



State of Nevada

Board of Examiners for Social Workers

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Board Meeting Minutes, November 23, 2021

Call to Order and Roll. Vikki **Erickson** called meeting of the Board of Examiners for Social Workers (BESW) to order at 9:01 a.m. **Erickson** proceeded with a **Roll Call** of attendees that included Board members Vikki **Erickson**, Jacqueline **Sanders**, Abigail **Klimas**, and Monique **Harris** (9:30 a.m.); Board Counsel/ Deputy Attorney General Harry **Ward**; Board Staff Karen **Oppenlander**; and Guest: Beth Farley, auditor from Eide Bailly.

Erickson moved to **Item 2: Public Comment**. Hearing no comment, she moved **Item 3 Board Operations 3A – Presentation, Review, and Discussion of Annual Board Audit through June 30, 2021**.

Oppenlander noted that the agenda was sent to Board members with a tagline that said, "for possible approval" and it was sent extremely late the day before the meeting. At the time it was sent, she was waiting on signoffs from the Eide Bailly National Assurance office, which they've since received. At the time that the audit was sent to Board members, she didn't have that. She added that she will post the draft audit as quickly as she can on the BESW website. **Oppenlander** went on to suggest to the Board members that they decide to not approve the draft audit at this time because they have not had ample time to review all the items. However, BESW will be able to submit the audit in time to meet the December 1, 2021, deadline for the State of Nevada. The Board could then come back to the January Board meeting for final approval of the audit.

Erickson replied that she thinks that is a good idea because there is so much information for Board members to review. **Erickson** asked **Ward** if it would be okay if audit approval was moved the next board meeting. **Ward** added that when the agenda says the audit is up for possible action does not require action by the Board. He said there doesn't have to be a motion to have it added to the agenda for the next meeting. The Board can just instruct the Executive Director to do so. **Erickson** asked if the other Board members agreed, and they said they did.

Erickson suggested that the Board members discuss the AU 260 letter next. Beth Farley explained that the AU 260 letter Board members received is a required Board communication. Most of the language is very standard language as required on auditing standards. The letter goes through Eide Bailly's responsibilities the Board's auditors and includes the plan scope and timing of the audit that was communicated to the Board in the engagement letter.

Oppenlander noted that she sent the Board members the draft that was being approved by Eide Bailly's national insurance group. Farley said that is okay. The Board members will have a general idea of what it is, and then they can look at it more specifically. Farley went on to say that on the first page Eide Bailly talks about their responsibilities and then the plan timing of the audit. On the second page, Eide Bailly talks about their required compliance, with their independence and qualitative aspects of the audit. Eide Bailly's letter discusses significant accounting policies, which are all disclosed in Note 1 of the Board's financial statements,

significant accounting estimates, which are the Board's estimate for the net pension liability. Farley mentioned that was the only significant estimate that Eide Bailly noted.

Other items discussed in the Eide Bailly letter are financial statement disclosures that talk about significant ones, and we believe the pension one in Note 6 is a significant one to look at. Eide Bailly also discussed if there were any significant difficulties encountered during the audit, which there were not. On page 3, Eide Bailly talks about corrected and uncorrected misstatements, which are attached to the end of the report. Farley stated that Board members will look at those more specifically, as they go through the audit. Eide Bailly had no disagreements with management and at the end of the audit and to complete the audit, Eide Bailly does ask for representations that the Board has provided for all of the standard information. That is that from those representations, Eide Bailly knows of no other consultations with other accountants that the Board has done and Eide Bailly has no other significant matters findings or issues to disclose to you.

Farley noted that there was a misstatement in prior year financial statements. She stated that she'll discuss the broad picture, and then a more detailed look at the numbers when that section is reached. Eide Bailly staff had a discussion with **Oppenlander** and the Board staff about the recognition of license fees and when those should be recognized in accordance with GASB. Farley stated that there was a change in how those are being recognized, which Eide Bailly believes is in accordance with GASB and also makes it a little easier to recognize because GASB specifically talks about time constraints and previously they were recognized on a monthly basis. Based upon Eide Bailly's reading of GASB and their discussion with **Oppenlander**, those are recognized upon receipt upon the date that the license begins, because there's no other time constraints to not recognize those. Even though licensees have a license for a year, it's effective right away, and there is no refund or anything like that. That is the big change, and those numbers will be reviewed at that point in the audit.

Farley went on to say that on the next page of the letter Eide Bailly showed what that modification of the audit report is, and that it is intended for the Board of Directors and Management of BESW only and is not to be normally shared with anybody outside of those parties. On the next page, Farley explained that there is a picture of all Eide Bailly's adjusting journal entries and reclassifying journal entries. If you look at the trial balance that we provided to **Oppenlander**, the adjusting journal entries, and fund financial statements, these are the current resources. On the reclassifying journal entries, those then get the government-wide financial statements which is full accrual. Farley said that as they go through that, Board members will see what those differences are. Most of these are just the difference between that except for the journal entries that Eide Bailly proposed for that change in deferred revenue as discussed.

On the next page are past adjustments. Farley stated that there was one search for unrecorded liabilities testing, when they are looking for unrecorded accounts payables. Eide Bailly did notate one that was \$1,700. It was immaterial so they passed on making that adjustment. There was also vacation and sick pay accrual adjustment for fiscal year 20. Eide Bailly found a difference in how it was calculated in the prior year and because it was a prior year, and it was not material they passed on making that adjustment as a prior period adjustment as well and passed that through the current year. Farley asked Board members if they had any questions on the letter, the journal or past adjusting journal entries or how that all flows through.

Oppenlander noted that she is more familiar than anybody in the group with what is being done here. Since Board members aren't aware, we have not had an auditor make this presentation to the Board. The former audit company would send the audit forward with notes. The Board has not had the luxury if you will, of having the auditor speak directly to the members. As a result, **Oppenlander** stated that Board members might have a different set of questions. As an example, **Oppenlander** doesn't know whether some of the Board members have ever seen adjusting entries. Farley replied that Eide Bailly attaches these to their letter specifically because it is their responsibility to communicate any past or adjusting journal entries to the board to make sure that they understand what changes are being proposed. Farley went on to explain that an adjusting journal entry is a journal entry that Eide Bailly proposes that says, BESW needs to record this, that it's material to get BESW's financial statements in accordance with generally accepted accounting principles. Past journal entries are ones that Eide Bailly says are not material. In conversations with **Oppenlander**, Eide Bailly did not record these e.g., BESW should have had an additional \$1,700.00 in accounts payable that wasn't recorded that will show up as an expense in the next fiscal year. Also, last year's vacation and sick pay accrual adjustment was understated by \$4,600.00 and it will also pass through to current year.

Klimas asked for clarification about how were we recording before and how is that different than recording immediately? Was it done monthly before?

Farley replied that previously it was evaluated that the license fees should be recognized one twelfth (1/12) once they were received, so every month in essence. There would be ones that had started in May or April that were only a couple of months recognized, but Eide Bailly believes, based upon reading, discussion with **Oppenlander** and evaluating the laws for BESW's licensees, that once somebody pays in May for their start license of May, that it would be fully recognized. There is a little bit of a deferred amount and that's for the license fees that were received from May 15th to June 30th for July licenses. Those would be recognized as of July 1st because people pay a little bit in advance. As there were no further questions, Farley suggested proceeding.

Farley asked Board members to scroll down to the independent auditor's report. She said she would talk through the report and Board members can ask questions as they come up. **Farley** explained that the auditor's report is an unmodified opinion, meaning that there are no modifications to be in accordance with generally accepted accounting principles. The first page discusses what the report is, the Board members' responsibility as management for the financial statements, and Eide Bailly's responsibilities. The report states that as your auditors Eide Bailly is auditing an opinion and that there are no material adjustments in the financial statements to be in accordance with generally accepted accounting principles. Page 4 is where the actual opinion is stated. Eide Bailly's opinion is that these are presented fairly. There is the correction of an error that has already been discussed, and there is a disclosure by Eide Bailly that shows those differences. In the next paragraph under Other Matters, there is some required supplementary information, which is your management discussion analysis and pension information. For those Eide Bailly doesn't report. Eide Bailly provides no opinion or assurance on those because that is BESW's information and Eide Bailly doesn't audit your own words. The other reporting Eide Bailly does is issue an opinion in accordance or government auditing standards. That report is further on down.

Farley went to page 5 of of BESW's management discussion analysis. She noted that this is a required section for GASB financial statements presented for general government auditing standards. She said this section discusses BESW's financial highlights, what happened last year, and it is prepared by BESW management. Although Eide Bailly prepares BESW's financial statements for the Board members, they do have **Oppenlander** review the wording. The bottom of this page has an overview of the annual financial report and discusses the different financial statements that are in that. It continues at the top of the next page as well, talking about what those presentation will look like. It also talks about financial analysis and BESW's statement of net position, the GASB standards that it's reported under and any implications. On page 7, there is a summary of the government-wide financial statements.

Farley noted that the report does go on to show a comparison from year over year. When we look at those what we'll see is that Eide Bailly did not restate the numbers for June 30, 2020, due to an error in the deferred revenue. Otherwise Eide Bailly would have had to go back to the beginning of June 30, 2019, and figure out what that number should have been, to be able to restate those numbers; however, June 30, 2021, is fully restated. The report goes on to discuss the changes in net position and then BESW's revenue and expenses and why those changed. Farley stated that she is not going over the numbers now, as she will go over them in more detail when we get to the actual financial statements. On page 8, there are some highlights. Board members are required to discuss BESW's general fund, budgetary highlights, economic factors, capital assets. Farley asked **Oppenlander** if there were any changes to be finalized for Eide Bailly to issue the financial statements. **Oppenlander** replied that there were no further changes.

Farley mentioned that the first year always takes a little longer. Eide Bailly goes through a different level of review on first-year audits and so next year we shouldn't have this last-minute thing. Farley asked Board members to move on to page 9. She stated that this is BESW's statement of net position and governmental fund balance sheet. She noted that the left-hand side, where the general fund is shown, is based upon current resources. Any capital assets, net pension liabilities, or assets or deferred outflows or inflows are not recorded there. This is the financial statement that Board members are used to seeing, what the budget is built from. These do have the license fees received in advance, accounts payable items that are current, not long term. What shows is that BESW has cash, a little bit of accounts payable, and has license fees received in advance. That \$51,000.00 represents license fees received from May 15th to June 30th, for licenses, either July or early August, which need to be recognized. There is an unassigned balance just a little further down for BESW's fund balance of \$293,000.00. When you look at the adjustment's column, those are the things that change between your fund financial statements and government wide (government-wide are full accrual financial statements). The capital assets of \$14,000.00 are at the top of that page just below cash. Farley said that if Board members scroll up a little bit, they can see the \$14,000.00 of capital assets, deferred outflows for net pension liability of \$409,000.00, and then deferred inflows, net pension liability of \$94,000.00. Farley noted that those three items come straight from the PERS audited financial statements that are received by the Board, those are not calculations. Farley always tells Board members that they don't have a net pension liability of \$409,000.00 that they are going to have to write a check for. The Board needs to understand is that the state's net pension liability grows or changes and as those deferred inflows and outflows (which have to do with the actuarial numbers of returns and different things) come from there as well.

As those potentially grow, the pension rate continues to increase. It was 28.25% last year. When Farley started years ago, it was still in the teens. That is where the Board needs to consider it for BESW's budget. BESW is not going to have to write the check but will have to consider it as those rates increase and BESW will have to pay that increased rate. That is how it affects BESW currently. This is always a concern when Board members see that as, "Do we actually have this liability?" and, per the state rules, you don't have to write that full check, but you do have to pay the current rate as set by PERS.

Oppenlander asked, if this were an ideal world, the minus \$76,982 would be zero, what would that mean if we had zero there? Farley replied that she will get to that after she finishes this section. The compensated absences are \$9,200.00 for the current portion that's expected to be used in the current year and then compensated absences long-term is \$12,000.00. That is sick pay and accrued vacation. That is another thing that everybody points out, that BESW's net position is negative. Most of the time when Board members look at that they think we should never have a negative unbalanced or negative position because that could look like we're not managing the organization well. Again, BESW's net position really comes from that pension liability adjustment, which, like I said, you are not required to pay. Farley continued, if we look at the total between those three items that relate to the pension, that's a \$362,000.00 net between the deferred inflow, outflow, and liability. If BESW didn't have that, if we didn't have to report that, then BESW would have a positive total net position. It is a hard thing to explain, and it is a requirement under GASB to report. Farley said what she thinks Board members need to be focused on is less on what that net position looks like, the negative, but on how it affects the budget PERS potentially increases.

Oppenlander commented that the improvement here is that it was \$432,000 and it improved from minus \$432,000 to minus \$76,000.00. Farley answered it was \$437,000.00. Part of that difference is due to the deferred license amount that we talked about, that change in accounting. So, the increases are approximately 175% net increases. When we look at the next page and we start looking at BESW's revenue versus expenses, it does show that BESW did have a positive increase in BESW's net position. What that means is that BESW had that increase, more revenue than expenses and that is what Board members want to think about going forward and the long-term plan to make sure that you're sustaining the organization.

Farley said if Board members go to the next page, they'll be able to see that as well. So here on the top line, there is your Board operations and as again, or reminder fund financial statements on the left side government-wide, which is full accrual on the right side. BESW had \$430,000 in expenses. What I see here is that you absolutely had an increase in your revenue to match the expenses; we know that BESW had an increase in fees, but that's important because as expenses go up, your fees must be able to match that.

Klimas brought up the missing fees because BESW couldn't charge for endorsements due to the Directive from the Governor. She asked if that Directive is still in place for next year and if that is a place that BESW could potentially see more revenue in the future.

Oppenlander replied that the Directive is still in place with some modifications, but it still is impacting our fee collection.

Sanders asked about the monies that BESW had to forego or waive the cost for; will BESW see some type of credit, any type of governmental write-offs or anything of that nature.

Oppenlander said that as she had communicated to **Erickson** about this and that she has asked for a reimbursement from the State General Fund. As brought to Board members in a prior Board meeting about the provisional licenses and the waivers done for endorsements, **Oppenlander** asked for approximately \$92,000.00. As a result, BESW received a notice about a change in the Directive, a modification that benefits BESW slightly, but certainly wasn't a reimbursement. It is possible that the request will be fulfilled later.

Farley directed Board members to the next page which contains the notes to the financial statements. She said she wouldn't go over them in detail today because it would take too long. Farley said that note one is BESW's significant accounting policies. It talks about reporting, how BESW recognizes cash, capital assets, compensated absences, those sorts of things. The next couple of notes are deposits, capital assets, operating leases, and pensions.

The pension section that starts on page 16 goes on for several pages and discusses the vesting contributions, the differences, and the actuarial assumptions. Farley indicated that at the bottom of page 20 there is the net pension liability. Looking at rate sensitivity, they use a seven and a half percent. If they changed that to six and a half percent versus eight and a half percent discount rate. BESW's liability currently sits in the middle, and it could go down or all the way up. She said that it is important when looking at government-wide financial statements to know that there are a lot of estimates that are built into this, about inflation rates, rate of return, productivity pay rates and salary increases. Those are all subject to changes in the future. Farley said it is important to understand, because if it lower, BESW would almost be at a positive net position versus the negative that you're seeing right now.

Farley moved forward to page 22. She said this restatement results from the change in how the unearned license revenue is being recorded. Prior fund balance in that position had these differences. The prior auditor had recorded a difference between the fund balance and the net position. Eide Bailly believes that those are both shown as unearned license revenue on both of those statements. That is why the correction of errors is different between the two presentations. That is the kind of the overall change in the way that Eide Bailly is recognizing those revenues.

Farley went on to say that after this, there are a couple of pages of required supplementary information for pension liability. This talks about the pensions you've paid and the percentage, and etcetera.

On page 25 is BESW's independent auditors report in accordance with government auditing standards. Eide Bailly discusses that they have audited in accordance with those government auditing standards, and internal control over financial reporting. Eide Bailly also mentions that there were some deficiencies notices, material weakness, and one on the very bottom of the page is a significant deficiency. The difference between a material weakness and a significant deficiency is that Eide Bailly believes a material weakness could result in a material adjustment to BESW's financial statement. A significant deficiency is something that Eide Bailly wants to bring to the Board's attention, but they don't believe would create a material adjustment. They

are reported down a little further so Farley will talk about them when we get to them on that page. On the next page down there is compliance and other matters. There were no other compliance items.

Farley went on to page 27 which is about financial reporting, material weakness. One of the things that Eide Bailly looks for is that BESW has a process internally with either BESW's management or somebody on the Board who is looking up new GASBs to understand the new accounting statements that are coming out and can recognize which ones are required to be adopted or not be adopted. Eide Bailly assists as auditors in helping some of those adoptions in place, but Eide Bailly can't be the ones who tell you that because they must maintain independence. It is very common in a small organization, such as BESW, that you don't have a CPA on the Board, or you don't have somebody who is a CPA working in your organization. Sometimes this is a very common finding, because Eide Bailly must maintain independence. Unless BESW has somebody researching these things and staying on top of those GASBs, then Eide Bailly will see that you may not know that there is a new GASB that BESW needs to take to adopt and correctly identify and report. So that's what that one has to do with, and that probably would stay. Eide Bailly can change some of the recommendation and the wording if BESW believes that is not something that BESW would have due to the size of your organization. Sometimes we do that as the view of the responsible officials is that it is not cost effective for us to do this.

The second one is material adjustments, material weakness. That is because Eide Bailly did propose a material adjustment. If in the future BESW does not have material adjustments to correct financial statements, then Eide Bailly wouldn't have this. Materiality is calculated at each entity based upon revenue and assets. Eide Bailly looks at those things, it's a standard calculation. The capitalizing of the capital assets correcting the unearned balances and the compensated absences liabilities were material that we proposed to the Board.

Farley stated that the last item is the review of the actuary report which is the PERS report. What happens on the PERS report is that as you set up a new employee, that information is utilized in that actuary report, the contributions that you pay are utilized, and that's how BESW gets its percentages. Eide Bailly always recommends that management and the Board look at that PERS report, make sure that their contributions make sense, and they understand what went into the PERS correctly. Eide Bailly wants to make sure that somebody is looking at the PERS report, it is not only being looked at by auditors during that audit process. Eide Bailly doesn't think that this is a material weakness, just a significant deficiency, and they recommend that Board members look at that when it's issued and do a quick overview. Farley said she knows that she went through the report quickly and is happy to answer any questions.

Sanders asked, if **Oppenlander** is unable to recoup some of the monies lost when we had to waive the licensure requirement, etc., is BESW able to forgo some of those expenses on taxes or any other type of credits? Farley replied that she is not sure. She asked if **Sanders** is talking about like payroll taxes. **Sanders** said no, she thought that we had to present taxes the Board, even though it's an organization where we're licensing, individuals, etc. She thought that we still had to produce taxes. **Sanders** said she is thinking about how much money we've lost and that BESW is not a very rich organization, so she is looking at how we can recoup whatever we can.

Farley replied that looking at the type of expenses, she doesn't know of any expenses that would be able to or would be something from a government level that would say that BESW could reduce some of those expenses. Farley said she thinks the only taxes she knows of that BESW would be paying are federal employment taxes, but she is not sure because of PERS. BESW probably doesn't even pay that much in that area.

Oppenlander thanked Farley for calling out the material weakness and deficiencies because this gives BESW an opportunity to build a better foundation and bring us into this era with joint understanding of where some of the weaknesses are in the organization. She said it is a matter of training and so forth. **Oppenlander** also thinks that it's possible through the newer relationship BESW is together with other small boards in the Administrative Collaborative, we might be able to deal with some of these training matters. She stated that she is grateful that Eide Bailly can help BESW move forward.

Farley thanked **Oppenlander** and said Eide Bailly did enjoy working with BESW, and they are glad that they were able to issue a timely report during the first year. She said she is available to answer any further questions about the audit or audit process.

Oppenlander asked to go back to page 14. She said there has been a discussion since she came, that was brought up by both the executive branch auditors and the legislative council auditor. It is about BESW's reserves. She said Farley had illuminated them for her in ways that nobody has done for her since she started with the Board in 2018. **Oppenlander** said she has asked for help this. According to the Legislative Council Bureau our Board supposedly has X amount of money in reserves and according to the Executive Branch Auditor, Y amount in reserves, and our Board chose a medium amount to put in reserves, and nobody quite understands that, and then this section begins to spell it out.

Farley replied, yes, it is on the bottom of Page 13 and top of Page 14. In BESW's fund, financial statements, current resources, government can have five different categories, and they are non-spendable. This will be prepaid expenses, deposits on hand that are in that category that BESW doesn't have access to. Farley said she can't imagine BESW would have any deposits on hand that would fit into that category, potentially prepaid expenses. That is not going to affect what we're talking about. Restricted represents amounts that can be spent only for specific purposes because of state or federal laws or somebody that's exposed them outside of BESW. BESW doesn't have any restricted. She noted that a lot of times you see this if there is a loan or debt and then there would be a restricted amount that you're supposed to set aside for debt reserves. That's what you see in governments a lot or some other federal outside exposed conditions. Committed and assigned are the two areas where the Board and Management have a little bit more discretion over. Committed funds represents funds that can be only used for specific purposes, as determined by the Board and it must be a formal action. There must be a formal action to uncommit those as well. This would be potentially if you were meeting a specific set aside of reserves for a reason such as a capital purpose, that you could make a Board action. The assigned represents amounts that are intended by the Board for specific purposes, but don't require an action by the governing board. These don't have to have an approval at the board level. Sometimes boards will have some sort of committed or assigned funds set aside for a specific purpose to show, especially if you're thinking long-term that you need something. That is on the fund financial statements side as you look at the

financials on that left-hand side. The net position at the top of the next page. Net position is the net investment capital assets, whatever you have in capital assets. The restricted net position consists of net position with constraints placed on their use by external groups, creditors, grantors contributors, or through constitutional law provisions or enabling legislation. Everything else is unrestricted. On the net position side, BESW doesn't have any control of what can be considered restricted. Restricted is kind of the same for both sides of those, they are external items. On the government wide side, you really wouldn't show any of the reserves, or the set aside funds, but on the financial statement side, you could show either some committed or assigned funds.

Oppenlander stated that the question remains. During the Interim Session, BESW ended up in front of the Sunset Committee and some of legislators wanted to know about how is BESW doing with its reserves? **Oppenlander** said that the Board had made a commitment to have six months of reserves by such and such a date. One Senator said that she understands that Boards need to have 12 months of reserves. And while she knows that Eide Bailly is not going to provide a recommendation because that is not their responsibility, is there ever a situation where the government could or would need to commandeer the reserves from a regulatory agency? Farley replied that she doesn't know of any and that it is outside of the scope of what a CPA would know. **Oppenlander** thanked Eide Bailly for providing the wealth of information that they have so that the Board can make better informed determinations in the future. This presentation was made language that is much more understandable than we've seen in the past.

Klimas said that when she was reading through this, at one point it says that BESW has two bank accounts, and then at the other point it said that BESW has three checking accounts. She asked if that was error or if those are two separate things. **Oppenlander** explained that BESW has three accounts at Bank of America, checking, savings and a CD. BESW also has an account at Wells Fargo. The checks to PERS must go through Wells Fargo, which requires us to have an account there. **Farley** pointed out that the information is in note three and part of note one and she will make them say two commercial banks.

Erickson asked for any further questions, comments.

Klimas commented that for somebody who is new at this. Today was helpful. She said she excited to read it with the guidance that you've given us because it'll help inform how she can interpret it now. **Erickson** commented that this was very interesting. She and **Oppenlander** have had quite a few conversations about this, so she is also excited to read through it.

Item 4 – Public Comment. **Erickson** asked for **Public Comment**. Hearing none, she asked for a motion for **Item 5, Adjournment**.

A motion was made for Adjournment by Jacqueline Sanders, Seconded by Abby Klimas. After a Roll Call Vote, the Motion Passed Unanimously.

The meeting was adjourned at 10:11 a.m.

Minutes Respectfully Submitted by Caroline Rhuys.