

**Governor's Finance Office
Division of Internal Audits**

2026 Annual Report



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Introduction

The Division of Internal Audits assists and supports Executive Branch leaders and managers by auditing agency operations and offering recommendations that enhance the efficiency and effectiveness of state government. These recommendations inform state policy makers, help agencies better manage spending, and identify potential benefits for Nevadans from improved governance.

Internal Audit and Compliance Review recommendations help agencies better serve the public and safeguard state resources by improving management and outcomes, and preventing and detecting waste, fraud, and abuse. Internal Audit recommendations are presented publicly to the Executive Branch Audit Committee. Compliance Review recommendations are presented to the Clerk of the Board of Examiners.

The Administrator of the Division of Internal Audits administratively reports to the Director of the Governor's Finance Office and functionally reports to the Executive Branch Audit Committee. The Executive Branch Audit Committee is comprised of Nevada's constitutional officers and a member of the public.

Executive Branch Audit Committee Members (NRS 353A.038)

The Honorable Joe Lombardo
Governor, Chair

The Honorable Stavros Anthony
Lieutenant Governor

The Honorable Francisco V. Aguilar
Secretary of State

The Honorable Zach Conine
State Treasurer

The Honorable Andy Matthews
State Controller

The Honorable Aaron D. Ford
Attorney General

Dina Babsky
Member of the Public

The Division of Internal Audits consists of two sections: Internal Audit and Compliance Review.

Internal Audit Section

Goal: Improve the efficiency and effectiveness of state government, agency management, and operations. Ensure compliance with the Governor's objectives and state and federal guidelines and help safeguard state resources.

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Compliance Review Section

Goal: Ensure agencies have adequate internal controls over fiscal processes and agencies' transactions comply with state and federal guidelines. Help agencies safeguard assets and prevent and detect fraud through internal control training, assistance, monitoring, and reviews.

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Staff Qualifications

The Internal Audit section consists of 11 Executive Branch Auditor positions. Executive Branch Auditors possess one or a combination of the following degrees, licenses, or certifications: an advanced degree in business administration, accounting, finance, or a closely related field; Certified Public Accountant; Certified Internal Auditor; and/or Certified Fraud Examiner.

Vacancies in Executive Branch Auditor positions during fiscal year 2026 amounted to approximately two full-time equivalent positions.

Internal Audit Process

At the direction of the Executive Branch Audit Committee (Committee) and by request from state government leaders, the Division of Internal Audits (DIA) performs audits addressing the efficiency and effectiveness of state agency management and operations. DIA performs follow-up audits on internal audit recommendations and the Legislative Auditor's audit recommendations to determine the progress state agencies have made implementing audit recommendations.

Audit Plan – Audits of Efficiency and Effectiveness

DIA selects audits to perform based on requests from Committee members and Executive Branch agency management; fraud, waste, and abuse hotline tips; and a risk assessment using multiple criteria, including but not limited to:

- ✓ Governor's strategic goals and policy priorities;
- ✓ Source and amount of agency funding;
- ✓ DIA's previous audits;
- ✓ Legislative Auditor's previous and planned audits; and
- ✓ Identified and/or emerging risk factors.

DIA developed an annual audit plan addressing requests from Committee members, the Director of the Governor's Finance Office, and Executive Branch agencies. In accordance with NRS 353A, DIA consulted with the Director of the Governor's Finance Office and the Legislative Auditor concerning the audit plan to avoid any potential duplication of effort or disruption to state agencies.

With the approval of the Committee, the audit plan can be adjusted during the year to address new requests or priorities for audits. Requests for audits take precedence, in general, over audits identified through DIA's risk assessment. The order of priority for audit requests is: Governor, Committee Members, Office of the Governor, Governor's Finance Office, Department Directors, and other Executive Branch agency leaders.

Reporting

Throughout the audit process, Executive Branch Auditors meet with agency management to discuss the audit scope, progress, and findings. At the conclusion of the audit, DIA submits a draft report to the agency. The goal is to achieve consensus on audit recommendations and the agency's ability to implement the recommendations. The head of each agency audited in 2026 provided an official audit response and an implementation plan for recommendations accepted by the agency. Each agency's official audit response and implementation plan were included as part of the final audit report. Audit reports were presented to the Committee and the audited agencies.

Pursuant to statute, within six months of issuing final reports, DIA performed follow-up audits to determine the implementation status of audit recommendations. DIA performed annual follow-up audits on recommendations not fully implemented from all previous audits. The 6-month follow-up reports and first annual follow-up reports were presented to the Committee.

Summary of Actions by the Executive Branch Audit Committee

July 9, 2026 Committee Meeting – DIA presented two audit reports, two administrative review reports, two annual follow-up reports, and two 6-month follow-up reports. The Committee approved the fiscal year 2027 Annual Audit Plan, and the fiscal year 2025 Annual Report, pursuant to NRS 353A.038.

Accomplishments

Audits Completed

DIA completed two audits and two administrative reviews in fiscal year 2026. One audit was requested by the Committee (State Public Charter School Authority) and one audit was requested by the agency audited (Governor's Technology Office). Two administrative reviews of the Department of Corrections were requested by the Committee. The audits and administrative reviews identified opportunities for improving management and operations in agencies and recommended solutions to promote efficient and effective government:

1. (DIA 26-01) Governor's Technology Office – Information Technology Infrastructure Oversight.
2. (DIA 26-02) State Public Charter School Authority – Contracted Administrative Support and Charter School Transportation.
3. (DIA 26-440-1) Department of Corrections – Pay Practices and Collective Bargaining Agreements.
4. (DIA 26-440-2) Department of Corrections – Status of Outstanding Audit Recommendations.

Audit Follow-ups Completed

DIA completed two **6-month follow-up** reports in fiscal year 2026:

1. (DIA 25-03) Department of Transportation – Key Processes and Operations Management.
2. (DIA 25-05) Department of Agriculture – Commodity Foods.

DIA completed two **Annual follow-up** reports in fiscal year 2026:

1. (DIA 25-01) Department of Administration, Division of Human Resource Management – Collective Bargaining Agreements.
2. (DIA 25-02) Department of Veterans Services – Southern Nevada State Veterans Home.

Audit Follow-ups Completed for Legislative Counsel Bureau, Audit Division

DIA completed four audit follow-up reports in fiscal year 2026 on recommendations issued by the Legislative Auditor for the following agencies:

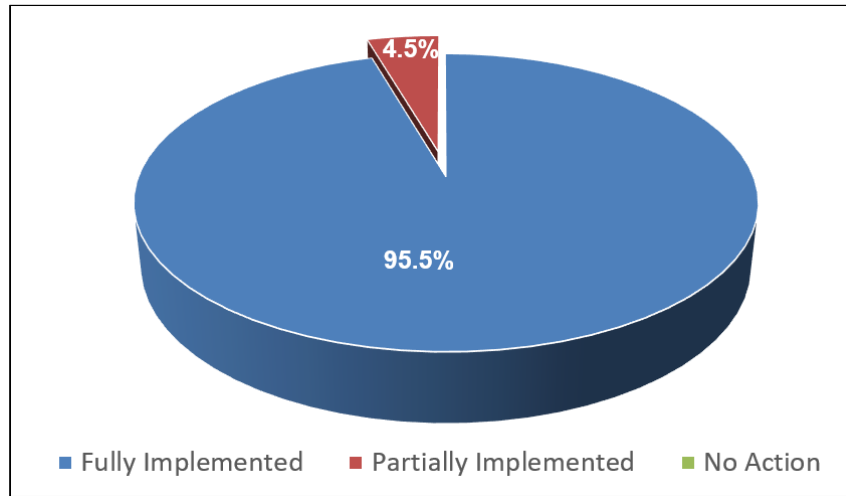
1. (LA 26-01) Department of Administration, State Public Works Division – Project Identification, Cost Estimation, and Reporting.
2. (LA 26-02) Department of Transportation – Stockroom Purchases, Material Stockpile Management, and Mechanic Productivity.
3. (LA 26-03) Department of Administration, Mail Services Division – Operations and Billing Processes.
4. (LA 26-04) Department of Conservation and Natural Resources, Division of Forestry – Forest Fire Suppression Budget Account.

Executive Branch Audits Planned or In Progress

As of June 30, 2026, the following audits were planned or in progress:

1. (DIA 27-01) Office of Emergency Management – Fiscal Processes and Operations.
2. (DIA 27-02) Department of Administration, State Public Works Division – Space Allocation Methodology.
3. (DIA 27-03) Department of Administration, Division of Human Resource Management – Collective Bargaining Outcomes.

Current Status of Audit Recommendations Issued to State Agencies



Description ^[1]	Report #	Total Recs	Fully Implemented	Partially Implemented	No Action	No Longer Applicable
All Previous Audits ^[2]	N/A	806	700	0	0	106
GTO - IT Services	17-04	4	3	1	0	0
B&I / Boards & Commissions - Oversight	18-05A	4	3	1	0	0
GTO - IT Governance	18-08	6	1	5	0	0
B&I / Boards & Commissions - Governance	19-03	2	0	2	0	0
DofA / SPWD - Commercial Office Space	20-02	2	0	2	0	0
DofA / SPWD - B&G Project Management	20-03	3	2	1	0	0
NDOC - Mental Health Services	20-04	2	1	1	0	0
DofA / SPWD - L/T Office Space Planning	20-10	5	1	4	0	0
NDOC - Fiscal Processes.1	21-03	4	2	2	0	0
NDA - Grants Management.1	21-07	1	0	1	0	0
DofA / SPWD - State-Owned Bldg Rental Rates	22-01	1	0	1	0	0
DHS / NVHA - Transportation Services	22-03	2	1	1	0	0
NDOC - Fiscal Processes.2	22-05	4	2	2	0	0
DCNR / DWR - Fiscal Processes	23-02	2	1	1	0	0
DofA / DHRM - CBAs	25-01	3	2	1	0	0
EO 2023-005 - School Districts & SPCSA	2023-005	19	10	8	0	1
Total:		870	729	34	0	107
Adjusted Total / Percentages ^[3] :		763	95.5%	4.5%	0.0%	

^[1] Excludes recently released reports that have not yet had an annual follow-up.

^[2] Includes every previous DIA audit with no outstanding recommendations.

^[3] Recommendations that are no longer applicable are not included in percentage calculations.

Performance Measures

DIA develops recommendations that improve the efficiency and effectiveness of state agencies. DIA estimates the dollar benefit of recommendations when possible; however, many of the benefits to the state and its citizens are not quantifiable. For instance, DIA cannot put a value on the enhanced safety and welfare of the citizenry. Additionally, many times data is not available to estimate the benefit. When sufficient data is available, DIA documents dollar estimates. For fiscal year 2026, DIA estimates the benefits to the state and citizens for every dollar spent on the Internal Audit section as follows:

✓ **Every \$1 spent on the Internal Audit section benefits the state by \$72.**

The following summarizes the Internal Audit section's performance measures:

Performance Measures	FY 2025		FY 2026		FY 2027
	Projected	Actual	Projected	Actual	Projected
Dollar Benefits for Each Dollar Spent on Internal Audit Section	70	70	70	72	70
Percentage of Recommendations Implemented	90	94	90	96	90

***Compliance
Review
Section***

Staff Qualifications

The Compliance Review section consists of an Executive Branch Audit Manager and two Compliance Auditors. Compliance Auditors have college degrees or requisite college courses and experience.

Vacancies in Compliance Auditor positions during fiscal year 2026 amounted to approximately one full-time equivalent position.

Compliance Review and Monitoring Process

Compliance Reviews

The Division of Internal Audits (DIA) reviews agencies' fiscal transactions to ensure adequate internal controls over fiscal processes are in place and transactions comply with state and federal guidelines. DIA analyzes exceptions, summarizes deficiencies, and makes recommendations to correct systemic problems noted during reviews. DIA helps agencies develop appropriate and timely corrective actions for findings documented in compliance review reports.

DIA selects agencies for reviews based on requests from Executive Branch management, statutory requirements, and through risk assessment. Risk is assessed based on results of other audits and reviews, results of the Biennial Report on Internal Controls, and other information. In consultation with the Director of the Governor's Finance Office (GFO), the DIA Administrator may adjust the compliance review plan during the year to address new requests for compliance reviews, special reviews, and/or newly identified risks within specific agencies.

DIA reviews the adequacy and effectiveness of agencies' internal controls through discussions with agency staff, observations of agency processes, and examination of documentation. In addition, DIA reviews agencies' transactions to ensure compliance with state and federal guidelines and governmental generally accepted accounting principles. Results of the reviews are issued to agency management and the Clerk of the Board of Examiners.

Internal Controls Training

NAC 353A.100 requires agency heads and employees who administer budgetary accounts to attend internal controls training provided by DIA within 90 days of being hired or transferred into a position whose duties include administering budgetary accounts. The training includes instruction on: the state's system of internal accounting and administrative control; documenting and evaluating the system; applicable state and federal laws and regulations; and other financial management and budgetary information.

Biennial Report on Internal Controls

NRS 353A.025 requires each Executive Branch agency to periodically review policies, procedures, and internal controls to determine compliance with the state's uniform system of internal accounting and administrative control. The results of the review must be submitted to the GFO Director on or before July 1 of each even-numbered year, which are evaluated by DIA for completeness, internal control weaknesses, and appropriate corrective actions. DIA compiles data for untimely reports and agency-reported internal control weaknesses into a report reviewed and approved by the GFO Director. DIA submits the final approved report to the Governor, the Director of the Legislative Counsel Bureau, and the Legislative Auditor on or before the first Monday in February of each odd-numbered year.

Fraud, Waste, and Abuse Hotline

NRS 353A.049 requires the GFO Director to establish and maintain a telephone line where complaints of fraud, waste, or abuse relating to public money received and used by an agency or contractor can be confidentially submitted to DIA. Upon receipt of a complaint, DIA must perform a review and prepare a report of its findings. Information reported to DIA through the hotline is confidential, including the identity of the person who reported the information.

Audit and Monitoring Site Visit Reports

NRS 353.325 requires each state agency to submit a copy of audit reports, management letters, and agency replies to the GFO Director, the State Controller, and the Legislative Auditor within 10 days of receipt. DIA is responsible for managing this process on behalf of the GFO. DIA analyzes audit and monitoring site visit reports from federal and other agencies to ensure state agencies develop and implement appropriate and timely corrective actions to report findings.

Procurement Card Policies and Procedures

Pursuant to SAM 0322(B), DIA is responsible for approving state agencies' procurement card (p-card) program policies and procedures prior to the agency obtaining p-cards. Agencies must implement the minimum internal controls for p-cards, as required by the Procurement Cards SAQ, using the Procurement Card Internal Controls Template provided on the GFO website. Any controls implemented in addition to the minimum required internal controls must also be documented.

Accomplishments

Work Accomplished

The following Compliance Review work was completed or was in progress as of June 30, 2026:

Compliance Reviews

1. (25-010) Governor's Office for New Americans.
2. (25-161) Department of Sentencing Policy.
3. (25-270) Cannabis Compliance Board.
4. (25-750) Nevada Taxicab Authority.

Fraud, Waste, and Abuse Hotline

DIA received 43 complaints of potential fraud, waste, or abuse in fiscal year 2026. Of these 43 complaints, 24 were referred for investigation to agencies or entities having specific oversight or investigative authority; 14 complaints did not contain sufficient information to refer for investigation; and five complaints were determined to be unrelated to fraud, waste, or abuse. Approximately 237 hours were expended on these complaints.

Other Projects

1. Provided assistance to the State Controller's Office with preparing the Annual Comprehensive Financial Report.
2. Provided assistance to the Office of Federal Assistance with revising the *Grant Compliance Monitoring Manual* and related forms.
3. Evaluated, revised, and proposed changes to the State Administrative Manual (SAM).
4. Conducted five internal control training classes for 127 employees from 34 state agencies.
5. Expended approximately 30 hours reviewing agency p-card policies and procedures.
6. Expended approximately 62 hours assisting other agencies and providing compliance-related guidance.

Work Planned

As of June 30, 2026, DIA has the following compliance reviews planned:

1. Department of Human Services – Aging and Disability Services Division.
2. Department of Human Services – Division of Child and Family Services.
3. Department of Public Safety.
4. Governor’s Office of Economic Development.
5. Public Utilities Commission.
6. Secretary of State.

Performance Measures

The following summarizes the Compliance Review section’s performance measures:

Performance Measures	FY 2025		FY 2026		FY 2027
	Projected	Actual	Projected	Actual	Projected
Percent of Compliance Review Recommendations Implemented	94	100	94	100	94
Percent Increase in Trainees’ Overall Test Scores	25	38	25	28	25
Trainees’ Evaluation of Training Class (average) (Scale: Low = 1 and High = 5)	4.5	4.3	4.5	4.3	4.5

Fiscal Year 2027 and Beyond

DIA enters fiscal year 2027 focused on conducting internal audits and reviews that provide insightful, meaningful, and solutions-oriented recommendations. DIA seeks to support Executive Branch leaders in strengthening government operations and better serving the public through greater efficiency, effectiveness, and accountability. DIA remains prepared to evaluate and prioritize requests for internal audits and reviews and to respond promptly with objective, reliable information that supports informed decision-making and contributes to improved agency management and operations.

As of the beginning of fiscal year 2027, DIA has an audit plan for approximately two years of identified audit work.

Internal Audit Section

DIA plans to complete three audits in fiscal year 2027, with three additional audits in progress by fiscal year-end. DIA plans to hold one Executive Branch Audit Committee meeting, scheduled for the spring of 2027. This meeting schedule will allow DIA to respond quickly and complete internal audit work in accordance with the Committee's authorities under NRS 353A.038.

Compliance Review Section

DIA plans to complete six compliance reviews in fiscal year 2027, including the items in progress at the end of fiscal year 2026. DIA continues to focus on agencies that have not had a compliance review recently and agencies identified through other audits and reviews as high-risk. Compliance reviews may be postponed when compliance auditors are assigned to assist with special reviews, audits, and other division activities. Additionally, DIA will conduct internal controls training classes quarterly in fiscal year 2027, or more often as requested by agencies.

DIA looks forward to collaborating with the Executive Branch Audit Committee and the Clerk of the Board of Examiners to identify and conduct internal audits and reviews that are relevant and help inform public policy decisions for state government leaders.