

ASSEMBLY AGRICULTURE COMMITTEE MINUTES
Thursday, March 24, 1977

MEMBERS PRESENT: Chairman Hickey
Mr. Jacobsen
Mr. Hickey

MEMBERS ABSENT: Mr. Price
Mr. Jeffrey
Mr. Polish
Mr. Rhoads

GUESTS: Phyllis Berkson, Chairlady, Dairy Commission
Clarence Cassady, Executive Secretary, Dairy
Commission
Earl Oliver, Legislative Auditor
S. Lee Hanson, Deputy Legislative Auditor
John Crossley, Chief Deputy Legislative Auditor

Chairman Hickey called the meeting to order at 4:10 p.m. Due to conflicting meetings, a quorum was not present and the meeting was convened as a sub-committee.

Discussion ensued regarding the report compiled by the legislative auditor's office and the Dairy Commission staff. (See Exhibit "A") Allocation of man-days were divided into two columns: 1) present staff; 2) proposed additional staff. Duties were arranged under headings of Cost Research, Dairy and Marketing Services, NRS Enforcement and Producer-Distributor Economics and were in order of importance, as determined by the Dairy Commission staff. Mr. Crossley stated that his office had determined the estimated allocation of man-hours with the available staff, while the Commission staff had allocated man-hours to the proposed additional staff. He said this does not reflect on what has occurred in the past, but what could be accomplished in the future under optimum conditions. He said the hours are estimates and do not include emergency conditions which would require diverting staff from the suggested optimum duties.

Cost Research, he said, was one item of major importance in everyone's mind, with special emphasis placed on Item 3 - Distributor cost studies to determine processing and delivery costs of 18 plants. 220 man-hours is one man-year. Item 1 - Analysis of cost statements filed by distributors and Item 3 above, "go together", he said. Mr. Hickey asked Mr. Crossley how an outside auditor would know if Items 1 and 3 were being done. Mr. Crossley explained that this would be evident from actual reports with working papers and time-keeping records as a back-up. He felt time records would greatly aid in determining this. He also felt the Commission itself would know if these things are being done.

He referred to the audit report from his office which pointed out some of the things the Commission were not doing, such as lack of current standard survey procedures, lack of uniformity

in development of product costs, lack of documentation of follow-up procedures on important problems discovered during the survey, and lack of documentation of review procedures at the completion of the survey. He felt that a portion of this work was being done, but it wasn't being properly supervised and followed-through.

Mr. Hickey asked if there was justification for an increase in the staff of the Dairy Commission. Mr. Crossley stated that he could not answer the question. Mr. Cassady explained how Commission requests often interrupted regular staff duties and felt that additional staff would be necessary, particularly in view of the fact that there would be a new executive secretary and possible new staff. He also pointed out that auditing of producer payments from distributors is about the most important function of the Dairy Commission office.

Under Dairy and Marketing Services, Mr. Crossley stated that under present staff this would be done by the area supervisor. If additional staff is available, it would be done by the proposed field investigator. Mr. Cassady said he is currently doing many of the duties listed under this heading himself which would be the full-time responsibility of the proposed field investigator and half of the time of the area supervisor in Las Vegas.

Mr. Cassady again pointed out the difficulty of adhering to a definite schedule with interruptions of Commission requests.

Under NRS Enforcement, Mr. Crossley stated that the staff is performing Items 1 and 2, desk audits of remittances from distributors for assessments and audits of distributor payments to producers. The number of hours allocated to these two items remains the same as it would be with additional staff. Items 1, 2, 5, and 6 are related, he said, and his report adamantly qualified the fact that the field audits were not being performed. Under proposed staff, this still wouldn't be done, he said. Mr. Cassady stated that he felt office computations of producer payments would completely assure the accuracy of assessments paid to the Commission. Mr. Crossley said that these assessments are the life blood of the Commission and must be audited. He suggested that it be done on a random basis and distributors should be aware of the Commission's concern with this item. He pointed out that Item 3 is related to distributor cost studies because out of the cost studies would come the price filings and Item 3 would verify these cost studies.

Mr. Cassady said that Item 7, overextension of credit by distributors to accounts receivable, is quickly brought to the attention of the Commission and does not require much allocated time. Item 11, review of bids to political sub-divisions, does not apply at this time since the Commission does not set wholesale prices.

Mr. Cassady pointed out that the only duty the staff would have under this Item 11 would be to make sure the bids are not be-low cost. He stated that in the past one staff member did nothing but audit distributor plants, but with present staff, it is divided between the accountants.

If AB 152 is passed, Mr. Hickey wondered how the new 3-man board would be integrated into the activities of the Commission staff. Mr. Jacobsen stated that he hoped Cass would develop the priorities of importance of duties. Mr. Jacobsen asked Mrs. Berkson if the Commission designated any priorities or did the staff in-put come from Mr. Cassady. Mrs. Berkson stated that though the Commission requested cost studies for their consideration at public hearings, the specific staff duties were left to Mr. Cassady's direction. Mr. Jacobsen asked her if cost was the prime matter of importance as far as the Commission is concerned. She said "yes".

Mr. Crossley suggested changing the designation "accountant" to "auditor" in reference to the Dairy Commission staff, since auditing is their primary function. Mr. Cassady pointed out that the classification "accountant" and "auditor" are designated the same by the Personnel Division.

Mr. Oliver stated that the items (duties) listed on the present report as listed in order of priority by the Dairy Commission staff were not listed in that order by his office. He said the present report indicates how the staff feels their time should be expended.

Mr. Hickey asked, if based on the listed priorities, would a new board receive sufficient information to effectively make proper determinations. Mrs. Berkson felt that because the board would be part-time, it would be very difficult. She suggested a determination of guidelines for the new executive secretary. Mr. Hickey stated that the Agriculture Committee was going to look into that matter. Mr. Cassady stated that the proposed allocations would deliver the necessary information, given the time to deliver it. He said it would be a year before the cycle can be completed or time required "to come on line". The overall meaningful analysis of cost studies from distributors would take about a year though it could commence immediately. Mr. Crossley stated that this report would establish guidelines for commencement of the duties.

Mr. Hickey brought up the matter of setting criteria for the new executive secretary. Mr. Cassady felt that specific duties should be set up for the executive secretary to relieve him for more administrative duties. Basically the main requirement, he said, has been that he be an accountant. He thinks this requirement is very helpful, though not the supreme requirement. The

basic function of the executive secretary is administration and the new executive secretary should have great ability in this area. Discussion was held as to where the new director should be sought. Mr. Cassady felt that any of the four staff members he now has could handle the job. He also suggested looking for someone from California. He mentioned Mr. Roy Walker, former Chief of the California Bureau of Milk Stabilization, as being a good source for names of capable people from California. Mr. Cassady will provide the address of Mr. Walker. Mr. Joe Stein was also mentioned. Mr. Cassady felt it would be an asset for the new executive secretary to have background knowledge of the industry.

Mr. Jacobsen asked Mrs. Berkson if the present Commission could accept the challenge of appointing a new executive secretary and managing the transition. If AB 152 is passed by the Legislature, she suggested making it effective upon passage and approval, which would provide a smoother transition since Mr. Cassady's resignation isn't effective until July 1. In reply to further questioning from Mr. Jacobsen, she stated that it would be a difficult job for the present Commission to find a replacement for Mr. Cassady. She felt the new secretary should not be from Nevada and that it should be someone with an accountancy background.

Mr. Crossley agreed that it would be beneficial for the new executive secretary to have some accounting background. Mr. Hickey suggested asking Dean Dale Bohmond for names of potential individuals. Mr. Jacobsen suggested an informal meeting with several of the Dairy Commission members to discuss transition procedures.

Mr. Serpa asked if the Agriculture Committee was trying to establish criteria for the new executive secretary. He didn't feel that the Agriculture Committee had the statutory authority to appoint the new secretary. Mr. Hickey stated that this was not the intent of the Committee. He pointed out that it is the job of the Agriculture Committee to "fine tune" the Dairy Commission problem because there simply will not be a Dairy Commission if it comes up again before the Legislature. He pointed out that the Agriculture Committee is going to be held responsible for whatever happens with the Dairy Commission in the next two years.

Mr. Jacobsen stated that he isn't positive at this point that AB 152 is the answer; that maybe some other things should be considered. Mr. Hickey agreed that many things should be considered.

Mr. Cassady agreed that making any legislation effective upon passage and approval would greatly aid the transition. He said he isn't adverse to remaining until July 31, but he is going in July.

Mr. Oliver pointed out that Items 5 and 6 under NRS Enforcement would not be performed without additional funding and staff and he considers them very important.

Chairman Hickey adjourned the meeting at 4:55 p.m.

Respectfully submitted,

Sandra Gagnier
SANDRA GAGNIER, Secretary

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March 24, 1977

The Honorable Thomas J. Hickey
Chairman
Assembly Committee on Agriculture
Legislative Building
Carson City, Nevada 89710

Dear Assemblyman Hickey:

In response to your request of March 15, 1977, we have reviewed the priorities established by the Dairy Commission, as described in the Dairy Commission staff's report submitted to you on March 11, 1977. We have met with them and prepared the enclosed schedule of estimated workdays to perform these priorities.

Our audit report on the Dairy Commission Fund for the fiscal year ended June 30, 1975 recommended:

"That the Dairy Commission review the Administrative and statutory duties and develop priorities for the available staff to follow in order to meet the requirements of NRS and the needs of the Commission."

The Dairy Commission's report assigned work days without considering "Available Staff". Accordingly, the first two columns in the attached schedule identify work days to the priorities, as established by Mr. Cassady, based on available technical staff at the present time, which are:

Senior Accountants	3
Area Supervisor	<u>1</u>
Total	<u>4</u>

The Honorable Thomas J. Hickey

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The second two columns identify work days to enforce all of the NRS and Commission regulations they assigned priorities to in their report of March 11, 1977. These are summarized as follows:

	<u>Estimated Work Days*</u>	<u>Number of Positions</u>
<u>INVESTIGATOR</u>		
Information Collection	236	
Report and Office Work	<u>97</u>	
	<u>333</u>	1.5
<u>SENIOR ACCOUNTANT</u>		
Office and Accounting	228	
Producer Field Audits	232	
Distributor Field Audits	<u>523</u>	
	<u>983</u>	<u>4.5</u>
Total Technical Staff	<u>1,316</u>	<u>6.0</u>


* One man year equals 220 work days

They informed us that they would need to hire an additional Senior Accountant and an Investigator to accomplish the above. The present Area Supervisor could accomplish the additional time assigned to the Investigator. The Executive Director could accomplish some of the time identified to the Senior Accountants.

If you should have any further questions regarding the information contained herein, we will be available to discuss it with you at your convenience.

Respectfully,

EARL T. OLIVER, C.P.A.
LEGISLATIVE AUDITOR

By 
John R. Crossley, C.P.A.
Chief Deputy Legislative Auditor

ETO:JRC:mr
Enclosure (1)

DAIRY COMMISSION
 SCHEDULE OF DUTY PRIORITIES AND TECHNICAL STAFF
 AND ESTIMATED MAN DAYS

33
 Law
[Handwritten signature]

	Present Staff		Proposed Staff	
	<u>Available Work Days</u>		Work Days Per	
	Senior	Area	Dairy Commission Report	Field
	<u>Accountant</u>	<u>Supervisor</u>	<u>Senior</u>	<u>Investigator</u>
<u>Cost Research</u>			<u>Accountant</u>	
1. Analysis of cost statements filed by distributors.	8	days	--	--
2. Producer cost studies to determine production costs.	205	days	--	--
3. Distributor cost studies to determine processing and delivery costs.	220	--	300	--
4. Retail store surveys to determine allowable minimum mark up allowances for stores.	--	--	--	--
5. Survey of hauling costs of bulk milk from dairy farm to distributor, etc.	--	--	--	--
	<u>433</u>	--	<u>540</u>	--

Dairy and Marketing Services

1. Contact wholesale accounts for information as well as compliance with Statutes and Regulations in regards to fair trade requirements.	--	50	--	220
2. Investigate all complaints emanating on wholesale level or above.	--	35	--	55
3. Regional dairy administration of Eastern Nevada counties of White Pine, Elko, Eureka and Lander.	--	--	--	--
4. Dissemination of trade information.	--	--	--	--
5. Promote and encourage use of dairy products.	--	--	--	--
6. Encourage and assist in improvement in producing, transportation, processing, storage, distribution, and handling of dairy products.	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>--</u>	<u>85</u>	<u>--</u>	<u>275</u>

DAIRY COMMISSION
 SCHEDULE OF DUTY PRIORITY AND TECHNICAL STAFF
 AND ESTIMATED MAN DAYS
 (continued)

	Present Staff Available Work Days		Proposed Staff Work Days Per Dairy Commission Report	
	Senior Accountant	Area Supervisor	Senior Accountant	Field Investigator
<u>N.R.S. Enforcement</u>				
1. Office computations (desk audits) of remittance from distributors for assessments due commission.	72	--	72	--
2. Office computations (desk audits) of distributor payments to producer based on ultimate usage of milk.	60	--	60	--
3. Review price filing of distributors for dairy products.	--	15	--	48
4. Preparation of statistical information for distribution.	72	--	72	--
5. Selected physical audits of remittance payments.	--	--	140	--
6. Selected physical audits of producer payments.	--	--	70	--
7. Audit distributor wholesale accounts receivable to prevent overextension of credit to insure prompt payment to producers for milk.	5	10	5	10
8. Analysis of producer-distributor milk contracts for conformance to Statutes and Regulation.	1	--	1	--
9. Licensing of distributors.	6	--	12	--
10. Determine that the bond posted by distributors continues to meet statutory requirements.	1	--	1	--
11. Review bids of distributors to political sub-divisions and other authorized entities for conformance to Statutes and Regulations.	--	--	--	--
12. Registration of producers.	--	--	--	--
	<u>217</u>	<u>25</u>	<u>433</u>	<u>58</u>

DAIRY COMMISSION
 SCHEDULE OF DUTY PRIORITY AND TECHNICAL STAFF
AND ESTIMATED MAN DAYS
 (continued)

	Present Staff		Proposed Staff	
	Available Work Days		Work Days Per	
	Senior	Area	Senior	Field
	Accountant	Supervisor	Accountant	Investigator
<u>Producer-Distributor Economics</u>				
1. Prepare detailed information for public hearings.	10	--	10	--
2. Analysis of dairy conditions in neighboring state and its effect on Nevada production and pricing.	--	--	--	--
3. Outline rules governing producer payments giving consideration to product usage.	--	--	--	--
4. Develop and keep current a formula for payment to producers for milk produced and sold, for each marketing area.	--	--	--	--
5. Analysis of State to develop and maintain marketing areas and zones.	--	--	--	--
6. Develop and keep current a formula governing hauling rates charged producers.	--	--	--	--
7. Outline mandatory provisions governing producer-distributor contracts.	--	--	--	--
	<u>10</u>	<u>--</u>	<u>10</u>	<u>--</u>
Total Man Days for Technical Staff	<u>660</u>	<u>110</u>	<u>983</u>	<u>333</u>
Number of Positions	<u>3</u>	<u>1½</u>	<u>4½</u>	<u>1½</u>