

MINUTES

Assembly

WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE - 57th SESSION

February 19, 1973

Meeting called to order by Chairman Mello at 8:00 a.m. in the Ways and Means Committee Room.

Present: Chairman Mello, Vice-Chairman Schofield, Messrs. Dreyer, Robinson, Hafen, Prince, Howard and Smith. Mr. Capurro had an excused absence.

Also Present: John Dolan, Randy Webb, and Howard Barrett.

Others in attendance: Wilson McGowan, State Controller
 John Crossley, LCB, Fiscal & Audit
 Gene Walkama, LCB, Fiscal & Audit
 Mike Medema, LCB, Fiscal & Audit
 Don McGee, Kafoury, Armstrong, Bernard & Bergstrom
 Robert Coombs, Assistant Controller
 Keith Ashworth, Speaker of the Assembly
 Arthur Crosby, Computer Facility

Motion to accept the Minutes of the meeting of February 14, 1973, made by Mr. Dreyer. Second by Mr. Prince. Motion passed.

Chairman Mello requested Mr. McGowan to read to the Committee the statement presented by him to the Senate Finance Committee. Mr. McGowan was furnished a copy of this statement by Chairman Mello, and presented as follows:

"With a new double entry accounting system now being in effect and the old cash budgetary system being phased out - the operation of the office is entirely different for the accounting for the State has to be approached in an entirely different manner. We are now proceeding to implement the fiscal and accounting procedure law, according to NRS 353,291 to 353.319.

We therefore prepared the budget from the point of view that the controller's prior budgets would but confuse the need as it might be required under the new system.

The question at this time was what are the needs of this new controller's office under a modern and complete accounting system? To answer this question and at the same time prepare as minimum a budget as would serve the new system, I looked for the most expert help in this field of governmental accounting. I contracted with Kafoury & Armstrong of Reno, a firm well known for their knowledge of governmental accounting and budgeting, to assist me and my staff in developing a budget for the next biennium.

The question at all times was - this is a new operation - the office of controller is a constitutional office with many requirements, both constitutionally and statutory, and that it is a service department with many functions to be fulfilled. (See attached for remainder of statement.)

Chairman Mello: "Many of your remarks were directed at the Budget Director, Mr. Barrett, and the Administration. I wonder if Mr. Barrett has any remarks."

Mr. Barrett: "Yes, first of all I recognize the importance of a constitutionally separately elected official. But I do think it is somewhat less important than the divine right of kings. Even the Controller should be reviewed, his budget should be reviewed, his budget should certainly be controlled by the Legislature. I think, in some of Wilson's remarks, he was confusing the difference between budget review and control. The Budget Office has no control over Wilson's office or operation. Yes, we do review his budget, we do make recommendations to the Governor as to the amount of money, as to particular items in the budget. These reviews are reviewed by the Governor and passed on to the Legislature and then the Legislature makes the final decision either to go along with the recommendation, increases it or decreases it. Then at that point, I think the Legislature should have budget control over the budget for the Controller's office. Obviously, in the past they have not had budget control over the Controller's Office. Had there been budget control over the Controller's office there would not have been a need for supplementals to the Controller's budget for 1971 for \$121,000 in the 1972 for \$34,000 and this year for \$225,000. I don't feel the Budget Office can be told they have control. I don't even think the Legislature has budget control, when for three consecutive years in a row the particular office requires three supplementals. That's a dubious record never reached by any other agency. Had there been budget control by the Budget Office, which there has not been, he would not have been allowed to go into a deficit for three years. They would not have been allowed to buy some of the rather unique furniture and other office equipment that other agencies do not have. They would not have been allowed to pay overtime for unclassified employees which other executive agencies do not pay. Primarily, they would not have been allowed to spend \$800,000 to \$1,000,000 on an accounting system that simply does not work, causes all state agencies more problems than the previous system. Again, the only time the Budget Office has ever attempted to have budget control and regulate the spending in the Controller's office has been when the Controller has repeatedly requested to pay unclassified positions in his office greater than the amount set in the law; and, all we have done then is repeatedly pointed out that the law sets the salaries and we do not think they can go beyond them. I do feel that the Controller's office is an important office in the state. I do believe that the Budget Office does not have control of it and neither does the Legislature, but certainly at least the Legislature should have control and when the Legislature sets an appropriation, that appropriation should be lived up to rather than overspent in a deficit position for three years in a row."

Chairman Mello: "Wilson, does your office currently audit claims?"

Mr. McGowan: "I would say no."

Chairman Mello: "Why?"

Mr. McGowan "Because we do not have the staff to do it."

Chairman Mello: "You do not have the staff? How much staff do you need?"

Mr. McGowan: "Well, I think that as the office is set up right now, my requests reflects truly what the office needs."

Chairman Mello: "If you look on page A18 . . . would you like to explain page A18, Wilson, a \$225,000 appropriation."

Mr. McGowan: "I think we have to go back to the last first of October when the Legislature Committee met and at that time considerable consideration was given to the operation of the office by certain members of the commission. Because of the uncertainty of what was going on, some of the claims and cross-claims, similar to what Mr. Barrett and I could make today to each other, and whether he controls my office or not. I decided that I certainly had to bring in somebody to evaluate the Controller's office and show me from an accounting point of view what was necessary to carry out that function for the balance of this fiscal year. At this point, I approached the firm of Kafoury & Armstrong and hired them to make a review and if I may I would like to read their letter of introduction."

Chairman Mello: "Let's get into that a little later. There might be more questions here, Wilson, and then we can get into that."

Mr. McGowan: "The figures from this study and the manner in which it is laid out in here definitely shows why the figure is \$225,000 and why it therefore became an item in the Governor's budget and consequently . . ."

Chairman Mello: "Where did this report come from?"

Mr. McGowan: "This report came from Kafoury & Armstrong."

Chairman Mello: "Where did the money come from to give the contract on that?"

Mr. McGowan: "It came out of my budget."

Chairman Mello: "You had authority to contract another consultant firm?"

Mr. McGowan: "I had the authority to in a case such as came about . . .if any man sat around and discussed the Controller's office with little consideration of even coming into the office or taking a look at the office and certain decisions were made that I felt that it was absolutely necessary and I had expert advice in the field to be able to present it to you and this is why I took the money. I spent the money from the budget as I would have hired under contract any salaried person."

Chairman Mello: "All right, we'll get back to the consultants in just a moment, and the expert advice that you have been receiving. For the Committee, however, I would like for you to explain the history and the purpose and the cost of the FMIRS project."

Chairman Mello: "Which report, Wilson, is that you are going to read?"

Mr. McGowan: "This is, I'm not going to read all of this, no. I'll give you a copy of it."

Chairman Mello: "Just briefly, just for the Committee. There is many on here that are not familiar with this program and just briefly could you touch on it."

Mr. McGowan: "Well, this is some of the basics and history of the State accounting system. But, in 1968, I guess, I....."

Mr. McGowan: "Well, I was personally not satisfied with the operation of the Controller's Office and I don't believe any one of the State Government auditors or legislature at that time was satisfied with the operation of the Controller's Office. And, we set up, probably in the first place, a committee or a group of, made up of one member from the Controller's office, one member from the budget office, one member from Central Data Processing and the Legislative Counsel Bureau, who met for a period of time most every day and for over a period of six weeks and about all that was accomplished during that period of time was a general amount of philosophizing as to what the State needed. I went to this firm, Kafoury & Armstrong, in Reno, for them to make a preliminary review of certain fiscal operations in the State of Nevada with the objective of estimating the time and cost required for the design and implementation of the Fiscal Management Information and Reporting System (double entry modified accrual accounting) and the report was delivered to me on December 12. This report was used as the support for the \$500,000 special appropriation in the 1969 legislature. On June 24, of that year the State of Nevada mailed a request for a proposal to a dozen or so consulting firms. This proposal was for consulting service in planning, developing and implementing a state-wide FMIRS for the State of Nevada. On July 1969, a review panel chose Ernst & Ernst as prime contractors in association with Semenza, Kottinger & McMullen and Informatics, Inc., the contract with this group was signed on August 5. On March, 1970, a document entitled Preliminary Design was presented to me for acceptance. At that time I engaged Kafoury & Armstrong to review the Preliminary Design for me. If anyone wants to look at it is something that would take considerable review before I would sign and accept it from the standpoint of (1) is the system as designed reasonable and likely to work and (2) what timetable is best. The review by Kafoury stated that the computer design would not work, that the coding system was not adequate, that reports were not designed that summarized beyond agency level and that the audit trail was cumbersome. The project was behind schedule and would continue to slip. They expected implementation in July of 1971 rather than January of 1971. A number of meetings were held in June and July to discuss the findings of the Kafoury report. On July 20, 1970 I stopped payment to Ernst & Ernst. On August 9, 1970 a progress report and a new work schedule was presented by Ernst & Ernst. On August 11, 1970, I wrote to Ernst & Ernst that I was looking to your firm for completion of the project. In response, Ernst & Ernst presented a letter setting forth the agreed to changes in the original contract

and their understanding of the obligation. A new contract was signed on February 25, 1971. It primarily followed the terms and conditions set forth in a letter of understanding of September 4, 1970. I think at this time you can look just for a minute at the original contract. The Full-fledged information system from accounting to personnel to purchasing through budget auditing right on through, and at that point in time they had not completed any part. The new contract and as these contracts are, and as most contracts are, are nearly always time and material contracts. We then signed a new contract which was only to do phase I which was the accounting process. That contract was, I believe, as tight as one can be made as a performance contract. That contract was signed February 25, 1971, and it primarily follows the terms and conditions set forth in the letter of understanding of September 4, 1970. Ernst & Ernst left the project on June 30, 1971. They had a couple of meetings with their partners during July, August and September of 1971 and they did not put people back on the job. So, I had the Attorney General write them explaining our dissatisfaction with their work. We assumed full charge of the project when they left and continued the program and developing through June 30, 1970, and on July 1, we converted the State accounting system to FMIRS. That probably brings you up to July 1 when we converted over to this system."

Chairman Mello: "All right let me ask you some more questions now. When was this project supposed to be in operation?"

Mr. McGowan: "July of 1971."

Chairman Mello: "And, how much did the original project cost the people of this state at that time? The \$500,000?"

Mr. McGowan: "Well, there never was a figure on the cost.."

Chairman Mello: "I have been a member for many years of the Legislative Commission, Interim Finance and this Committee, Wilson, and I don't know how many times you have appeared before me with your problems. It appears to me if I can remember correctly, that that was the figure stated, \$500,000."

Mr. McGowan: "That is the requested appropriation, yes, at that time."

Chairman Mello: "Well that was the figure we were sold on. Now, what would you say we have into it right now? With the request."

Mr. McGowan: "About \$875,000."

Chairman Mello: "About \$881,350. Now . . ."

Mr. McGowan: "Is that what it is?"

Chairman Mello: "Yes, that is what it is, and then we go about . . ."

Mr. McGowan: "Where do you get that figure?"

Chairman Mello: "I have done the research on the figures. Trust me."

Mello: "I would say we probably have about \$960,000 in this program. This includes agencies, spending twice of what you originally said it would cost, and we are about two years behind at this time.

Mr. McGowan: "No one at any time said that the project could ever be completed on \$500,000."

Mello: "Well I think that is debatable. How much of the program is in operation right now? There are three phases: 1. accounting and budgeting; 2. Personnel and retirement; and 3. property and accounting. How far along are we with this program?"

McGowan: Phase 1.

Mello: Phase 1. On December 31, 1970, it was 75% completed according to your deputy. What is it now would you say?

McGowan: Counting the \$225,000 I would say the project is as near complete as that phase would be expected to be. It is a, an accounting system is never complete and there will always be work to do. But, with that figure I would say phase 1 could be considered as a completed project."

Mello: In other words, you would say you are still at about 75% completed with another \$225,000 if the money is spent in that area you figure that phase 1 could be completed."

McGowan: "I think that is reasonable."

Mello: "What you are saying now, that through the years, we'll start with 12-68, Kafoury & Armstrong, which is back in the picture again, evidently things were not right the first time with their report and you didn't take any recommendations from their report, then we had Ernst & Ernst in June of '69, Pete McGraw, June of '69, Ernst & Ernst, 1969, Kafoury & Armstrong, 4-70, Compress, Inc. 9-70, Bob Bruce 8-71 and now we have Kafoury & Armstrong again and not taking into consideration what Kafoury & Armstrong is costing the State, you have \$481,000 spent so far in consultants and you aren't any further ahead then the day we started the program as far as I can see.

McGowan: "I would like very much for you and if..."

Mello: "With all the money we have spent have you taken any of the suggestions that you have paid these people for. You have taken it upon yourself now to go out and hire these people, you've used the taxpayers' money like it was flowing in the door and right back out again like there is no end to it. I just can't see that you have used any responsibility whatsoever in your office to use the taxpayers money for their benefit."

McGowan: "In order to, with all due respect, to make a statement like that..."

Mello: Well, what else am I supposed to look at, Wilson, I have to look at your program.

McGowan: "You haven't entered the office that I know of, nor have you contacted me at any time . . ."

Mello: "Wilson, I don't have to contact you, I just stated before that you have contacted me many times before on the committees I have served on. I am quite familiar with your problems. I don't have to contact you any more about your problems, you have contacted me enough and I am sorry, Wilson, that we have to go this far today in this committee. I think you have had too long of reins. I think it has been the fault of the Legislature. I think we have been derelict in letting you go this far. We should never have let you go this far with this program. We are so involved in this program that I don't know how we are going to get out of it. It appears to me that the only way we can possibly go any further with this program is to take it from you and place it some where else and try to get some money back and make the money work for the taxpayers."

"You have not complied with N.R.S. 154.110, 227.160, 355.060, 387.013 and 387.124 and there is many many others that I can attest to that you haven't complied with and I think you are quite familiar with what they are."

I understand that one of our agencies is very upset with you and are going into litigation, Colorado River Commission. What is this all about?"

McGowan: "I don't know someone was bringing litigation."

Mello: Well, that's what I heard on the radio this morning. I guess you will hear from them before too long."

McGowan: "So far I don't know of these statements..."

Mello: Are you saying you don't know anything of it and there is not going to be any litigation?"

McGowan: "No, I mean as far as the hearing this morning. As I understand the committee, if I may, the committee is certainly for a fair hearing of problems, any problems that might be before them and certainly this morning the meeting so far has not been a fair hearing and that the statement that you have made in regards today, that certainly I should have the chance to make a certain amount of rebuttal to it and time to give it consideration it is owed."

Mello: "Wilson, you have time right now to rebut. The questions I have asked you are matter of fact. Now I think that you should know something about this."

McGowan: "There is always two sides to a question..."

Mello: I realize that..."

McGowan: and when you whittle it down there is only one side to a question and when we talk about this office, we talk about it as though it was my own personal system. The system is the State of Nevada's

it is the State of Nevada's money and you can go back to and I can go back to the records of the Legislative Counsel Bureau at the time the \$500,000 was authorized by the Legislature when their one statement was that it could not be put on under \$850,000. Now there..."

Mello: "We are over that, we are over that..."

McGowan: "Are you looking back over your shoulder or mine. For once let's look ahead and for once as funded in a way that you are going to get the job done, not the half way it's been done and that fault lies in the first place with the Budget Office which cuts a budget and cuts a budget in a manner not in dollars and cents but in the type of people that are available for you and those people then are unable to do the job as set forth.

Mr. Ashworth: "May I ask a question here?"

Mello: "Yes go ahead.

McGowan: "The Legislature when they appropriated the money also wrote a act setting out what the accounting system should look like and that has been the main guideline in trying to set up the system.

Mello: Wilson, I have to look at when you say that this administration has not been fair, they have bent over backwards being fair to you. I think the Legislature through your friendship through the many years, which you have capitalized on, has been very, very fair with you and if you look at the record I think you already know what the record is. It doesn't make any difference what the Governor is recommending, as far as your budget is concerned. If you would like to look back over the record I can show you that the Legislature has gone over and above his recommendation every time for you."

McGowan: "You are talking about the amount of money for the system you are not talking about positions at all. You are talking about, yes, the Legislature did see fit to go over and above because the Governor only recommended some \$200,000, if I am right, in the first place and the Legislature decided \$500,000 but mainly \$500,000 because their own Legislative auditor has said that it would take \$850,000.

Mello: Wilson, lets go back to January of 1969 when your comment was made that increasing efforts need to be placed in reducing the volume of paperwork without sacrificing good control and accountability of taxpayers funds. Would you say that this is happening right now?"

McGowan: "Would I say, read that again."

Mello: "An increasing effort needs to be placed in reducing the volume of paperwork without sacrificing good control and accountability of taxpayers' funds.

Barrett: " In my opinion we have at least doubled the paperwork.

Mello: Yes, that was what I was getting at."

Barrett: and we have a great deal less accountability. We cannot tell you from the accounting system the cash balance for any particular

funds, particularly a budget account at this time. At least under the old system we could tell you how much cash an agency had brought in, how much their appropriation was and how much they had spent and how much the remaining dollars was. Under the new system no way can we possibly tell. It would be my opinion at this point that unless something drastic is done there will be no way in the next budget that anybody could show you the actual for the year we are now in. We cannot show actual expenses, we cannot show you actual receipts, like budget accounts, and we are going to have a very difficult time closing out this year.

Mello: In other words we could be in deficit spending, is that what you are saying?

Barrett: We could be in deficit spending in a hundred different agencies at this point and not even know it and not be able to find it out.

Mello: Wilson, I have to take

McGowan: I'll take you back to last October when you people told me that by me doing certain things that I would have help and assistance from the budget office in this field and that I would have the complete assistance of the Legislative field and that I would have the complete assistance of the Legislative fiscal auditors and even to the total amount of their resources. Now I have yet at this time to see anything come forth from either side, but.....

Barrett: I would like to take exception to that. I have consistently worked with him hour after hour after hour trying to find out what the problems were. Beginning, well lately, beginning in about July or August. At his request we worked with some agencies to outline what the problems were with the system. Again, at Wilson's request, we gave him a letter listing of what the problems were. Basically they are the same things that Kafoury-Armstrong has just come up with. Now, just again last week, or the week before, we spent one evening with his staff trying to explain to them why we needed reverse procedures for the end of the year. A way to close out this year so we can plan and start opening up the books for the next year. We worked many hours and many hours of overtime. Many of my staff has worked much more than I have with his people trying to iron out the situation. Again, just on Friday, a stack of paper about so high comes up from the Controller's office. Much of it dated August and September, trying to straighten out some of the accounts down there. Most of these papers, a stack had come up earlier in October, we sent them back saying please have the agency responsible for them sign the paper. Do not originate them in the Controller's office where you are affecting all of the agencies' accounts. If it is an agencies' responsibility account please have them sign it so that they approve it and they know what is going on. Again, the stack came up the other day with only the Controller's signature on it. Now, my staff is going to have to spend probably three or four weeks calling each one of the agencies in, individually, ironing out the differences in these problems and sending them back to the Controller's office to get them into the system.

Mello: It was mentioned before, but I would like to touch on it if I may because of the deficit spending. The way this office has been handled, it is highly unusual for an unclassified person in the executive

branch of government to receive overtime. Highly unusual. On July 7, 1972, Moren had in overtime 120 hours and this was paid. It was not compensated, it was paid. Mr. Combs had 100 hours in overtime. The reason I bring this out and it was mentioned before, I believe that when you are having financial problems within your agency you should use some discretion on how you spend what money you do have. Your furniture, for example, Carson Furniture \$135 October 13, 1972 for a leather top for a desk and then \$90 for something I can't even figure out what that is for from Carson Furniture on the same date. It must have been some type of furnishing or some type of work they did for you, Wilson. Then we go over to, here's a purchase order from Record Supply for a long list of plumbing. There is over 100 feet of 2 inch copper tubing plus many other accessories to that that came to over \$200 and then we will look at the furnishings list of the secretary's desk. A Drexel Enterprises secretary desk, one of the most expensive furniture around, \$590; a chair for the secretary \$129; a table, some corner table, 18th Century Traditional \$62; another type of an executive chair, again leather grained Drexel for \$345; and, then an English 18th Century Traditional top grained leather Drexel chair for \$572. Evidently this is for the plumbing you ordered. I don't know where this plumbing leads to but it could lead quite a ways. I don't know exactly what it is, Wilson, it looks like a bar. Does this look familiar to you? Now, can you tell me how in the world you ordered this after you appeared before the Interim Finance Committee on January 7, 1972, asking for \$32,464.50 deficit spending, which is illegal and then on April 23, 1972, you went out and purchased this.

Now we haven't had an audit of your agency as yet and we will not have until after June. I am just wondering if this money which comes to a total of \$2600, a little over \$2600 is going to come out of this \$225,000 that you requested. Because, I look back through the budget and no where can I find that this was requested. Where did this money come from?

McGowan: "It was in the budget."

Mello: It is not budgeted, but it came from somewhere else in the budget.

McGowan: There was a \$3500 appropriation for it.

Mello: I cannot find it in the budget. I looked through the last two years' budgets and can't find where it came out of the budget. But it came out of some area of the budget. Wilson, what gets me though is how you can be in deficit spending all the time and yet go out and spend over \$2600 for your office. Does this help the operation of your office any more?

McGowan: Would you like to come over and take a look at my office.

Mello: I don't have to come over and take a look at your office, Wilson. What I asked was does this help the operation of your office? The reason why we are going into this, we are not trying to be unfair at all, it is time we had some accountability.

McGowan: There was \$3500 in the budget someplace for this.

Mello: Well, I can't find it.

McGowan: That room has no furnishings whatsoever in it.

Mello: You couldn't get furnishings cheaper than this? Did it go out to bid?

McGowan: Yes.

Mello: It went out to bid. This was the lowest bid?

McGowan: I presume so.

Mello: I couldn't find that any place.

McGowan: Well, I think you could find it went out to bid.

Mello: Wilson, what is the bar for?

McGowan: For water and coffee. On that floor, the only other water that I know of is in the Governor's office. This is a small sink connected to hot and cold water with a small refrigerator. That office, as most offices in that position, requires that if you have coffee, whoever takes care of it must go either to the basement restroom or upstairs to the restroom to obtain water for the coffee, so we put water into that office.

Mello: Well, that's very expensive coffee and water. \$660 of the taxpayer's money. Are there any questions from the committee?

Dreyer: In regard to furniture, I looked into the budget for 1969-1970. You had requested about \$6700 and you got \$650. In 1971-1972, you asked for \$7100 and you weren't granted it. So again the question, Where did you get the money? And, on this budget you are asking for \$1100.

Mello: I know I have gone through it quite thoroughly during the weekend and I can't find where it came from.

Dreyer: Then, if I may comment again on this request for \$225,000. Looking at the last one, at that time you needed \$35,000 for two additional people to keep the project within its June 30 deadline and now we are looking at \$41,000 for personnel and outside consultants. I was not on this committee and I have to admit that I am somewhat confused. Where is the money coming from? You are now asking for \$64,000 for system development- computer cost and \$6500 for system design and programming. I thought all of this, according to what you were saying earlier, was included when you started this thing in 1968. What is happening to all of the money for this?

McGowan: I would like, if I may, Mr. McGee to answer these questions.

Mello: I think you should be able to answer without the assistance of a consultant as to where the money has gone. But, yes, indeed if you need the consultant, by all means, Mr. McGee.

Request was made by Mr. Prince to have Mr. McGee speak to the entire committee, not just to Mr. Dreyer.

Mr. McGee: We were asked in October to come into the Controller's Office to review the system, evaluate how the operation is working, determine the immediate problems and develop projections for costs through June 30, 1973. Now the first thing we did, was take the current operations and extend them through the year: current people, cost of the computers, etc. We found in doing this that the Controller would use up the current appropriation around the first of March of this year. We also made a list of some of the problems that we felt were immediate and should be solved before June 30.

Mello: This is the report that you came up with that the Controller is paying you how much for?

McGee: \$4,000.

Mello: \$4,000 for the report. Are you also retained on a monthly basis? How much is that?

McGee: \$2,000.

Mello: so the first month would be \$6,000. Are you working by the month?

McGee: Yes.

Mello: Have you read the little reports by Ron Sparks and the one by Gordon Harding?

McGee: Probably, but I don't remember. Maybe not.

Mello: Well, I have and I have read your report and it's the same thing and that is why I wondered. I wish I had known. I could have taken the two reports, combined them and I could have gotten \$2,000 from them. Ok, go ahead.

McGee: Basically what we did was determine that the appropriation would be completely expended by the first of March. In addition we listed a number of items that we felt were very critical to the system. One was to develop a procedure for handling errors. The errors at this time were around three weeks behind the processing; rejection through the system and getting them back into the system and getting them back to the departments. We also felt that there should be a fund status, stressed by Howard Barrett a few minutes ago, so that the different agencies could tell what their budget position was.

Develop year-end procedures. This is very critical. We have to find a way to close this system out or you will have two or three of them running at the same time. Implement local distribution of vouchers. Under the current system, as many as 27 vouchers are being made to pay one claim to get the distribution through. This generated a tremendous amount of paper in the agencies. Develop a tax distribution system. At the present time, the tax commission is spending a lot of money on a one-line tax system and to complete that system, they need some distribution of revenue coming through the accounting system and then document the accounting system. The documentation at this point is very weak. This is basically the task: setting up the procedures so that someone can then follow it to maintain the system. The documentation alone, we estimate, will take about 6,000 man hours to do. So when we took these projects that we felt are very critical to this system, we priced them out in this report and that is where we came up with the \$225,000. Most of this cost is the computer time and services through CDP. We did recommend that 4 new positions be added to the Controller's Office: 3 accounting positions and one clerk typist position to work out a method of handling the error correction. The three accountants were to come in to learn the system and help with the documentation. These positions also tie into the budget request that was made.

Dreyer: How many studies do we have on this particular program?

McGowan: Well, we had an original study, I presume, as to what we should do. From that, we sought to develop a prospectus which we mailed out to some twelve of the best-known accounting firms in the world. From that we set up a committee to evaluate and this committee was made up of different divisions with state government and from their recommendations, I then contracted with this firm.

Mello: I stated earlier, Mr. Dreyer, that there has been \$481,000 spent towards consultants, not counting Mr. McGee's firm. Whatever has been spent towards him now would have to be added to that figure. In other words, half of what the State has given to the Controller's Office has been spent towards consultants.

Dreyer: We are back again to this appropriation of \$225,000: more consulting fees, etc. It seems that out of all of this, we are right back where we started. We are still out looking for a consultant, somebody to tell us how to get out of the mess.

McGowan: The other consultants at all times were to have expertise from the accounting people to evaluate what Ernst and Ernst had done. I am not an accountant and certainly I am not going to sign any document and accept something like this without having it looked at by people expert in the field and that is why I had it evaluated at that time.

Dreyer: I thought they were experts, though, and that was one of the reasons why you decided on them.

Mello: In other words, you have had experts check the experts and we still don't have anything.

Ashworth: In the development of the program did not your own internal auditors pretty much give direction. An accounting firm doesn't come in cold. They have to sit down and talk to somebody and ask them what they want. Did your chief accountant or head of your FMIRS fund give direction and work with E & E?

McGowan: Yes, he did.

Ashworth: He worked with him in the development of the program.

McGowan: Yes, he did.

Ashworth: I would like to ask some questions as to the direction in which they hope to go and maybe draw a few conclusions. You have come into my office and we have discussed this problem time and time again. And I have expressed my concern both privately and publically to the way in which this project has headed. We have a lot of money involved in this and it is a very ambitious project. Are you still bent on going from a single entry form of accounting into a complex system of data processing whereby you are really not getting an accounting answer out of your system. Obviously not, you are performing some peripheral functions off of the machine and from what I can determine, you do not have a double entry system of books. Have you closed the books for the last fiscal year, June 30, 1972?

McGowan: No.

Ashworth: Are you able to reconcile your bank accounts and claims and checks with the Treasurer? It is my understanding that you cannot reconcile.

McGowan: I think we have some very pertinent information on that from the legislative auditors who have been working in that field now.

Ashworth: I am concerned when you say you haven't had any help forthcoming from either the Budget Office or the Legislative Counsel Bureau. After our meeting last fall we pledged to help you and I have subsequent to that time, asked our legislative auditor if he has been over and given you help and he said he has offered help, but that you haven't wanted any at this time.

McGowan: We sure got crossed up on our communications.

Ashworth: Have you asked for help from Earl Oliver and has he refused to give it to you?

McGowan: We've had Mr. Barrett and Mr. Oliver on two different occasions. We discussed the study and pretty much agreed with the things that were outlined here that were to be done, and tried to set out a program development as to who would do what and from that I don't believe we came to any conclusions.

Ashworth: Do you have a chief accountant now that you have hired to take Moreno's place, other than the firm of Mr. McGee's?

McGowan: No.

Ashworth: You have not hired a chief. Is it your anticipation that if you are granted this quarter of a million dollars that you will continue with McGee's firm for this purpose or are you going to hire some people?

McGowan: No, I will hire a CPA; but under him, you have to have some staff.

Ashworth: I think your biggest problem has been a lack of direction by yourself and your own people in developing this program. You have tried to become too sophisticated; coming from a single entry system into a complex data processing system. Are you going to back up if you get this money? Are you going to back up with some accountants and go into the agencies and develop a double entry system of accounting before you get involved in trying to teach these people or agencies how to be electronic data processing experts. The biggest complaints that I am getting from the agencies is concerning the information you have tried to implement and put into the system. First of all, they didn't understand what was going on and the paper flow back and forth was not edited and checked out of the computer. It came back, and consequently the information that was going to the agencies and back from the agencies and run through the computer the errors kept compounding themselves. I understand that checks going to the various agencies and the only way those agencies can identify from their humble way of keeping accounts is to call back the Controller's Office and ask why they were sent the check and try to ferret it out.

McGowan: They definitely called the office, not the computer. You can look back over your shoulder and of course whatever is done you probably wouldn't have done it again in the same manner. And probably the biggest mistakes that we made was that we started on the wrong end. We have, I believe, a fairly highly sophisticated vehicle to do accounting....

Ashworth: But its not working.

McGowan: No, it doesn't work for the simple reason that the input end of it has been neglected and until we are able to develop the input....

Ashworth: Now, what are you talking about -- the input from the agencies. So its all the agencies fault?

McGowan: No, I don't blame the agencies because to change them....

Ashworth: You've asked them to change their system without giving them direction on how to change so they don't know what to do.

McGowan: We have to help them. There is no other way that I know of. You have to help them to understand for one thing, what the system can do for them.

Ashworth: But, I told you this a year and a half ago, that you should sit down with the agencies.

McGowan: I have never in the year and a half, because I was unable to get out, because we were in the same boat that they were and we did not have the people to assist them and at that point in time starting from July when we put it on, we didn't have the people and it is just now that we are getting on top of the paper load.

Ashworth: Do you have any accountant working for you now? How many people do you have chargeable to this project? Do you have any qualified people in your office, other than Mr. McGee's firm?

McGowan: One.

Ashworth: What are his qualifications? Is he an accountant or CPA?

McGowan: No, he is not a CPA; he is part way along the road.

Ashworth: At this point there is no one in your office that has knowledge of the installation of an accounting system?

McGowan: I wouldn't say that. We have three people called accountants; the other two are not graduate accountants and they are busy with the in-house stuff and are trying to keep that rolling. So actually as far as the system itself is concerned and, understanding the system from an accountant's point of view, I have one man.

Ashworth: Do you think a quarter of a million dollars is going to enable you in the five months, between now and July to have every agency on the double entry system of accounting, able to reconcile all of their bank accounts and close their books by the end of this year? And be able to close their books for last year because last year's books haven't even been closed yet? Have they Mr. Barrett?

McGowan: No, they have not.

Ashworth: And we need to have this information before we go. I would like to know how the 1972 fiscal year closed out to look at your 1973-75 biennium. And we are getting further and further behind.

Barrett: 1970-71 was not closed until either November or December of this last year.

Ashworth: Is it the Controller's responsibility to close books - you are charged with the accounting function. Mr, McGee, are we going to be able to close the books for the last fiscal year by the time this legislature goes home?

McGee: No.

Ashworth: When do you think you will be able to get last year's books closed?

McGee: I don't know. No one has even tried to define what the problems are in closing the books. We haven't gone that far.

Ashworth: Well, don't you think we had better have a task force of somebody go out and pick up these loose ends and get the books closed.

McGee: Yes, Sir, at the time we made this study, we felt that the \$225,000 should be made available immediately. That was in November and we found that was impossible to fund. It was recommended that it come in as a supplemental, but at the time we wrote the report, we felt that it was critical to start that development then.

Ashworth: How many people in your opinion is it going to take over and above this quarter of a million to go out to the agencies and determine what their condition is so we can close their books for last year.

McGee: If you close it strictly on the cash basis that you have been using, it possibly won't be too difficult.

Ashworth: Do you think we ought to stay the way we have been for 106 years until we get this system cranked around, until people understand what we are doing and back it up and start out a little slower?

McGee: In my opinion, no. I read a couple of reports on the Controller's Office from the Legislative Counsel Bureau; the latest I saw was 1963 and at that time on double entry accounting they stated....

Ashworth: I don't mean eliminating double entry accounting. I mean eliminating the double entry accounting on the computer. There is no general ledger set up in any agency office at this point.

McGee: There is in the Colorado River Commission.

Ashworth: ...and they are unhappy, I understand.

McGee: I think they are unhappy about some other problem.. I don't think they are unhappy about the accounting.

Ashworth: Well, don't you think we ought to forget this sophisticated system and just get some double entry system of books in the office and then punch those up if necessary and run them through the computer and parallel with hand-type double entry system of accounting to check the system as it is presently programmed.

McGee: The system as it is presently programmed will handle the double entry.

Ashworth: Well, I read in your report and someone elses' that where the system is not programmed properly to handle the double entry system, unless they have changed it.

McGee: I wouldn't say that. The system is presently handling double entry accounting; however, it is mainly being run from the standpoint of a cash basis.

Ashworth: There are no balances to balance in any system, is that correct?

McGee: Yes, because they have never been developed. I have a little handout that would demonstrate that

Ashworth: I don't think that is necessary. I don't even think I would understand it. I am concerned that if we continue on with the present method we have, without a task force giving aid to the individual agencies now, I don't know whether the Controller should do it or whether the legislature should take over that responsibility and get out in there. It is obvious to me that the agencies have just about thrown up their hands on anything accounting-wise coming out of the State of Nevada now. Maybe it is possible that the legislature should do that function and get out and get a double entry system of accounting going because they sure don't understand the computer.

Mello: I would also like to set the record straight here, Wilson, you keep saying the legislature because members of the legislature have not gone out and sat down in your office with you, that we are not cooperating. This is not true. We have cooperated with you fully. As a member of the Legislative Commission Sub-committee that was assigned to work with you, we found last year that there was little cooperation with you.

Robison: How much of the \$225,000 has already been spent?

Mello: Can you answer that, Wilson?

McGowan: I would say that none of that has been spent. I would say that some of the work that was to be done has been done. Because it was our priority in setting up, that we would proceed to develop, and have for the last two or three months, a budget status report and have done considerable programming on the multiple voucher. These were both things that were considered as musts in the request. So you can say some of it has been spent, and by spending it there, that is why the Controller would be out of money and out of it very quickly.

Dreyer: Based on this, this answer leads me to two questions. He said that it has not been spent; however....in other words, you have been spending on the cuff.

McGowan: That is right. In some ways you have a bear by the tail and can't let go and these two projects for agency assistance and the budget status report had to be developed and to try and develop or lessen the amount of paper work that had to be done in each agency as far as vendor payments are concerned, we proceeded to develop the multiple voucher system.

Dreyer: You just hit on the word about cutting down the paperwork and I think this was what the original project was for -- cutting down the paperwork and just from what we have heard in hearings, from the various agencies it seems to be the reverse because all of them are coming in now and they are asking for more help, additional manpower and they are justifying their request on, they call it, the increased work load and paper explosion caused by your office. Now, we are getting to a point where they are coming in and asking for more manpower, you are telling us you need more manpower, and Mr. McGee agrees that we need a task force to clean it up. It is getting to the point where we are spending and it is very simple but we go back home and we have to explain to everyone how come and it is a little difficult. It is going to cost money to clean this up.

McGowan: The \$225,000 is for cleaning things up.

Mello: What happens if we don't give you the \$225,000? How long can you operate without the \$225,000?

McGowan: Probably until the first of March.

Dreyer: We still don't have our books closed, Mr. Chairman, based upon testimony, and yet we are here working on the budget for the whole state. Now, we don't know if we have a nickel in the bank. I would rather give this \$225,000 to people who can come in and get our books up to date if it takes working 24 hours around the clock. I will go \$225,000 that way so at least we know where we are. Then we can work on the data processing and then we can look into it. But to operate a State and not know where we are, we're in trouble.

Mello: This was brought out earlier that we don't know how much we are deficit spending.

Howard: Mr. Chairman, I have two questions. We in the legislative group going back to 1963, advocated double entry system whose responsibility was to set up the initial process of double entry system at that time.

Barrett: The accounting function has always been in the Controller's Office.

Howard: Well, this was before Wilson took office or was involved.

Barrett: Well, it was the responsibility of the previous Controller to do the accounting system for all of the State.

Howard: Was there any follow-up through your department to initiate this?

Barrett: Back in 1964 or 1963 or maybe 1962, we did a small study which the end result was to recommend that we move on to a double entry accounting system.

Howard: Who handles the State Highway Department computer put-out?

Barrett: The Highway Department has their own and has had and still has their own accounting system. However, the checks go through the Controller's accounting system and the new accounting system in the Controller's office attempts to account for them.

Howard: Well, if they have their own computer put-outs in the Highway Department, the Controller would have a difficult time wouldn't he?

Barrett: No, It would be treated exactly the same as any other agency coming in.

Howard: If the wrong information came to the Controller's office out of the State Highway Department's computer system wouldn't he have a difficult time in justifying some of the items.

Barrett: The computer printouts do not come into the Controller's office. The same information comes in from the Highway Department just the same as any other agency. Just the receipts and the claims for disbursement.

Howard: What I am getting at is, if some of these claims or disbursements were erroneous coming out of the computer, what would happen?

Barrett: Well, those do not come out of the Highway Department computer system. They come out of the Controller's computer system. The same thing is true of most agencies....

Howard: What I am getting at is the job orders that come out of the State Highway Department that come out on a computer printout the information is submitted to data processing, data processing puts it in and processes it out. Data processing is what you put into it, you get out of it. Right?

Barrett: Right.

Howard: Then if the information is in error when it gets to his office then what happens?

Barrett: Well, if this erroneous information gets into his system the same as any other agency puts in.

Howard: Well, if a wrong statement is put in, what happens?

Barrett: Well, a wrong statement would come out. But this is not where the problem is. The problem is not in the information going in, its the information that stays in there, is rejected and never comes out.

Howard: Well, that's right. If this same information is put in, there it would stay in his computer in an erroneous position.

Barrett: Yes. And part of this is what I was talking about earlier, the information--some of it being August information is just now coming to be straightened out.

Schofield: Is there anything in the Nevada statutes that precludes you or your department from going in and giving them a hand?

Barrett: Well, there is nothing that stops us from assisting the Controller's Office and we have attempted daily to assist the Controller's Office. We do not attempt to run the Controller's Office. We do not give direction to the Controller's Office. We do on request occasionally give advice, information and we frequently point out places where things are going wrong and have to be straightened out.

Schofield: Do you have any idea of the number of people it would take if this task force that Mr. Ashworth is speaking about to go in and help this thing get current?

Barrett: No, I do not have any estimate of exactly what would be required.

Schofield: In my opinion, the possibility of putting that \$225,000 into enough staff to go in there and help get things straightened out. This seems to make sense. Rather than go on

and try to pre-guess and second-guess it before the end of the session. I wonder if you could get that information.

Barrett: The problem is not getting current, in fact that is not even a big problem. The big problem is getting the system as designed working by the Controller. The system is running great on the computer; it is doing exactly what it is told to do. The programs are running well, doing exactly what they are told to do. The problem is that the accounting system as designed by the Controller under the supervision of the Controller's Office is goofed up. It just simply is an incomplete package. It makes no provision for closing out a system, for telling us what the cash balance is, the unspent cash that any particular budget account has. It just simply does the job without the consideration of the number of items that budgets need in order to find out how much money they have left.

Schofield: Is it possible for us to get in and get this thing un-goofed up before the end of the session?

Barrett: We must move from a single voucher system to a multiple voucher system. This would cut down the paperwork to about one-third and that would save the agencies a great deal of paperwork. It would save my office a great deal of paperwork and it would save Wilson's office a great deal of paperwork. The second thing is the business of being able to develop a budget status report so that we will know at all times how much an agency has received from an appropriation, how much they have received from Federal funds, how much they have received from any other source and how much they have spent. We can't tell it as it is now. The third most important thing is a way to close out the fiscal year. The handling of and moving the balances forward.

Dreyer: What is the most important priority?

Barrett: The budget status report will probably have to be first because without that you don't know how much you have not spent and how much you can spend.

Dreyer: Isn't this in the program?

Barrett: Yes, it is in the program, but it is not implemented. It is not working properly.

Dreyer: And the same with the multiple voucher?

Barrett: Right. The voucher has been designed but the system is not working. We cannot use them.

McGowan: There is another item, as far as the \$225,000 is concerned, is the documentation. A lot has been said about the project and probably has left you with the impression that the accounting system is at fault. As far as that part is

concerned, it is a good system and those programs must be documented or we risk the chance of losing the whole system.

Ashworth: Wilson, any accounting system that does not give you the answer that you are looking for is a poor system.

McGowan: It will give you the answer.

Ashworth: But it isn't.

McGowan: No, it isn't. At this point in time because of these things that have to be accomplished before it will.

Robinson: We have received one list of General Fund estimated reversions that amount to \$7,364,987; right down to the dollars for estimated reversions for 1971-1972. If we haven't closed-out the books, then these figures are correct?

Barrett: 1971-1972 was under the old system -- it was not under the Controller's new account system. We do know how much cash there is in there.

Robinson: The fiscal year following hasn't been closed?

Barrett: Yes, that is right. But it doesn't have to be closed until June 30, 1973. But at this point we do not have a system that will close them out into the new system.

Dreyer: Last year's system has been closed out and we only have three more months left this year.

Robison: What I am getting at, is how do we have any idea that these estimated reversions are correct?

Barrett: We have that under the old system.

Robison: What I am concerned about is the deficit spending.

Barrett: We do not have deficit spending going on. But we are positive if we do or not and we can't find out.

Mello: Before we go into the Controller's budget, I will call a recess for ten minutes until 9:45.

Mello: All right, Wilson, would you like to start with this budget you just handed out?

McGowan: This budget was prepared following the hearing before the Finance Committee. The Finance Committee told me to go back and prepare a budget that was on the same format, as near as possible, to the one that was used.

Mello: Do you need assistance on this, Wilson? Would you like to have someone....?

McGowan: No, I was just looking for a copy, and this will do.

Mello: OK.

McGowan: You have two copies, one that I handed to you that was in your statement that I gave you at the beginning. In developing this budget we discarded all previous papers. This reflects what is necessary to run this office in the manner it should be to make this system work. The office should be set up with a strong deputy; someone highly qualified in accounting and therefore we set the position up and the figure was put in here of \$19,000 and if you will notice down here, the chief assistant was left out and the assistant controller and if you go back to the outline of the staff plan, we will require two assistant controllers, one in the area of program and system work and one in the area of accounting. One of those, therefore, is shown on this sheet as a new position. Under the new position, the strongest position is Supervising Principal Account Clerk. This is a position of 26 and all the rest are support staff. The Senior Account Clerk handles payroll.

Actually, I am asking for six top accountants. I feel this is necessary to go to the agencies and assist them in understanding the system and being able to develop in-put that is necessary for them to get back what they desire from the system.

The figure of \$18,400 which is additional cost to support three computer programmers over the \$56,800 that the Governor recommends goes. The \$56,000 would not support the three programmers hired through CDP because of the actual hours that they put in last year. By using actual hours, we come up with the \$18,400 that should be added to this \$56,000, whether they are granted in CDP or used the other way.

Our estimates on computer costs are \$32,950 more than the estimates of the Budget office and I am supporting this. \$3,000 in In-State Travel is to support the accounting members of the staff, if they are going to contact and be able to service the agencies outside the Carson area.

Under office supplies and expense, all of this is to mail out the checks direct to the person, rather than having the agency mail them out. We figure in the first year that would be 30% and in the second year, about 50%. You will find if you look through the budget there is only a difference of three positions but there is a totally different appearance in the staff because of the upgrading.

Mello: Gentlemen, I think we are going to have to have a chance to digest this new material that we have received. I would also at that time call Mr. McGowan back in and the Budget Department.

Thank you and we will contact you later.

Page 82 - Computer Facility - Arthur Crosby

The facility was created in 1969. Set up three principal users Highway, Department of Motor Vehicles, and CDP. The Controller also uses the facility but his input comes through CDP.

The facility is governed by a commission comprised of the State Controller, Chief Highway Engineer and head of the DM and the Budget Director.

The division operate out of a revolving fund of \$125,000. It recovers all moneys on a monthly basis. Presently it spends \$85,000 per month average. 29.6 thousand from CDP, 34.1 from DMV and 21.3 from Highway. The Legislative Counsel Bureau has recently started to use the facility for audits, approximately \$293 per month. The NIC has decided to utilize the facility and in May, they will start. They will be about 5% of our revenue and the contract will be \$4625 a month on a fixed term.

The budget requested, presented, and recommended is dependent upon the appropriation to buy a central processing unit which will cost around 2½ million and over a 72 month period will yield a cost savings of around 1½ million.

The revenue necessary to support the facility in the next biennium will be 94.4 thousand per month for 1973-1974 and 120.6 thousand per month for 1974-1975.

When we purchase the equipment we will have to pay a separate identifiable cost for maintenance. It is now included in the cost of the equipment which is running 50-55 thousand per month.

Capital Improvements: In 1974 the air conditioning in use would have to be expanded. The present use of the unit would be exceeded at that time and it is absolutely essential that with the continuing growth of data processing in Nevada that we get an appropriation for a small addition to the building and a 62 ton air conditioning capacity be added.

We are also asking for a no-break electrical system which would enable us to operate even with a break in the power. During a 183 day period last year there were 21 power failures which resulted in 23 hours of down time. Twelve of these caused damage. It cost \$1,000 for each of the twelve failure times. And with other figures of loss from different agencies, it cost a total of \$20,918 for the 23 hours of down time.

Meeting adjourned at 10:20.

THE BUDGET MUST BE BROAD ENOUGH TO PERFORM ITS FUNCTION IF WE ARE TO BE SUCCESSFUL, REFLECT THE MAGNITUDE OF THE CONTROLLER'S WORK AS IT GROWS YEARLY. THE OPERATION OF THE ACCOUNTING SYSTEM TO HANDLE THAT GROWTH AND SERVE AGENCIES SO THAT AGENCY MANAGEMENT WILL HAVE AN ACCURATE AND TIMELY TOOL TO BE ABLE TO CARRY OUT ITS RESPONSIBILITIES.

THERE IS CONSIDERABLE DIFFERENCE IN THE BUDGET THAT WE PREPARED AS TO THE ONE DEVELOPED BY THE BUDGET DIRECTOR AND SHOWN IN THE GOVERNOR'S BUDGET.

THERE IS LITTLE RESEMBLANCE TO THE REQUEST AND THE BUDGET DEVELOPED BY THE CHIEF. IN THE DOLLARS REQUESTED THERE IS A CONSIDERABLE CUT, BY THE BUDGET DIRECTOR, THIS CUT ALONE WOULD MAKE THE SERVICE LEVEL TO THE AGENCIES AND VENDORS UNACCEPTABLE - BUT THIS IS BUT THE FACE OF THE DOCUMENT - WHAT IS MOST DAMAGING IS CONTROL OF A CONSTITUTIONAL OFFICE BY OTHER ACTIONS OF THE BUDGET DIRECTOR. HIS BUDGET CAUSES THE CONTROLLER, WHO HAS NEED OF A PERMANENT D.P. DIVISION, TO CONTRACT WITH ADMINISTRATION C. D. P. POOL AND PAY APPROXIMATELY 100% OVERHEAD CHARGE THAT IS BUILT INTO THAT DIVISION.

THIS EXTRA COST ALONE WILL APPROXIMATE ANOTHER 50 TO 60 THOUSAND DOLLARS A YEAR CUT IN THE BUDGET. BUT EVEN MORE DAMAGING THAN THIS IS THE ADMINISTRATIVE FACTOR OF THE CONTROLLER NOT HAVING CONTROL OF PERMANENT EMPLOYEES, BUT MUST ACT BY MEMORANDUM THROUGH A THIRD PARTY. AN IMPOSSIBLE SITUATION FOR MANAGEMENT TO OPERATE UNDER. I HAVE TALKED TO MANY PEOPLE, ESPECIALLY ACCOUNTANTS, WHO HAVE DEVELOPED DOUBLE ENTRY ACCOUNTING SYSTEMS. THE GENERAL AGREEMENT IS THAT THE EXTREME CHANGE AND ITS IMPACT UPON AN AGENCY IS SO

GREAT THAT TO BE SUCCESSFUL THE CONTROLLER MUST HAVE A WELL STAFFED GROUP OF C.P.A.'S OR GRADUATE ACCOUNTANTS FOR FIELD SERVICE. AGENCIES NEED ASSISTANCE AND THIS ASSISTANCE MUST BE MADE AVAILABLE FOR THEIR USE IN THIS PERIOD OF TRANSITION. IN THE BUDGET, AS PRESENTED TO YOU BY THE BUDGET DIRECTOR, IT IS EVIDENT THAT HE BELIEVES THAT THIS IS NOT NEEDED.

MUCH HAS BEEN WRITTEN AND MUCH MORE SAID AS TO THE PROBLEMS OF THE CONTROLLER'S OFFICE. MOST OF THIS HAS BEEN LAID TO THE INABILITY TO OPERATE D.P. EQUIPMENT. D.P. EQUIPMENT, AS USED IN THE STATE OF NEVADA, IS AS NEAR A PERFECT OPERATION AS CAN BE FOUND ANYWHERE. ITS RESPONSIBILITY IS ONLY IN PROCESSING A PROGRAM THAT BELONGS TO A USER AND IS NOT RESPONSIBLE FOR THE RESULTS OF THAT PROGRAM. THE CONTROLLER'S OFFICE IS ONLY A USER OF THAT SERVICE.

THE CONTROLLER'S PROBLEMS ARE MANY, THE MOST OF WHICH ARE AN EVER INCREASING WORK LOAD AND THE INABILITY TO MANAGE HIS OWN OFFICE BECAUSE OF THE CONTROLS AND FORCED DIRECTION HANDED DOWN THROUGH THE BUDGET DIRECTOR.

IT IS APPARENT TO ME FROM THE 6 YEARS THAT I HAVE HELD THIS OFFICE AND FROM OTHERS, INCLUDING MY PREDECESSOR, THAT THE PHILOSOPHY OF MR. BARRETT IS THAT THE FOUNDERS OF OUR CONSTITUTION WERE WRONG IN SETTING UP AN OFFICE OF CONTROLLER, WHO SHOULD AUDIT THE SPENDERS AND SEE THAT THE STATE'S MONEY WAS SPENT IN ACCORDANCE WITH LAW. THAT THIS FUNCTION SHOULD BE TURNED OVER TO HIM, WHO REPRESENTS THE SPENDERS, THAT THE CHECK AND BALANCE PHILOSOPHY IS AN UNNECESSARY HINDRANCE TO GOVERNMENT.

GENTLEMEN, IT MATTERS LITTLE WHAT MY GOVERNMENT PHILOSOPHY IS, BUT IT DOES MATTER THAT THE CONTROLLER BE GIVEN THE ABILITY TO PERFORM HIS FUNCTION AND CARRY OUT HIS RESPONSIBILITIES AS THE CONSTITUTION DICTATES AND AS SET FORTH IN THE STATUTES.

THE BUDGET I SUBMIT TO YOU, WITH ITS SUPPORTING DOCUMENTATION,
WAS DEVELOPED TO DO THIS AND TO DO IT WITH AS MINIMUM AN EXPENDI-
TURE AS POSSIBLE.