

Section III – Federal Award Findings and Questioned Costs

2021-010 **Program:** Coronavirus Relief Fund
CFDA No.: 21.019
Federal Agency: Department of Treasury
Passed-through: State of Nevada
Award Year: March 1, 2020 through June 30, 2020; July 1, 2020 through December 31, 2020.
Compliance Requirement: Allowable Costs/Cost Principles
Grant Award Number: N/A

Criteria:

Per the 2021 OMB Compliance Supplement and criteria contained in 2 CFR part 200, costs must not consist of improper payments including payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. For small business grants, the County requires a current business license in place before and after March 2020 prior to grant award.

Condition:

Significant Deficiency, Instances of Noncompliance – As a result of our audit procedures, we noted 2 of 78 transactions in which improper payments were made by the County to two small businesses that were awarded an economic assistance grant.

Questioned Costs:

We noted known questioned costs of \$10,081.

Context/Sampling:

A non statistical sample of 78 transactions out of 662 total transactions were selected for testing, which accounted for \$2,405,150 of \$8,925,080 federal program expenditures. As a result of our testing of program expenditures, we identified an instance in which a small business was awarded \$10,081 of grant funding but \$10,162 was disbursed by the County. We also identified an instance in which \$10,000 of grant funding was awarded and disbursed to a small business that had an expired business license at the time of the grant award and disbursement.

Repeat Finding from Prior Year(s):

No.

Cause:

The County's policies and procedures did not detect or correct an incorrect payment amount made to a grant recipient. In addition, the County's policies and procedures did not detect the fact that one small business grant recipient did not have a current business license prior to awarding and disbursing grant funding.

Effect:

Expenditures charged against the Coronavirus Relief Fund grant by the County may not be accurate or properly supported, thus increasing the risk of noncompliance with the requirements of the program.

Recommendation:

We recommend that the County implement stronger policies and procedures to ensure economic assistance grant payments made to small business are properly supported and calculated correctly.

Views of Responsible Officials and Planned Corrective Actions:

Management's or Department's Response:

We concur. See County's Separate Corrective Action Plan.

Management concurs with the finding. Management has changed the review process for all accounts payable vouchers to distribute the review among three management staff rather than relying on only a review of high dollar invoices. A Grants Administrator position has also been created and was filled in June 2021 to add an extra layer of review for grant expenditures, and to ensure that submitted documentation is adequate and in line with program guidelines and requirements.

Name of Responsible Person:

Terri Willoughby, Chief Financial Officer

Name of Department Contact:

Terri Willoughby, Chief Financial Officer

Projected Implementation Date:

June 30, 2022

County of Douglas, Nevada
 Summary Schedule of Prior Audit Findings
 Year Ended June 30, 2021

Summarized below is the current status of all audit findings reported in the prior year audit’s schedule of audit findings and questioned costs.

Finding No.	Program Name/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2020-001	Review of Financial System User Roles	N/A	N/A	Not Implemented - See current year Finding 2021-001
2020-002	Disaster Recovery and Server Room & Backup Locations	N/A	N/A	Partially Implemented - See current year Finding 2021-002
2020-003	Vendor File Maintenance	N/A	N/A	Not Implemented -See current year Finding 2021-003
2020-004	Outdated Procurement Policies	N/A	N/A	Implemented
2020-005	Debt Covenants	N/A	N/A	Implemented
2020-006	County Assessor - Property Tax System	N/A	N/A	Implemented
2020-007	General Computing Controls - Exception Logs	N/A	N/A	Not Implemented -See current year Finding 2021-004
2020-008	General Computing Controls - Payment Card Industry (PCI), Network Security	N/A	N/A	Not Implemented -See current year Finding 2021-005
2020-009	Capital Assets	N/A	N/A	Not Implemented -See current year Finding 2021-006
2020-010	Preparation of Schedule of Expenditures of Federal Awards (SEFA)	N/A	N/A	Implemented
2020-011	Formula Grants for Rural Areas and Tribal Transit Program	20.509	Allowable Costs/Cost Principles	Implemented