

SENATE FINANCE COMMITTEE
MINUTES OF MEETINGS
MARCH 20, 1973

The meeting was called to order at 8:30 a.m. Senator Lamb was in the chair.

PRESENT: Floyd R. Lamb, Chairman
Warren L. Monroe
B. Mahlon Brown
James I. Gibson
William J. Raggio
Clifton Young
Archie Pozzi

Earl Oliver, LCB Fiscal Analyst
Bob Tripp, LCB Deputy Legislative Auditor
Howard Barrett, Budget Director
Russ Nielsen, UPI

Wilson McGowan, State Controller
Don McGhie, Kaforey, Armstrong Corp. (Controller's Office)
Bob Combs, Controller's Office
A. A. Campos, Parole & Probation Division
James R. Gerow, "
E. Glick, "
Fred Wright, Fish & Game Division
Jackie Stormson

CONTROLLER'S OFFICE - Page 17:

Mr. McGowan said, "Accountants are the key to success of our system in development of field services to help agencies coordinate with the system. The reason again for why I want them under my control, and that doesn't mean I don't contract with Central Data Processing for a certain amount of CDP people, but that staff is directly under my control with someone on my staff running the operation. Until the system is documented and until certain programs are finished and developed, the services of CDP, and those employees have been working on this for two or three years and it are absolutely necessary to that program."

Mr. Barrett said, "In having his own data processing people, we considered that, and felt it would be easier and save a lot of problems to recommend that he not have his own data processing people. The purpose of CDP is

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combine in one organization all the data processing for the smaller agencies. If you were to allow this division to have their own data processing, then the same would hold true for the welfare division, rehabilitation, and a number of other areas, and there would in effect be no CDP. Everyone of the agencies would have their own people. There is a great deal of merit in having these people in one organization where you can put the best qualified people on the worst problems and the least qualified people on the least problems. You can match your people to the problems a lot better if they are all in one agency.

"Secondly, this is the one area in the Controller's Office that in our opinion is operating effeciently at this point. We feel it is operating efficiently at this point because they are receiving supervision from CDP. We think it would be a mistake from an efficiency standpoint to cut the cord and let these people be supervised by the controller when its a technical data processing kind of thing. They are only doing projects the controller tells them to do, but their supervision on how to do a project from a data processing standpoint is from CDP."

Mr. McGowan said, "No way are you going to get completely away from CDP people working for a system on a continuing basis. There will be two or three people working on controller's projects from now on out. To have these people so they are really responsible to management itself you have to have them under your control and not be working through a third party. It also contributes to the cost because of the overhead of another department. The controller is one of the four agencies that is a major user of CDP, the Highway Department, the Motor Vehicle Department, CDP, and the Controller. The Controller is the chairman of the CDP Commission.

"The CDP is the pool of talent that any of the major users may contract with for assistance, for peaks. It is the agency that carries out its functions of pools and development that should be carried out in the Department of Administration. The Controller's Office is in some ways an independent department from the Department of Administration. Because otherwise you lose completely your checks and balances in government. You have the permanent employees that are working for the controller and should be in his budget and responsible directly to the controller."

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"There will never be a time when all of the Data Processing people will be taken away from my office. There will always be two or three people on my staff who will be permanent."

Mr. Barrett said, "There would be more efficiency if they were left in the CDP budget because they would be supervised by data processing."

Mr. McGowan said, "If you aren't careful, CDP is nothing but a tool for the accounting office, and if you are going to allow a situation to arise where the tail wags the dog your accounting goes down the stream. You have to delegate what you want those data processing people to do and how they want it done."

Mr. Barrett said, "He is supposed to have on his staff accountants to supervise other accountants, but we feel data processing is a tool for accomplishing what the accountants in his office want, and he shouldn't have accountants supervising data processing people."

"I indicated that the data processing is doing what his accountants want it to do. The problem in our opinion is that the accountants have told data processing not to do something or to do some things that they shouldn't have told them to do. Data processing is doing it."

"First of all, when they started out programming for three vouchers for each claim. That was a mistake, they shouldn't have done that. It means that when a person takes a taxicab and have a meal, flies, I have to submit three different vouchers and make three different pieces of paper to get paid. They should have made provisions for having a multiple voucher. They are working on that now. (Whenever someone wants to get paid for various small items which could be combined to one big item, they have to submit claims for each seperate item.) That's an example of what I say I think they told data processing to do the wrong thing. The system works beautifully from data processing's standpoint. It will process beautifully."

"I have told our people in CDP that they are not to run the controller's office, but that they should take accounting direction from the controller, and how its accomplished is a data processing problem. All of the direction comes from the controller and not from anybody else. Now Wilson and I may argue about it, but I don't tell those people nor does Gordon Harding tell his people how to accomplish something from an accounting

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standpoint. I may go to Wilson and tell him something is wrong or have you tried this, or something, but we do not tell data processing to accomplish something from an accounting standpoint.

"The figures Wilson is showing indicating it costs more to go through CDP is because we bill people on overhead rate, and this is not very high. The overhead rate includes an amount built in to pay for the overhead for annual, sick, holiday leave, for training, or in other words any time they are being paid for. It also pays overhead for CDP."

Mr. McGowan discussed the fact that by constitution his office is supposed to be responsible for auditing claims made against the state. (See attached letter from the attorney general.) Mr. Barrett also pointed out that this responsibility parallels the responsibility of the Board of Examiners to perform this same function. At the present time four employees in Mr. Barrett's office go over each claim and certify them. The claims are then sent to Mr. McGowan's office, and he pays them without auditing them himself, although according to the constitution he is supposed to audit them. Mr. McGowan said that he would require an additional accountants if he is going to go into auditing claims. This authority was given in 1870. Mr. Barrett said they have been auditing claims since before 1959 (in his office). Senator Young asked if it wouldn't add confusion to the FIRMS system and their computerization.

Mr. McGowan said that of the \$225,000 supplemental which they just received through A.B. 294 to allow them money to operate to June 30 of this year, they would spend \$108,000 of that to operate. They would then have \$117,000 left over which they would fund Kaforey, Armstrong Corporation to provide documentation and manuals to his office and other agencies. He said that this systems development and documentation required 6,000 man hours at a rate of \$16 an hour or a total of \$90,000. They would also develop the multiple voucher system. Mr. Barrett said that the \$90,000 figure was the controller's figure, not Mr. Harding's from CDP or Mr. Barrett's figure. Gordon Harding testified that this documentation would not take more than three man months and would cost only \$5,000 to \$7,500.

The computer programing documentation has been completed. The systems documentation (number two) involves how the various components of FMIRS work has not been, and would take three man months or \$5,000 to \$7,500, according to

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Mr. Harding. The third part of the documentation involves writing users manuals to instruct state agency users how to properly fill out forms to be used by the system and also to write procedural manuals for the controller's office to indicate how their staff is to properly process forms and papers through their office for the system. Mr. Harding indicated that this third part would take six man months or approximately \$10,000, although his office would not be involved in the third part, the controller's office would do this. Mr. Harding indicated that the second and third part of the documentation could be done for about \$17,500 total, and Mr. McGowan indicated he felt it would cost \$90,000.

They are requesting an additional \$18,200 to augment the \$36,300 the governor has recommended which would be necessary due to workload in the office. Under computer usage costs the controller's office is requesting \$32,950 over the governor's recommendation because they feel it is necessary for developmental costs, although Mr. Barrett didn't feel that was so. They are also asking for an additional \$3,000 for out of state and in state travel. The in state travel would provide accountants to go to other agencies in Las Vegas, etc., to gather information to put into the system to get it working as a double entry system. They are requesting more out of state (\$1,200 more) travel so the staff can attend a training program in San Francisco, and so Mr. McGowan can attend meetings. They are requiring more postage because when the system began the controller's office was mailing checks to recipients but it didn't work out. The system is now running smooth enough that they can begin again mailing checks to recipients.

S.B. 406:

SUMMARY: Increases salary of district judges.

District judges currently are on a salary scale which ranks 29th in the nation. California pays fourth in the nation, or \$36,393. In 1954 they paid district judges \$15,000 a year, but they performed marriages which boosted their salary to \$34,000 in Reno for instance. Until January 1, 1973 they were paid \$19,000 a year, and after that date they went to \$24,000 per year.

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Senator Raggio mentioned that they wanted to bring the district judges salaries equal to the supreme court justices, as currently the district judges receive \$5,000 less. Senator Gibson stated they hadn't been equal since the last fifteen years. An attorney mentioned that in California the judges retirement system provides that the older they get the less retirement they get to encourage "these old codgers off the bench."

S.B. 228:

See Mr. Bud Campos remarks attached. The cost for this man's salary would vary from \$12,732 to \$15,336.

Senator Raggio said, "I am frankly not convinced that there is a need for a full time employee, because we are being asked to increase this budget ten positions the first year of the biennium and an additional 7 the next. He would mostly compile agendas and applications for the pardons board and parole board, and I can't see that that is expertise which would require a full time position. Wouldn't you do better to keep on top of this yourself?" Mr. Campos explained that he wouldn't work for himself, but for the commissions.

SUMMARY: Provides executive secretary to serve jointly state board of pardons commissioners and state board of parole commissioners.

RETIREMENT:

Senator Brown said, "I am convinced that we have had a policy of establishing equal contributions (matching contributions by employer/employee). It would be bad not only from establishing a precedent, but it would affect political subdivisions throughout the state such as cities and counties. Senator Brown moved they have a 7% contribution from the employer and 7% from the employees. Senator Monroe seconded the motion, and it passed unanimously.

S.B. 398:

Fred Wright of Fish and Game testified (see attached remarks). If adopted he guessed there would be about a \$50,000 reduction in fees.

SUMMARY: Extends scope of reduced hunting and fishing license fees for elderly persons.

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S.B. 252:

SUMMARY: Provides increases in salaries for state classified personnel effective January 1, 1973; and makes appropriations for such increases and for certain salary adjustments in the classified and unclassified service.

Senator Lamb made a motion that they give the classified employees a 6% raise each year of the biennium effective January 1, 1973. Mr. Barrett pointed out this would actually be a 5% raise because the employees would have to pay an additional 1% contribution to retirement.

Senator Young said that the cost of living had increased 4.8% during the past year and questioned whether they could justify giving more than a cost of living raise. He also noted that they would be receiving merit salary increases. Mr. Barrett pointed out that 55% of the state employees would receive a merit salary increase, but the other 45% were at the top of their grade and would not receive this increase. The merit salary increase varies from 4.4% to 4.9% for employees.

Senator Monroe seconded Senator Lamb's motion.

Mr. Barrett also pointed out that a 5% raise would give the lower grades only a 3.3% increase if they had to pay the 1% retirement contribution. A 6% raise would only give them something like a 5% raise. For each 1% of the raise to state employees would cost \$800,000 each year of general fund monies.

Senator Brown said that it is putting a bite on private industry and school districts to come up with a 3% raise and that the 5% was more than the cost of living increase. He also noted the state didn't have a lack of applicants.

Mr. Oliver said, "A 5% raise at grade 44 would be more than a 5% raise at grade 23. There is less take home pay if you have them contribute 7% toward retirement and give them 6% salary increase because employees have to pay the 1% additional retirement contribution from their salaries and have to pay taxes on that 1%."

Senator Gibson said, "The retirement program is in jeopardy and we are trying to strengthen its solvency, and its been pointed out that if we increase contributions that we are arresting the increasing divergency of solvency in the fund. This is all to the employees and employers benefit.

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"We have increased retirement contributions in the past and it has always stood on its own. I think we should continue with equal contributions. With the matter of pay raises, I am ready to buy recommendations of 5% each year even though where I'm from they are not able to come up with this. Industry has been very hard pressed to come up with 4% to 4-1/2%."

Senator Young said, "I don't see how you can justify an increase in salary based upon cost of living if there isn't an increase in productivity."

Mr. Barrett explained the raises which are built into the budget. They are, (1) the 5% cost of living raise. (2) The 5% merit salary increase. (3) The 2% retirement contribution to be paid by the state employer and not the employee. (4) The incentive plan where employees who were doing standard work or better and had been with the state for over ten years would receive a salary bonus of from \$125-\$250. This would cost \$30,000. (5) An increase in group insurance in that they are asking that the state pick up the employees insurance payment, but not his dependents.

Senator Raggio said, "Everyone on this committee is in favor of a pay raise, but the question is to understand the recommendations because they are on top of each other." He also asked if the cities wouldn't have difficulty in giving pay raises if the state workers received a good raise.

Mr. Barrett said the cities got 2/3 of the revenue sharing money which came into the state and felt they were in good financial shape. Senator Raggio said he didn't agree, and Senator Lamb said, "Don't you believe it, they're okay."

Senator Brown moved they give state employees a 5% salary increase each year of the biennium effective January 1, 1973. Senator Gibson seconded the motion.

Senator Lamb said, "I don't think our state salaries are over any salaries at this point. Take the county salaries, they're higher."

Senator Brown's motion passed.

yes - 4 - Raggio, Young, Gibson, Brown
no - 3 - Pozzi, Lamb, Monroe

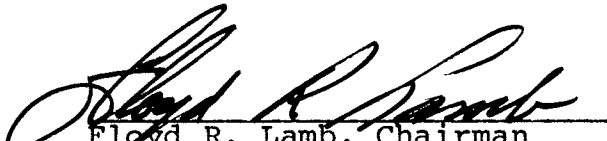
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The meeting adjourned at 10:45 a.m.

Respectfully submitted,


Ellen Hocker, Secretary

APPROVED:


Floyd R. Lamb, Chairman



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL
ROOM 341, LEGISLATIVE BUILDING
CARSON CITY 89701

ROBERT LIST
ATTORNEY GENERAL

March 20, 1973

Honorable Wilson McGowan
State Controller
State of Nevada
Capitol Building, Room 9
Carson City, Nevada 89701

Dear Mr. McGowan:

You have addressed a general inquiry to this office concerning the duties and responsibilities of the State Controller with particular reference to his auditing and allowance of claims against the State.

The office of State Controller was created by express provision in the Nevada Constitution (Article 5, Section 19). As a result, certain powers and duties devolve upon the office by implication. For instance, in State ex rel. Lewis v. Doron, 5 Nev. 399 (1890) the court concludes:

The official designation of controller, in the Constitution of the State of Nevada, of its own force, was a positive delegation of the powers usually incident to the office of controller, auditor, controller-general, auditor-general or any of the various names used to designate a like officer. . . . Using the word "Controller", a specific and defined meaning was expressed, comprising many powers; among which is the examination and allowance of claims against the state.

With reference to the powers and duties of the Controller vis a vis the State Board of Examiners the Court states:

Honorable Wilson McGowan
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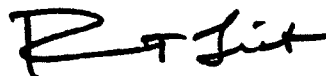
The Board [of Examiners] is advisory; he [the Controller] is chief. They assist in his onerous duties - acting concurrently, so far as examination is concerned; but they do not deprive him of his constitutional power, or any portion of it. Each moves in a designated sphere. All tending to the desired result - the protection of the revenues of the state.

Aside from the powers and duties arising by constitutional implication, specific duties and responsibilities of the office are prescribed by statute. You will note that NRS 227.160 authorizes the State Controller to "audit all claims against the state". In addition, the statute confers upon him the final duty of passing on both the legality and justness of such claims.

This is not to infer that the State Controller must perform an independent audit of all claims against the state. Implicit in the language of the statute is the concept of flexibility and discretion in the auditing and allowance of claims. Thus by the enactment of the above statute, the Legislature has provided an additional safeguard against the allowance and payment of unjust claims while providing the controller with the necessary discretionary latitude to alleviate needless duplication of effort between the Board of Examiners and the Controller.

If you have further inquiries concerning this subject, please contact this office.

Sincerely,



ROBERT LIST
Attorney General

RL/ema

STATE OF NEVADA
 OFFICE OF THE STATE CONTROLLER
 ADDENDUM TO CONTROLLERS BUDGET
 REQUEST FOR 1973-75

<u>CAT.</u>		<u>1973-74</u>		<u>1974-75</u>	
		<u>AGENCY REQUEST</u>	<u>GOVERNOR RECOMMENDS</u>	<u>AGENCY REQUESTS</u>	<u>GOVERNOR RECOMMENDS</u>
01	SALARIES				
	Budget Request	261,210	237,338	268,852	245,237
	Sr. Accountant	11,083		11,604	
	Sr. Acct. Clerk	6,772		7,073	
	Acct. Clerk	6,215		6,487	
	Industrial Insurance	149		156	
	Retirement	1,917		2,013	
	Personnel Assessment	192		201	
	Group Insurance	658		658	
	SUB-TOTAL	<u>26,986</u>	<u>0</u>	<u>28,192</u>	<u>0</u>
	TOTAL SALARIES	<u>288,196</u>	<u>237,338</u>	<u>297,044</u>	<u>245,237</u>
02	OUT-OF-STATE TRAVEL	1,700	500	825	500
03	IN-STATE TRAVEL	2,800	1,000	2,800	1,000
04	OPERATING				
	Budget Request	338,501	300,901	342,322	301,622
	Communications	750		750	
	St. Building Rent	4,546		4,546	
	SUB-TOTAL	<u>5,296</u>	<u>0</u>	<u>5,296</u>	
	TOTAL OPERATING	<u>343,797</u>	<u>300,901</u>	<u>347,618</u>	<u>301,622</u>
05	EQUIPMENT				
	Budget Request	1,100	1,100	0	0
	Furniture	2,777			
	Equipment	4,747			
	Equipment Lease	965		965	
	SUB-TOTAL	<u>8,489</u>	<u>0</u>	<u>965</u>	<u>0</u>
	TOTAL EQUIPMENT	<u>9,589</u>	<u>1,100</u>	<u>965</u>	<u>0</u>
	TOTAL ADDITIONS	40,771	0	34,453	0
	TOTAL BUDGET REQUEST	646,082	540,839	649,252	548,371

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3-

	1971-72	1972-73	-----1973-74-----			-----1974-75-----		
	ACTUAL	WORK PROGRAM	AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.	AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.
Regular Appropriation	\$346,750	\$350,274	\$530,311	\$465,839	\$	\$539,805	\$473,371	\$
Incl. Salary Adjustment	2,447	2,447						
Class. Salary Adjustment	1,452	8,899						
Controllers Assessment	50,000	50,000	75,000	75,000		75,000	75,000	
	400,649	411,620	605,311	540,839		614,805	548,371	

EXISTING POSITIONS:

State Controller	E	1	18,000	1	18,000	1	18,000	1	20,250
Deputy	u	1	16,114	1	19,000	1	16,011	1	16,072
Chief Assistant		1	15,308		-----		-----		-----
Assistant Controller	u	1	15,278	1	16,072	1	15,278	1	15,337
Principal Accountant		1	12,982	1	13,652	1	13,600	1	14,302
Senior Accountant		1	11,041	1	12,439	1	12,683	1	13,339
Administrative Secretary		1	8,617	1	8,835	1	9,012	1	9,465
Accountant		3	30,909	1	11,604	3	31,507	1	12,154
Senior Account Clerk		1	7,824	1	6,772	1	7,365	1	7,729
Clerk		1	7,824		-----	1	6,856		7,179
Account Clerk		1	5,771	1	6,215	1	5,218	1	6,487
Student		1/2	2,041		-----	1	4,176		4,364

CONTRACTED:

Systems Analyst		1	Borrowed		-----	3	56,800		-----	3	56,800
Sup. Syst. Meth. Analyst		1	27,460		-----				-----		
Computer Programmer I		1	23,460		-----				-----		
		16 1/2	202,629	9	112,589	16	196,506	9	115,362	16	202,863

	1971-72 ACTUAL	1972-73 WORK PROGRAM	-----1973-74-----			-----1974-75-----			
			AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.	AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.	
NEW POSITIONS:	\$	\$	\$	\$	\$	\$	\$	\$	
Assistant Controller U			1	16,072		1	16,072		
Senior Accountant			3	36,189		3	37,901		
Computer Systems Programmer II			1	14,637		1	15,336		
Computer Programmer I			1	11,604		1	12,154		
Systems Accountant & Analyst			1	15,700		1	15,700		
Sup. Prin. Account Clerk			1	8,642		1	9,034		
Senior Account Clerk			1	6,772		1	7,072		
Clerk Typist			1	5,237		1	5,466		
Student			2	8,050	1	2	8,378	1	
General Manager					1			1	
			----		17,100	----		17,166	
TOTAL		16½ 202,629	21	235,492	18	217,578	21	242,475	18
Industrial Insurance		937		1,460		996	1,504	1,037	
Retirement		9,157		18,841		12,951	19,400	13,477	
Personnel Assessments		1,134		1,884		1,366	1,940	1,422	
Group Insurance		3,155		3,533		4,447	3,533	5,169	
Unallocated Salary		230							
TOTAL SALARIES & PAYROLL		217,242		261,210		237,338	268,852	245,237	
OUT-OF-STATE TRAVEL	425	-----		1,700		500	825	500	
IN-STATE TRAVEL	762	800		2,800		1,000	2,800	1,000	
Office Supplies & Expense	8,559	3,000		1,702		1,702	1,900	1,900	
Operating Supplies	864	-----		21,575		21,575	19,960	19,960	
Communication Expense	3,974	20,110		8,450		4,700	12,600	5,100	
Printing Duplicating	2,135	6,000		6,000		6,000	6,000	6,000	
Insurance Expense	415	427		427		427	427	427	
Contractual Services	3,266	-----		4,600		4,600	4,800	4,800	
Other Contractual Services	1,987	-----		-----		-----	-----	-----	

	1971-72	1972-73	-----1973-74-----			-----1974-75-----		
	ACTUAL	WORK PROGRAM	AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.	AGENCY REQUESTS	GOVERNOR RECOMMENDS	LEG. AP.
	\$	\$	\$	\$	\$	\$	\$	\$
Equipment Repair	237	800	1,200	1,200		1,200	1,200	
State Owned Building Rent	12,953	13,765	16,387	16,387		17,925	17,925	
EDP Systems Program Fac. Charge	191,316	149,835	277,010	244,060		277,010	244,060	
Dues and Registrations	610	100	1,150	250		500	250	
Buildings & Grounds Improvement	334	-----						
TOTAL OPERATING EXPENSE	226,650	194,037	338,501	300,901		342,322	301,622	
Office Furniture & Equipment	406	-----	1,100	1,100		-----	-----	
TOTAL AGENCY EXPENDITURES	362,034	412,079	605,311	540,839		614,799	548,371	
AGENCY BALANCE	38,615							
SUPPLEMENTAL REQUEST		225,000	-----	-----				
TOTAL BUDGET	400,649	637,079	605,311	540,839		614,799	548,371	