

MINUTES

WAYS AND MEANS COMMITTEE

NEVADA STATE LEGISLATURE - 60th SESSION

March 8, 1979

Chairman Mello called the meeting to order at 8:00 a.m.

PRESENT: Chairman Mello, Vice-Chairman Bremner, Mr. Barengo, Mrs. Cavnar, Mr. Glover, Mr. Hickey, Mr. Mann, Mr. Rhoads, Mr. Vergiels, Mrs. Wagner, Mr. Webb.

ALSO PRESENT: Bill Bible, Fiscal Analyst; Judy Matteucci, Deputy Fiscal Analyst; Mike Alastuey, Deputy Budget Director; John Crossley, Legislative Counsel Bureau; Twain Walker, Legislative Counsel Bureau; Gary Crews, Legislative Counsel Bureau; Hal Smith, Burrows, Smith & Co. of Nevada; Senator Floyd Lamb; Assemblyman John Polish; Neldon Mathews, Superintendent of Schools, Lincoln County; Bill Hancock, Carson City Buildings and Grounds Manager; Lawrence McCracken, Director, Employment Security Department; Mike Meizel, Motor Pool Director; Gordon Harding, General Services; Peggy Glover, Director of General Services; Norman Allen, Director of Indian Affairs; and Les Blossom, Chairman of Indian Commission. See attached guest list.

LINCOLN COUNTY SCHOOL DISTRICT A19

Chairman Mello asked if the one-shot appropriation for the Lincoln County School District had been introduced in bill form. Neldon Mathews, Lincoln County School Superintendent and Hal Smith, Burrows, Smith and Co., of Nevada who were appearing before the Committee to speak to this request, stated that they did not know the status of the bill but added that Senator Floyd Lamb was going to introduce it. Chairman Mello requested the gentlemen to find out the current status of the one-shot. Senator Lamb was called in and he informed the Committee that Senate Finance was going to place the funds for the project in the Authorized Capital Improvement Program and that no specific bill for this project would be introduced.

Chairman Mello and the Committee concurred that adding this one-shot appropriation to the Capital Improvements Program would be a precedent-setting move.

Mr. Mathews explained that this request is for additional construction funds for a secondary school facility in Alamo to supplement the bond issue that has been approved for \$1,500,000. Mr. Mathews went on to say that the current building was constructed in 1917 and that since that time three barracks buildings had been the only additions to the school facilities. He said that an original bond issued for \$1,750,000 had been turned down by the voters partly due to the influx of retirees who do not want increased taxes, but that the second bond for \$1,500,000 had been approved - \$1,000,000 was to go to the Alamo school and \$500,000 was to go for construction of a gymnasium in Panaca. When the bids came in, the requirement that the prevailing wage be used caused the bids to be in excess of the money available. Mr. Mathews explained that the school district had contacted then Governor O'Callaghan and the State Labor Commission asking for a waiver of the prevailing wage requirement, but that they had been told that such a waiver could not be granted. He said that Governor O'Callaghan had said he would recommend a one-shot appropriation for the Lincoln County School District to Governor List.

Mr. Mathews said that the present enrollment at Alamo School is 152 students and that the condition of the school is such that the students do not have equal educational opportunities compared with students in other Nevada schools.

He said that Lincoln County has the lowest tax base in the State and said he felt that there were no chances for acquiring the additional money.

Mr. Mann said that if the state provided the money it would be setting a precedent as it is a County responsibility to build their own schools. Mr. Mathews said that perhaps guidelines should be established where the need is so critical.

Mrs. Cavnar asked if the number of students at Alamo school is remaining stable or decreasing in view of the effect of the retirees. Mr. Mathews said that the number of students is quite stable due to the activities of the prime local employer, Union Carbide. He added that the presence of a retirement community only makes it difficult to pass bond issues.

Mrs. Wagner said that Nevada is the fastest growing State in the nation in per capita increase of senior citizens. She added that this fact may have a very serious impact on passing local school bond issues. She added her concern over other school districts in Nevada coming to the State for funding to build schools if this measure were approved. Mr. Mathews agreed with Mrs. Wagner as to the difficulty of getting bond issues passed with a large percentage of older people on fixed incomes who vote no to avoid paying higher taxes.

Mr. Smith said that because Lincoln County is financially less affluent, it is going to take some precedent setting to meet the increased demands.

Chairman Mello observed that other school districts would probably begin killing bond issues in order to get State money for school construction.

Mr. Bremner asked why the bond had failed. Mr. Smith said he felt there were three reasons; the first being other bond issues are still being paid off, the second was the interest rate quoted was 9% and the voters felt they could not handle that obligation, and the third was the political situation created by separate community centers within the county. He added there was sufficient capacity to allow for a higher bond issue.

Mr. Hickey asked Mr. Smith how many communities in the county were not at the \$5 tax rate limit. Mr. Smith explained one was not yet at the limit. Mr. Hickey asked what Lincoln County could accomplish with their available funds if this one-shot were not approved. Mr. Mathews said that he would request the project architect to eliminate the cafeteria facility and construct only classrooms. Mr. Hickey asked how many classrooms could be built. Mr. Mathews said that 10 classrooms could be build for the \$1,000,000 from the bond issue. Mr. Mathews said that the lowest bids that had been obtained are for \$62 - \$67 per sq. foot and that the original prices had been for \$45 - \$46 per square foot. Mr. Hancock added that the Alamo school is potentially a structural hazard and that it is below fire safety standards. He said that this bid is about the best that can be obtained to fulfill the needs of the school.

Chairman Mello asked Bill Hancock, Manager of the State Public Works Board, if the Public Works Board would handle the construction of this building. Mr. Hancock said no that it would be a county project.

Mrs. Cavnar asked if the need for the gymnasium is critical. Mr. Mathews said that the front part of the gymnasium is disintegrating and that the bleachers are up against the sidelines. In addition, Mr. Mathews said that this gymnasium which has no dressing rooms, is one of the oldest in the State.

Mr. Barengo asked if the prevailing wage scale were waived for the Lincoln County, could the project then be completed with no additional funds. Mr. Mathews said that both buildings could be constructed with the \$1,500,000 that is available if the contractors working on the project did not have to pay prevailing wage scale for Southern Nevada. Mr. Barengo asked why exemption from the prevailing wage had not been requested rather than the appropriation. Mr. Mathews said that he had gone to the Governor and to the Labor Commission to ask if the wage scale could be waived and that they said that this could not be done.

Mr. Bremner requested a clarification of the amount of money being requested by Mr. Mathews. Mr. Mathews said that the requested appropriation would be for \$672,000, (the one-shot in the Executive Budget is \$225,000). Mr. Mathews said with this amount a library, offices, home economics rooms as well as the classrooms and cafeteria could be constructed.

Chairman Mello asked if the problems the Lincoln County School District was having would also be reflected in construction of the Ely Prison.

Mr. Hancock said that in comparison to building the prison in Carson City, the Ely site would cost \$5,000,000 more, and \$3,000,000 than building in Las Vegas.

Chairman Mello recalled, and the Committee agreed, that Mr. Flangas, Vice President of the State Public Works Board, indicated that building in Ely would cost no more than at any other location in the state.

Chairman Mello said that first the request is a bill, then a Capital Improvement Project, and then more money is mentioned. Chairman Mello said that he would like to meet with Senator Lamb of Senate Finance to get a figure that is factual and consistent. Mr. Mann returned with Senator Lamb who stated that the requested appropriation would be \$672,000.

Mr. Hickey asked for the cost of the cafeteria portion of the project. Mr. Mathews said that he would furnish those figures to the Committee.

Mr. Glover asked if Mr. Mathews anticipated any law suits by parents in regard to equal educational opportunities. Mr. Mathews said that he would not anticipate any suits in Lincoln County.

Senator Lamb reiterated the seriousness of the situation regarding the present structure in Lincoln County and said that the reason for the new figure was that the new bid was just received a few days ago. He added that the present building is dangerous, and added that the Legislature was talking about lives of school children in the issue. He said he felt that the Legislature is morally obligated to fund such a project.

Chairman Mello expressed the concern of the Committee that other school districts would also ask for schools to be built with taxpayers' money. Chairman Mello asked for a clarification as to the presentation of this one-shot request. Senator Lamb said that the Governor had recognized the severity of the problem but did not know what the construction costs would be and had used the figure of \$225,000. Senator Lamb said he did not want to spend the additional \$800 to get this bill drafted when he felt it could be appropriately added to the Capital Improvement Program.

Chairman Mello pointed out that Capital Improvements Projects belong to the State but that this building project would belong to a County.

Senator Lamb referred to a former situation concerning the water supply at Overton where the State furnished assistance since the situation was so critical. Senator Lamb compared the situation at Lincoln to the past urgency of the water problems at Overton.

Mr. Mathews said that he had intended no deception in requesting \$225,000 and then asking for \$672,000. He added that Lincoln County has done the best they could regarding the amount of the bond issue of \$1,500,000 and that there is no possibility of passing another bond issue for the additional funds.

Mr. Smith added that they would be happy to proceed in whatever manner directed by the Committee; he said they would like to be involved in discussion of the project though.

Assemblyman Polish said that the high cost of labor is certainly a contributing factor to the construction problems of the Lincoln School.

EMPLOYMENT SECURITY DEPARTMENT

At Chairman Mello's invitation, Mr. John Crossley, Legislative Auditor, spoke to the Committee regarding a newspaper article attack of the audits of the Employment Security Department by the Director of Employment Security Department, Larry McCracken. A copy of this article is included as Exhibit "A".

Mr. Crossley introduced Mr. Twain Walker, Supervising Audit Manager; and Mr. Gary Crews, Auditor in charge of the ESD audits, to the Committee. Mr. Crossley said that two audits were made in the last two years on the Employment Security Department. He said that the first audit report was on the administrative grants from the Department of Labor and the second report was on the Comprehensive Employment Training Act. Mr. Crossley furnished the Committee with a summary of audit progression of the CETA audit which is included as Exhibit "B".

Mr. Crossley explained the various schedules of Exhibit "B", saying that Schedule 1 of Exhibit "B" is a summary of recommendations in the three categories: Program Administration, Accounting, and Participant Eligibility & Records with a summary of recommendations at the bottom of the page. Schedule 2 concerns the questioned costs on participants with recommendations and the ESD response, said Mr. Crossley. He added that ESD did not take time when participants enrolled to develop documented procedures, only to enroll participants. Mr. Crossley said that Schedule 3 is a summary of the prior audit on the CETA program by the Department of Labor from August 1, 1974 through September 30, 1975 which concerned the same three categories as listed in Schedule 1. Mr. Crossley stated that Schedule 4 of Exhibit "B" is a summary of findings in the three different areas.

Mr. Crossley introduced Mr. Crews, who was the in-charge auditor of the audit in question. Mr. Crews explained that during the course of the audit, all findings and recommendations were discussed with ESD officials and four interim letters were sent during the course of the audit. Mr. Crews added that prior to beginning this audit, the Department of Labor furnished a detailed audit program to be used during the audit of the CETA program and made their staff available to the Legislative Counsel Bureau auditors.

Chairman Mello asked if Mr. McCracken had ever made any replies that the audit findings were unsupportable. Mr. Crews said that some findings were disputed, primarily on the participant eligibility. Chairman Mello asked if ESD officials had ever complained that the auditing staff was inexperienced. Mr. Crews replied that ESD had not made this complaint at the time of this audit.

Mr. Crossley introduced Mr. Twain Walker, Supervising Auditor, who had reviewed Mr. Crews' work. Mr. Walker commented that there were many disparities concerning the need for documentation between the auditors and ESD personnel.

Chairman Mello directed Mr. Crossley's attention to the Nevada State Journal article (Exhibit "A") and asked him to discuss the statements made in this article concerning CETA bookkeeping. Mr. Crossley concurred with the statement that more than \$112,341 in questionable expenditures were made in the CETA Program, operated by the ESD. Mr. Crossley pointed out that under the old Federal regulations, many items were questionable and then when Federal laws were changed, some were then acceptable. Other findings by the auditors were: 4% of the participants were ineligible, 33% of them failed to sign their application documents, 74% of the workers' files had no certificate of family income or job application, 23% of the trainees got paid for time outside of their enrollment period, trainees under 15 years of age worked in excess of 8 hours a day in violation of Nevada law, and signatures of instructors were forged on some attendance records.

Mr. Crossley defended the auditing staff against charges of being inexperienced and said that they are experienced in the area of regulation interpretation and are some of the best auditors in the State. Chairman Mello asked if in most areas, these audits coincided with the Federal audits. Mr. Crossley said that this statement is correct. Mr. Crossley said that 53 recommendations were made but the Department concentrated their comments on only one.

Chairman Mello introduced Mr. Larry McCracken, Director of Employment Security Department. Mr. McCracken disagreed with the quality of this audit by the Legislative Counsel Bureau and said that the absence of facts made it less creditable. Mr. McCracken said that some of the areas of disagreement - for example being out of balance with the Controllers System - are the result of differing bookkeeping procedures. He said that a computer system is being developed and that the manual system was in balance with the Controllers records. Mr. McCracken said that some of the disagreement lies in the interpretation of the multitude of Federal regulations. He said that there were some recommendations which ESD did agree with and pointed out that 16 out of the 20 major audit recommendations have been implemented, 2 recommendations could not be implemented, and 2 will be implemented. Mr. McCracken said that the auditors found \$4,700 that ESD should not have paid and that this payment is being appealed.

Mr. McCracken said that when the Federal Government started the program, it directed the State to concentrate on filling quotas of trainees rather than on bookkeeping. He added that CETA regulations were constantly changing and would generally arrive just days before the various programs were to commence operation, rendering the proper preparation of extensive written procedures most difficult. Mr. McCracken said that the Department of Labor had called ESD to state that of \$112,000 questioned by the Legislative Auditing staff, \$56,000 is not questioned and \$32,000 is going to be waived as being interpreted in different ways, which leaves \$23,000 of questioned costs. He pointed out that there had been a change in regulations that he felt should have been mentioned on the audit.

Chairman Mello asked Mr. McCracken if he agreed with other statements made regarding the participants eligibility, failure to sign documents, and lack of certification of family income.

Mr. McCracken said that at the time the program was underway, this was not required. Chairman Mello also referred to the finding that 23% of the trainees got paid for time outside of their enrollment period. Mr. McCracken said that ESD just did not get the facts and did not research these people. Chairman Mello asked about the violations of child labor laws with regard to trainees under 15 years of age working more than 8 hours a day. Mr. McCracken said that he did know of two cases of trainees under 15 working in excess of 8 hours a day who were working for a subcontractor. Chairman Mello inquired about the signature of instructors being forged on attendance records. Mr. McCracken said that there did appear to be some discrepancies in the signatures.

Chairman Mello suggested that ESD did not take the Legislature auditors seriously. Mr. McCracken said that he does take the auditors seriously and added that the auditors of the financial areas were great. He said the program audits are what he questions. Chairman Mello referred to disclosures about agency personnel using ESD computers to operate an employee sports pool for two years and asked if anyone was fired upon discovery of this situation. Mr. McCracken said that the employee guilty of this received a reprimand and had to pay back the costs of the program installation of \$90.00.

Chairman Mello questioned a contract to hire a special security guard to protect an employee who had been threatened by a person who had been fired. Mr. McCracken said that this instance referred to a former employee who had been taking narcotics and had made threats against several people. He had also come to ESD carrying a weapon but since he had not committed any crime, police could not take any action, Mr. McCracken said that this is a temporary situation.

Mr. Mann referred to Schedule 2 in Exhibit "B" concerning CETA participants not signing their applications and other proofs of qualification, and asked Mr. McCracken why he said that the Federal government did not require that this information be obtained. Mr. Mann asked if the Federal government had not set up guidelines for this program. Mr. McCracken said that regulations were constantly changing and that the individual who enrolled a participant had to sign documents but that the participant was not required to sign anything. Mr. Mann asked for a copy of the regulation stating that the participants do not have to sign any documents. Mr. McCracken said that there is not any document stating this policy, but that the absence of such a regulation has been interpreted as an allowable practice.

Chairman Mello said that Mr. McCracken certainly could not substantiate his complaints concerning the Legislative Counsel Bureau audit. Chairman Mello requested that proof be furnished by Monday, (March 12, 1979), that ESD is actually following the Federal guidelines in the areas of disagreement. Mr. McCracken said that he would furnish this information for the Committee.

Chairman Mello stated that it appeared that this program is another federal boondoggle and that it is a waste of taxpayers' dollars. He said that with little or no record keeping and falsification of records the whole program was just a mess.

UNEMPLOYMENT COMPENSATION ADMINISTRATION

Mr. McCracken said that this agency promotes the economic growth of Nevada through administration of a labor exchange and comprehensive employment service system for employers and workers through an unemployment benefit payment system.

Mrs. Wagner questioned this type of budget presentation as all operating expenditures are lumped together showing no figures other than totals. Chairman Mello said that at one time a position was cut and then the Federal government required that it be put back because they said that it was necessary.

Mr. McCracken explained that UCA has a six to nine month budget cycle, not a two year budget cycle and that the actual budget is usually not known until three months into the year.

Mrs. Wagner asked how many positions are involved in the Work Incentive Program. Mr. McCracken said that WIN has 23 employees and had 1800 clients in 1978.

Chairman Mello asked what the current unemployment rate is and what it was in 1975. Mr. McCracken said it is currently 4.4% and in 1975 it was 11%. Chairman Mello asked how many people were employed in 1975 handling the claimants. Mr. McCracken said that there were 130 more people handling unemployment operations in 1975 than there are now. Chairman Mello asked if staff had been reduced proportionally as the unemployment claimants dropped. Mr. McCracken said that the federal government utilizes work performance standards and the Department is paid only for the amount of work completed. He said that the number of employees is not tied to the unemployment rate.

Mr. Barengo questioned the format of this budget as being completely uninformative as compared to the information that is furnished in other budgets. Mr. Barengo asked if there is any possibility that this budget could be changed in the future to show cost breakdowns. Mr. Alastuey said that ESD's budget has always been presented in this manner as their budget cycle with the great many Federal grants with changing regulations necessarily make it so.

Mr. McCracken said that there are as many as 22 separate programs with funds coming into ESD. Mr. Barengo asked if all these programs are necessary. Mr. McCracken said that these programs are all funneled through the Department of Labor into ESD with similar programs in most other states. Mr. Barengo asked if all these programs are Federally mandated. Mr. McCracken said that some of the programs are and if the ESD did not handle such programs as unemployment compensation, employers would have to pay more directly to the federal government. Mr. Barengo stated that if the Committee could not get a handle on these budgets they should be regulated by the Federal Government and not be presented to the Committee.

Chairman Mello asked if the CETA program is being continued. Mr. McCracken said that it is but has been moved to a different area of the ESD budget. Mr. Alastuey said that CETA does not know what Federal funds will be available. Chairman Mello requested Mr. McCracken to make some recommendations on dropping some of these programs or cutting the scope of some programs. Mr. McCracken said that he would get back to the Committee with information on different programs. Mrs. Cavnar requested information on positions filled by the CETA program. Mr. McCracken said that he would furnish this information.

Mrs. Wagner said that the presentation format for ESD is very difficult to understand and asked if there is any breakdown on the number of positions, the number of people they serve, pay scales and such specific information. Chairman Mello said that attempts had been made to change this format and that other states have also attempted to fight the Federal government on this issue and have been winning. Chairman Mello added that the feeling of the people throughout the country is changing and these programs should not be approved unless they can be justified. He suggested perhaps this biennium, the Committee could exercise some control.

Mr. Vergiels said that this budget should be in line item form showing the same information as the budgets of other State agencies. He added that in spite of fluctuation of Federal funds, many employees have been with ESD for many years and their positions and salaries should be readily available. Chairman Mello suggested a Subcommittee go through the ESD budgets, positions, and all grants or Federal mandated programs. This Subcommittee was formed consisting of Mr. Barengo as Chairman, Mr. Hickey, and Mrs. Wagner.

Mr. Webb asked where the unemployment compensation insurance monies were in budgets. Mr. McCracken said unemployment compensation funds totals \$100,000,000 but that it wasn't shown in the budget.

Mr. Webb asked if the basic portion of Employment Security Administration receipts is from employers of Nevada. Mr. McCracken said that this money goes to the Federal government which administers these funds. He added that unemployment insurance tax goes for benefit payments or stays in the trust fund for benefits.

MOTOR POOL

Mrs. Peggy Glover, Department of General Services, said that General Services and the State Budget Office have been working to revise the Motor Pool budget in order that the charges to user agencies comply with the Federal cost allocation requirements. She said that Federal regulations require motor pool to depreciate equipment purchases on an annual basis rather than the current method of charging the purchases to an operating category in the year of acquisition. Mrs. Glover said that Senate Bill 222, which provides a one-shot appropriation to purchase Motor Pool vehicles is being amended to the amount of \$638,984 to set up a revolving fund for the purchase of vehicles which would then be depreciated on a four year cycle. Mrs. Glover introduced Mr. Gordon Harding, General Services, to address the Committee on this proposal. (Exhibit "C")

Mr. Harding said that the Federal government used to accept the Motor Pool rates which provided sufficient funds with which to purchase new automobiles. He said the federal government is now requiring the State to go to a depreciation method of cutting rates in order for them to continue participation in the Motor Pool.

Mr. Harding said that the Federal government currently pays 48% of the monies to support Motor Pool activity. He said that under the new ordered requirements the Motor Pool would be double-declining depreciation which will allow the State to get 50% of the expended monies back in the first year. He said that the State, which would recover the total purchase price paid for the vehicle over the remaining life, through depreciation and the salvage value which will be used to reimburse the revolving fund. Mr. Harding said that this depreciation system maximizes the Federal recovery. He added that the appropriation deals with the replacement of 113 vehicles, and the acquisition of 46 new vehicles which relate to the growth in Gaming and Parole and Probation. Mr. Harding explained that the Federal government's Motor Pool participation will be out to 44%. Mr. Harding said that in the current fiscal year, \$140,000 worth of vehicles will be purchased with money already accumulated from the rates charged and \$265,000 in purchases will be deferred to the following fiscal year, which allows the motor pool to maximize the Federal recovery in the first year of operation. Mr. Harding added that the State will have to put a small amount of additional funds into this revolving fund to allow for growth and inflation since this depreciation allows for the recovery of the vehicle costs only.

Mrs. Glover said that the State could have a safeguard in the growth factor simply by limiting the number of cars in each agency. Mr. Harding agreed that this is true and pointed out that the Motor Pool could also be frozen in size therefore General Funds would be needed for inflation only.

Mike Meizel, Buildings and Grounds, said that the Motor Pool is administered by Buildings and Grounds with three central locations at Reno, Las Vegas, and Carson City. Mr. Meizel said that the current budget reflects inflationary increases in operating items with the exception of data processing costs. Mr. Meizel said that this increase is due to establishment of a cost accounting system recommended by the legislative auditors. Mr. Meizel said that no additional positions are being requested in this budget. Mr. Glover asked about the current status of the Las Vegas Motor Pool property that is currently being leased. Mr. Meizel said that a Capital Improvement Project had been requested at the prior session and that it had been suggested at that time that the motor pool work with the airport authority concerning lease of land. Mr. Glover asked the cost of the rent for this land. Mr. Meizel said that the rent is \$8,000 per year. Mr. Meizel added that the land currently being leased was really not conducive to a Motor Pool operation.

Mr. Alastuey, Budget Office, referred to a question by Mr. Mann on March 7 pertaining to a carry forward of a special appropriation of alcohol and drug abuse funds. Mr. Alastuey said that \$70,528 from fiscal year 77-78 was carried forward on the basis that no reversion date was specified. He said that the Attorney General's opinion rendered by Deputy Attorney General Mike Melner to Mr. Del Frost, Rehabilitation Division, indicated that funds should have reverted at the end of Fiscal year 77-78. He stated that there is some \$29,638 which is a combined figure of \$3,946 not obligated in any form before June 30, 1978 and \$25,692 recovered when the Alcoholic Rehabilitation Association closed which will be recommended for revision at a March 23, 1979 Board of Examiners Meeting. (Exhibit "D")

INDIAN COMMISSION

Mr. Norman Allen, Director, Indian Commission; and Mr. Les Blossom, Chairman, Indian Commission and Intertribal Council of Nevada, presented the budget to the Committee. Mr. Allen said that the five-member Indian Commission studies matters affecting the social and economic welfare and well-being of American Indians residing in Nevada. Mr. Allen said that the position of research analyst should be changed to the present title of coordinator of research and education. Mr. Allen said that the Indian Commission would like to institute a news letter for the purpose of furnishing information to the public.

Mr. Mann questioned the in-state travel item of \$8,000 and asked for a breakdown of the anticipated trips and the personnel who will be making these trips. Mr. Allen said that the actual travel was \$5,073 and that the additional money was requested at the request of the Commissioners. Mr. Blossom said that the main office is in Reno, with other Commissioners residing in various areas of Nevada, and added that there are eight meetings each year with additional travel due to the legislature being in session.

Mr. Glover asked about the item of host expense. Mr. Allen said that this host expense was created to arrange an annual Governor's Nevada Indian conference. Mr. Hickey asked if LEAA provided funding for the judges to attend a recent conference on Indian law. Mr. Allen said that LEAA had paid some of the travel expenses for the judges who appeared at the conference on Indian law. Mr. Hickey also asked if the Governor has a host fund. Mr. Alastuey said that there is a host fund in one of the Governor's accounts

and a host expense budgeted which is used for people who are participants or guests at any function.

Mr. Bremner asked what the Indian population is in Nevada. Mr. Allen said that there are about 10,000 Indians living on reservations with at least an equal number living off the reservations and that there has been an influx of Indians coming into Nevada from other states.

DISTRIBUTIVE SCHOOL FUND

Mr. Alastuey, Budget Office, said that this handout (Exhibit "E") is a rework of the handicapped education provisions of the distributive school fund. He explained that the work programs of \$17,000 per handicapped unit was fixed, and that a certain number of units were provided in the budget to be dispersed statewide. He further explained that the \$18,000 initially recommended was based on the Department of Education's original request except that a reduction in the amount of units allocated was recommended. Mr. Alastuey said that the new proposal changes the definition of a unit to include the salary of a teacher of \$15,500 plus the basic per pupil support of \$12,520 thereby bringing the total unit cost to \$28,020. He said that this revision puts \$500,000 per year into the budget.

Mr. Bible said that the increases in the total figures are 1.5 million the first year and 2.4 million the second year. Mr. Bible asked Mr. Alastuey if the original figures presented by the budget office did not include costs for the adult diploma program. Mr. Alastuey said that that was correct. Mr. Bible pointed out that that is the major reason why the estimates of reversion by the Budget office and the Fiscal Analysis office were so far apart.

Chairman Mello observed that the recommendations were being increased by 4.8 million for the biennium. Mr. Bible explained that the total increases including University adjustments made by the Budget office amounted to almost 2 million the first year of the biennium and 2.8 million the second year of the biennium, or a total General Fund increase of 4.8 million for the biennium. Mr. Alastuey said that changes to the university budget are based on more staff positions being full-time instead of part-time. Chairman Mello asked where the funds for the increases were coming from. He pointed out that if the Governor's revised recommendations are followed, the predicted surplus will be substantially reduced. Chairman Mello said that money cannot be added to budgets and still have tax-cuts that are requested. Mr. Alastuey said that estimates are estimates and that some estimates of necessity must be changed. Mr. Bible asked if the revenue estimates were going to be revised. Mr. Alastuey said they have not been revised, but could be revised.

Mr. Bible further explained to the Committee that the 4 million increase referred to included increases in the university budget of \$415,000 the first year and \$471,000 the second year in General Fund. He said that the recommended increases in the Distributive School Fund are a 1.4 million General Fund increase the first year and 2.4 million increase the second year of the biennium with about \$500,000 each year attributable to special education. He said that one million dollars each fiscal year were being added to the adult diploma program. He added that these monies were not originally included in the Executive Budget. Mr. Bible said that this additional money can be generated by decreased expenditures, decreased reforms in the tax package, or revision of revenue estimates.

Chairman Mello advised Mr. Alastuey that he did not want to hear that the Legislature added money to the Governor's recommendation when - in reality - the Governor revised his recommendation.

AB 219

Chairman Mello explained that this bill had a clause that the \$8,700 remaining in the mansion fund would revert back to the General Fund on July 1, 1981. He said that the Senate has stricken the clause and would leave those monies in the fund for the Governor to use for whatever emergency might occur.

A motion was made to not concur with the amendment by Mr. Mann; seconded by Mrs. Cavnar. Motion approved. Mr. Vergiels voted "NO."

AB 254

Chairman Mello stated that the amendments and the bill are prepared for AB 254 which Mr. Webb will present on the floor.

AB 301

Chairman Mello said that the amendments and the bill are prepared for AB 301 which will be handled by Mr. Rhoads on the floor.

The meeting was adjourned at 10:50 a.m.

DATE: March 17, 1974

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME. (PLEASE PRINT)

REPRESENTING:

Don Crossley

LCR - Audit

TWAIN WALKER

LCB - Audit

GARY CREWS

LCB - Audit

HAL SMITH

BURROWS, SMITH & CO. OF NEVADA (LINCOLN COUNTY SCHOOL DIST)

MIKE FICLIANO

Lin. Co. Service Dist.

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Lincoln County

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State Dept of Education

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Public Works Dept

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Regist Division

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Nevada State Journal

Thursday Morning, March 1, 1979, Reno—20

Audit: Jobs Program a Mess

Legislative Report Blasts CETA's 'Cow County' Bookkeeping

By CY RYAN
RENO CITY (UPI) — A federally funded employment and training program run by the state of Nevada has come under sharp criticism from legislative auditors who say they have discovered overpayments, forgeries and violation of child labor laws.

The auditors said they discovered more than \$119,941 in questionable expenditures in the Comprehensive Employment and Training Act (CETA) Program, operated by the state Employment Security Department in Nevada's 15 "cow counties." The financial examination, released Wednesday, covers 1975-

77, in which \$5.9 million was spent. In reviewing a sample of 189 persons, the auditors said they found massive irregularities in record keeping. The report said:

- 4 percent of the participants were ineligible;
- 33 percent of them failed to sign their application documents;

- 74 percent of the workers' files had no certificate of family income or job application;

- 23 percent of the trainees got paid for time outside of their enrollment period;

- Trainees under 15 years of age worked in excess of 8 hours a day in violation of Nevada law, and

- Signatures of instructors were forged on some attendance records.

"Management has not provided the direction or guidance necessary to assure the effective accounting, auditing and monitoring of services to eligible participants," said legislative auditor John R. Crossley.

The agency disputed the findings of the auditor, saying the persons found ineligible in the sampling actually were qualified to take part in the training program.

Employment Security Department Director Larry McCracken blasted the report, saying several findings are "unsupportable." He

and Crossley said they do not experienced in some areas and should take some special courses before attempting another CETA audit.

McCracken said that when the federal government started the program, it directed the state to concentrate on filling the quotas of trainees rather than on bookkeeping.

"The CETA regulations were constantly changing and would generally arrive just days before the various programs were due to commence operation, rendering the proper preparation of extensive written procedures most difficult.

(See NEVADA, Page 5, Col. 3)

Nevada Rural

(Continued from Page 1)

cult," McCracken said in answer to the audit.

McCracken challenged the statements that trainees were paid for times they were not on the job. But he did admit that several youngsters under 15 years of age worked longer than 8 hours a day in the program.

The biggest questionable expense found by the auditors is \$72,577 in benefits to seven persons enrolled in the program. The auditors said one trainee was a resident of Utah, two others were not economically disadvantaged and others were not underemployed as required by the guidelines.

The financial report also said there were deficiencies and errors in the financial accounting and the reporting of results of operation. It said there was overstatement of costs, cash books not reconciled, costs improperly allocated and unallowable administrative costs.

The auditors said that without adequate records, the state cannot evaluate effectively its own performance or maintain control over money being sent to local organizations in the program.

AUDIT DIVISION
 SUMMARY OF ESD'S RESPONSE
 TO CETA AUDIT RECOMMENDATIONS
AUDIT REPORT NO. 1

SCHEDULE 1

	<u>Recommen- dation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
PROGRAM ADMINISTRATION			
Procedures & Policies	1-10	1-69	Concur
Subgrantee Audits-Complete Them	1-12	1-69	Concur
Subgrantee Audits-Follow-up	1-12	1-69	Concur
Subgrantee Audits-Seek Reimbursement	1-12	1-69	Concur
Monitoring Subgrantees-Written Procedures	1-14	1-71	Concur
Monitoring Subgrantees-Schedule Visits	1-14	1-71	Concur
ACCOUNTING			
Workpapers	1-16	1-71	Concur
Fiscal Reporting	1-18	1-72	Concur
Cash Records-Reconciliation	1-20	1-72	Concur
Cash Records-Maintain Daily	1-20	1-72	Concur
Cash Records-Separate Titles	1-20	1-72	Concur
Cash Records-Eliminate Duplication	1-20	1-72	Concur
Administrative Costs	1-21	1-72	Do Not Concur(1)
Joint Costs	1-22	1-74	Concur & Accomplished
Joint Costs	1-22	1-74	Concur & Accomplished
PARTICIPANT ELIGIBILITY & RECORDS			
Documentation & Screening-Written Job Descriptions	1-25	1-74	Concur
Documentation & Screening-Follow Federal Regulation	1-25	1-74	Concur
Wage and Allowance-Cards on Recipients	1-41	1-79	Do Not Concur
Wage and Allowance-Written Procedures	1-41	1-79	Concur
Wage and Allowance-Seek Reimbursement	1-41	1-79	Concur

(1) Prior Federal audit recommendation on questioned costs. ESD did not concur with the Department of Labor (DOL) auditors either.

SUMMARY

Number of Recommendations:

Pages 1-4 to 1-6	<u>20</u>	<u>100%</u>
ESD Concurred	18	90
ESD Rejected	<u>2</u>	<u>10</u>
	<u>20</u>	<u>100%</u>

AUDIT DIVISION
SUMMARY OF ESD'S RESPONSE
TO QUESTIONED COSTS ON PARTICIPANTS
AUDIT REPORT NO. 1

SCHEDULE 2

<u>Participant No.</u>	<u>Recommendation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
No. 1	1-28	1-28	Do Not Concur
No. 2	1-29	1-29	Do Not Concur
No. 4	1-22	1-33	Do Not Concur
No. 6	1-35	1-36	Concur
No. 7	1-36	1-37	Do Not Concur
No. 8	1-38	1-38	Do Not Concur
No. 9	1-39	1-39	Do Not Concur
No. 10	1-41	1-78	Concur, but disagree as to amount

ESD provided us with additional documentation which consisted mainly of letters from participants in which they stated they were eligible for participation. These do not offset the fact that the procedures used when participants were initially enrolled were incomplete and/or inadequate. This confirms the following quote from response to audit report.

"Region IX instructed prime sponsors to focus their energies on the enrollment of participants in the various programs. As a result of this emphasis, Nevada Balance of State (BOS) concentrated on reaching participant quotas, in which it excelled, rather than attempting to develop documented procedures. The CETA regulations were constantly changing and would generally arrive just days before the various programs were due to commence operation, rendering the proper preparation of extensive written procedures most difficult."

We were unable to find anything in the CETA regulations to support the above quote, nor were we even informed of that policy by the DOL audit and program representatives.

DEPARTMENT OF LABOR
AUDIT REPORT
SUMMARY OF AUDIT FINDINGS
COMPREHENSIVE PLANNING ASSISTANCE GRANTS
AUGUST 1, 1974 THROUGH SEPTEMBER 30, 1975

SCHEDULE 3

1. "The internal controls over fiscal recording and reporting for all CETA Titles need improvement."
2. Lack of written subgrant agreements for program agents and employing agencies.
3. ESD is maintaining separate CETA components, resulting in the duplicated effort and cost.
4. Inadequate monitoring of subgrantees and contractors.
5. "Funds provided for the 1975 Title III Grant were not properly recorded."
6. "Training funds are being improperly used."

Tuition paid to Evelyn Wood Reading Dynamics
Institute for participant in classroom training.

7. "Ineligible OJT and PSE participants have been enrolled."
 - a) "Our review of participant eligibility disclosed several instances of participants who were not eligible or whose eligibility could not be determined. We also noted OJT participants who did not appear to require training over and above that normally provided by the employer.

We are questioning \$48,084.87 in costs related to these participants.

We examined the eligibility of all participants who were enrolled in Title I programs at the prime sponsor level during February 1975. Of the 25 OJT personnel records reviewed, we determined that 5 enrollees (20%) were not unemployed when enrolled in the program. Their personnel records also did not indicate that they were economically disadvantaged or underemployed."

- b) "We also found six incomplete records under Title II and four under Title III. Therefore, we could not determine whether these participants were eligible to participate in CETA programs."
8. "Ineligible participants were included in the in-school program."
 - a) "The Title I CETA Coordinator identified 43 of these ineligible students."

DEPARTMENT OF LABOR
AUDIT REPORT
SUMMARY OF AUDIT FINDINGS
COMPREHENSIVE PLANNING ASSISTANCE GRANTS
AUGUST 1, 1974 THROUGH SEPTEMBER 30, 1975
(continued)

SCHEDULE 3

9. "Titles II and VI funds were expended for restricted items."
10. Title I funds were used to buy equipment for Titles II and VI.
11. "Wages were paid to Title II participants in excess of the rate of \$10,000 a year."
12. "Audit report schedules D-1, 2, and 3 list \$60,239.14 of questioned costs disclosed in the findings and recommendations section of the report."

EX HIBIT B

AUDIT DIVISION,
SUMMARY OF AUDIT FINDINGS
COMPREHENSIVE EMPLOYMENT AND TRAINING GRANTS
JUNE 1, 1975 THROUGH SEPTEMBER 30, 1977
REPORT NO. 1

SCHEDULE 4

1. "Management has not provided the direction or guidance necessary to assure the affective accounting, auditing, and monitoring of services to eligible participants."
 - a) The absence of written accounting and program procedures.
 - b) Lack of subgrantee audits.
 - c) Inadequate monitoring of subgrantees.
 - d) Little followup on the few subgrantee audits that were performed.

2. "Our review disclosed deficiencies and errors in the financial accounting and the reporting of results of operations".
 - a) Inadequate workpapers and documentation.
 - b) Numerous errors in reporting to the Department of Labor.
 - c) Overstatement of costs.
 - d) Required reports not submitted.
 - e) Cash books not reconciled.
 - f) Comingling of cash records for various title programs.
 - g) Unallowable administrative costs.
 - h) Costs improperly allocated.

3. "Our review of participant records maintained at the central CETA unit revealed that those records are incomplete and inadequate for the purpose of eligibility determination."
 - a) Inadequate screening of applicants.
 - b) Missing and incomplete documentation.
 - c) Enrollment of ineligible applicants.

4. We are questioning \$112,341 of expenditures disclosed through the use of statistical sampling and other audit procedures employed during the course of our audit.

ESD CETA AUDIT
SCHEDULE OF SIGNIFICANT DATES IN REGARD TO
CRITICAL MEETINGS, TRAINING, & CORRESPONDENCE
ON AUDIT FINDINGS, ETC.

SCHEDULE 5

11-29-77 Entrance conference held with ESD. Attendants were:

Legislative Counsel Bureau - Audit Division

Earl T. Oliver, C.P.A.
John R. Crossley, C.P.A.
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.

Nevada Employment Security Department

Lawrence McCracken,
and other members of ESD management

1-3-78 Gary Crews was sent to 40 hours of training paid by the Department of Labor. Training was in the use of computer software programs to be used in the audit of ESD and CETA.

1-19-78 Gary Crews had conversation with Jerry Sweet, Department of Labor Audit Supervisor responsible for Nevada. Conversation was in regard to the use of statistical sampling during our audit and other technical applications.

Audit staff were assigned to the ESD-CETA project in the following capacities:

John R. Crossley, C.P.A. - Chief Deputy Legislative Auditor
Twain A. Walker, C.P.A. - Audit Manager
Wm. Gary Crews, C.P.A. - Audit Supervisor In-Charge
Harry J. Dearing, C.P.A. - Deputy Legislative Auditor
Priscilla Robinson - Deputy Legislative Auditor

Additional staff were added later:

Carol A. English, C.P.A. - Deputy Legislative Auditor
Gene Walkama - Deputy Legislative Auditor
Gerry Colquhoun - Deputy Legislative Auditor
Bradford D. Brown - Deputy Legislative Auditor

1-31-78 Gary Crews and Harry Dearing visited the San Francisco
to Regional Office of DOL. Several meetings were held both
2-1-78 with program representative Alan Thomas and audit
supervisor, Jerry Sweet.

3-13-78 Interim letter No. 1 from Gary Crews to Mr. McCracken
sent. Letter pointed out many deficiencies.

ESD CETA AUDIT
SCHEDULE OF SIGNIFICANT DATES IN REGARD TO
CRITICAL MEETINGS, TRAINING, & CORRESPONDENCE
ON AUDIT FINDINGS, ETC.

(continued)

SCHEDULE 5

- 3-22-78 Letter from Mr. McCracken in response to interim letter No. 1 received.
- 3-28-78 Interim letter No. 2 from Gary Crews to Mr. McCracken sent pointing out additional problems.
- 4-3-78 Letter from Earl T. Oliver to Don Byrd, Regional Administrator for Audit, informing him of the unauditable condition of some CETA records.
- 4-20-78 Letter from Mr. McCracken in response to interim letter No. 2 received.
- 4-28-78 Interim letter No. 3 from Gary Crews to Mr. McCracken sent. Accompanying this letter was a list of 91 participants for which we needed documentation, or additional support to substantiate allowance and wage payments.
- 5-4-78 Letter from Mr. James Oliver signing for Mr. McCracken, in response to interim letter No. 3, stating that they will need additional time to find the support and documentation needed.
- 5-4-78 Interim letter No. 4 from Gary Crews to Mr. McCracken sent along with list of participants that we felt were ineligible.
- 5-10-78 Department of Labor auditor, Mimi Lee, from San Francisco Regional Office, came to Carson City at our request to review our workpapers on individuals that we deemed ineligible. She was in concurrence with our findings.
- 5-22-78 Letter from Mr. McCracken in response to interim letter No. 4 received.
- 6-2-78 Second letter sent to Mr. McCracken stating that as of 5-30-78 we still have not received the documentation we requested on 4-28-78 in regard to the 91 participants.

Meeting held with ESD in regard to response we received to interim letter No. 4 We informed ESD officials that we still were not satisfied with the documentation that they used in support of the eligibility of several participants.

Attendants were:

John R. Crossley, C.P.A. - Acting Legislative Auditor
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.

Lawrence McCracken
James Calder

EX HIBIT B

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ESD CL. AUDIT
SCHEDULE OF SIGNIFICANT DATES IN REGARD TO
CRITICAL MEETINGS, TRAINING, & CORRESPONDENCE
ON AUDIT FINDINGS, ETC.
(continued)

SCHEDULE 5

6-6-78 Letter from John Crossley to Don Byrd, Regional Administrator for Audit for the Department of Labor, requesting additional time to complete the audit because ESD has not been able to supply needed documentation.

8-28-78 First exit conference held.
to Those present were:

8-29-78

Nevada Employment Security Department

James Oliver
James Calder
Tom Chamberlain
Jerry Stotler
George Partee
Steve Watson
Bob Johnson
Rosemary Stroup
Eloise Koenig
Gerri Murphy
Cheryl Young

Lawrence McCracken, the Executive Director, was not present due to illness.

Legislative Counsel Bureau

John R. Crossley, C.P.A. - Legislative Auditor
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.
Priscilla Robinson

9-13-78 Meeting held between Lawrence McCracken and John Crossley in regard to our preliminary audit report draft. He requested, and was granted a second exit conference to review the report further.

9-26-78 As requested by Mr. McCracken, a second exit conference was held. Those present were:

Nevada Employment Security Department

Lawrence McCracken
James Calder
Tom Chamberlain
Bob Johnson
Rosemary Stroup
Gerri Murphy

ESD CL DIT
SCHEDULE OF SIGNIFICANT DATES IN REGARD TO
CRITICAL MEETINGS, TRAINING, & CORRESPONDENCE
ON AUDIT FINDINGS, ETC.

(continued)

SCHEDULE 5

9-26-78 (continued)
Legislative Counsel Bureau

John R. Crossley, C.P.A.
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.
Priscilla Robinson

12-11-78 Meeting held with Jerry Sweet, Department of Labor Audit Supervisor responsible for Nevada. Mr. Sweet reviewed our workpapers and support for our audit findings and was in concurrence. Audit Division employees in attendance were:

John R. Crossley, C.P.A.
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.

12-20-78 Meeting held with Jerry Sweet and Department of Labor program representative for Nevada, Connie Marmet. We presented the documentation that we had in support of our findings. Program representative was not in agreement as to exceptions but Mr. Sweet was. It is now necessary for the Federal Government to decide whether exceptions on questioned costs will be upheld or not. Audit Division employees in attendance were:

John R. Crossley, C.P.A.
Twain A. Walker, C.P.A.
Wm. Gary Crews, C.P.A.

Additional Comments

Prior to beginning the audit the Department of Labor furnished us with a detailed audit program to be used in the audit of CETA. This program spelled out the criteria to be used in auditing the CETA program. In addition, DOL audit supervisors and staff from the San Francisco Regional Office informed us they would, and did make themselves available to us at all times. Monthly progress reports on the findings that were developing were forwarded to them. We had the DOL prior audit workpapers to refer to as needed during the course of our audit. Also, we obtained, and added to, a comprehensive cross reference of the CETA regulations.

All findings were thoroughly discussed during the course of our audit with ESD management and staff.

The U.S. Department of Labor is the only authority to make the final decision on disposition of questioned costs.

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AUDIT DIVISION
SUMMARY OF ESD'S RESPONSE TO
ADMINISTRATIVE GRANT AUDIT RECOMMENDATIONS
REPORT NO. 48 (PRIOR YEAR)

SCHEDULE 6

FINANCIAL REPORTING	<u>Recommen- dation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
Verify monthly that the MA 2-66 report is accurate and in agreement with ESD books.	48.20	48.35	Accomplished
Submit the Report of Federal Cash Transactions in accordance with regulations.	48.20	48.35	To be accomplished
Correct the general ledger and reports for fund ledger balance in error.	48.21	48.35	Accomplished
Include all administrative cash accounts in the General Fund ledger.	48.23	48.36	To be accomplished
Operate the General Fund ledger as a control ledger for all individual fund ledger accounts.	48.23	48.36	To be accomplished
Reconcile monthly to the bank all general ledger cash accounts.	48.23	48.36	To be accomplished
Conduct a physical inventory of materials at end of each fiscal year.	48.23	48.36	To be accomplished
Analyze and reconcile differences between physical and book inventories.	48.23	48.36	To be accomplished
Review accruals for accuracy and propriety.	48.23	48.37	Accomplished
Document all accruals as to intent and method of calculation.	48.23	48.37	To be accomplished

AUDIT DIVISION
SUMMARY OF ESD'S RESPONSE TO
ADMINISTRATIVE GRANT AUDIT RECOMMENDATIONS
REPORT NO. 48 (PRIOR YEAR)
(continued)

SCHEDULE 6

	<u>Recommen- dation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
Input current salary ceiling to calculation of unemployment compensation accrual.	48.23	48.37	Accomplished
Determine NIC premium overpayments and obtain proper adjustments and refunds.	48.23	48.37	Accomplished
Reconcile equipment transactions per Inventory Control System to the Financial Management System.	48.24	48.38	To be accomplished
ACCOUNTING PROCEDURES			
Maintain authorized receiving signature lists for appropriate ESD areas.	48.25	48.38	To be accomplished
Require supervisory review and signed approval of all accounting input documents.	48.25	48.38	Accomplished
Require employees to sign their time distribution reports.	48.25	48.38	To be accomplished
Maintain a centralized file of ESD accounting procedures, including accruals, payables, and cost allocation calculations.	48.26	48.39	To be accomplished
Increase controls over filed documents.	48.26	48.39	To be accomplished
Index all batch sheets as to their supporting documentation.	48.27	48.39	To be accomplished

AUDIT DIVISION
SUMMARY OF ESD'S RESPONSE TO
ADMINISTRATIVE GRANT AUDIT RECOMMENDATIONS
REPORT NO. 48 (PRIOR YEAR)
(continued)

SCHEDULE 6

	<u>Recommen- dation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
Maintain current documentation on cost allocation procedures.	48.27	48.40	To be accomplished
Maintain necessary supporting papers for all adjustments.	48.27	48.40	To be accomplished
Exercise strict supervisory review and control over all accounting entries, adjustments and procedures.	48.27	48.40	To be accomplished
ADMINISTRATION			
Direct employees to discontinue using State or ESD titles for personal bank accounts.	48.28	48.40	Accomplished
Establish, if appropriate, a separate cost center for printing costs.	48.29	48.41	Deferred
Determine in conjunction with the Superintendent of State Printing, if the operation of a separate print shop for ESD is the most economical, efficient, and practical method available.	48.29	48.41	To be accomplished
Document proper accounting procedures for equipment leases.	48.30	48.41	To be accomplished
Coordinate leasing information between Financial Management and Procurement Office.	48.30	48.42	To be accomplished

AUDIT DIVISION
SUMMARY OF ESD'S RESPONSE TO
ADMINISTRATIVE GRANT AUDIT RECOMMENDATIONS
REPORT NO. 48 (PRIOR YEAR)
(continued)

SCHEDULE 6

	<u>Recommen- dation Page</u>	<u>ESD Comments Page</u>	<u>ESD Response</u>
Require copies of all ESD lease or maintenance agreements be filed with Procurement Office.	48.30	48.42	To be accomplished
Correct recording of Xerox 4500 purchase payments.	48.30	48.42	Accomplished
Tag equipment immediately upon receipt.	48.31	48.42	Rejected
Maintain Reed Act cash balances which are not in excess of immediate needs.	48.31	48.43	Accomplished
Reconcile and clear prior period fund ledgers from the books.	48.32	48.43	Accomplished
Post obligational authority for WIN program on a timely basis.	48.32	48.43	Accomplished

SUMMARY

Number of Recommendations:

Pages 48.4 to 48.7	<u>33</u>	<u>100%</u>
ESD Accomplished	11	
To be accomplished	20	
	<u>31</u>	94
Deferred	1	03
Rejected	1	03
	<u>33</u>	<u>100%</u>

DEPARTMENT OF ADMINISTRATION

HOWARD E. BARRETT
Director

CAPITOL COMPLEX

CARSON CITY, NEVADA 89710

February 27, 1979

MEMORANDUM

TO: Senate Finance and Ways and Means Committees

FROM: Budget Division

SUBJECT: Revised Motor Pool Budget, 711-1354

The Executive Budget for fiscal year 1980-81 has been revised in order that the charges to user agencies comply with federal cost allocation requirements. Federal regulations require that central service agencies such as Motor Pool which provide services to agencies receiving federal funds through grants and contracts, must depreciate equipment purchases on an annual basis. Since the present method of charging vehicle purchases as an operating expense in the year of acquisition is not acceptable to the federal government under the cost allocation guidelines, this budget recommends a General Fund appropriation of \$638,984 to set up a revolving fund for the purchase of new and replacement vehicles in the 1979-81 biennium. The appropriation will provide for the purchase of forty-six additional vehicles, primarily for increased staff at Gaming and Parole and Probation, as well as replacement of 113 vehicles each year on a four year depreciation cycle.

Under this proposal, charges will be reduced to all user agencies by 15% as follows:

Revised Motor Pool Rates

<u>Vehicle</u>	<u>Daily</u>	<u>Monthly</u>
Sedans, Stationwagons and 2-Wheel Drive Pickups	\$.11 per mile plus \$2.55 per day*	\$.11 per mile plus \$51.00 per month

All monthly assigned vehicles are assessed a minimum charge of 750 miles.

*Daily sedans, stationwagons, and 2-wheel drive pickups will be charged a \$6.80 per day minimum.

Rates for 4-wheel drive vehicles were not adjusted because it was felt the rates were already too low and these vehicles make up only a small part of the fleet.

JP/md

Enclosure

40 L.V.
30 Reno
... L.V.

EXHIBIT "C"

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REVISED BUDGET RECOMMENDATION
Motor Pool 711-1354

	1977-78 Actual	1978-79		1979-80				1980-81			
		No. Pos.	Work Program	No. Pos.	Agency Request	No. Pos.	Governor Recommends	No. Pos.	Agency Request	No. Pos.	Governor Recommends
Balance Forward from Old Year	\$ 256,704		\$ 15,211		\$ 1,171		\$ 265,226				
Balance Forward to New Year	- 15,211										
Prior Year Personal Rebate	9										
Prior Year Receipts	3,494										
Motor Pool - Miscellaneous	12,369		13,398		27,390		14,780		28,544		15,650
Carson Area	520,355		521,748		470,598		495,150		483,180		516,255
Las Vegas Area	319,076		316,000		297,023		304,706		304,114		317,695
Reno Area	166,349		157,000		149,734		152,355		152,791		158,847
Excess Property Sales	64,617		60,000				60,000				60,000
Total Funds Available	\$1,327,762		\$1,083,357		\$ 945,916		\$1,292,217		\$ 968,629		\$1,068,447
Existing Positions											
Garage Service Foreman		1.00	\$ 17,456	1.00	\$ 17,524	1.00	\$ 17,524	1.00	\$ 17,524	1.00	\$ 17,524
Principal Clerk Typist		1.00	12,153	1.00	12,200	1.00	12,200	1.00	12,200	1.00	12,200
Garage Servicemen		4.50	49,988	4.50	51,849	4.50	51,849	4.50	53,617	4.50	53,617
Supervisor Garage Serviceman		3.00	43,558	3.00	44,332	3.00	44,332	3.00	44,972	3.00	44,972
Administrative Aid II Range A		1.00	10,639	1.00	10,680	1.00	10,680	1.00	10,680	1.00	10,680
Student		1.00	5,600	1.00	5,904	1.00	5,904	1.00	6,200	1.00	6,200
Total Existing	\$ 129,667	11.50	\$ 139,394	11.50	\$ 142,489	11.50	\$ 142,489	11.50	\$ 145,193	11.50	\$ 145,193
Industrial Insurance	\$ 1,665		\$ 2,384		\$ 1,911		\$ 1,910		\$ 2,238		\$ 2,237
Retirement	10,416		11,152		11,399		11,399		11,615		11,615
Personnel Assessment	1,357		1,255		1,282		1,282		1,307		1,307
Group Insurance	4,807		6,602		7,593		8,424		8,731		10,452
Payroll Assessment	302		279		285		285		290		290
Unemployment Comp	264		557		570		570		581		581
Overtime (Non-Holiday)	1,876										
Salary Adjustment Reserve			17,238		11,587		17,325		18,674		22,475
Longevity	450		1,000		1,400		1,400		1,600		1,600
Terminal Annual Leave	147										
Total Salary-Payroll	\$ 150,951		\$ 179,861		\$ 178,516		\$ 185,084		\$ 190,229		\$ 193,750
Total In-State Travel	\$ 239		\$ 800		\$ 500		\$ 500		\$ 500		\$ 500

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EXHIBIT C

MOTOR POOL - Continued
711-1354

	1977-78 Actual	1978-79		1979-80		1980-81					
		No. Pos.	Work Program	No. Pos.	Agency Request	No. Pos.	Governor Recommends	No. Pos.	Agency Request	No. Pos.	Governor Recommends
Office Supplies and Expense	\$ 172		\$ 500		\$ 300		\$ 198		\$ 300		\$ 214
Operating Supplies	3,111		3,500		3,500		3,500		3,500		3,500
Communications Expense	2,484		2,500		2,500		2,500		2,500		2,500
Print Duplicating Copy	131		800		300		151		300		163
Insurance Expense	31		30		900		43		900		46
Equipment Repair	31		230		200		36		200		39
Other Building Rent	7,917		6,600		8,000		8,000		8,000		8,000
Utilities	1,183		2,200		2,000		1,420		2,000		1,562
Maintenance of Buildings and Grounds	2,337		2,000		3,000		1,070		3,000		1,140
Vehicle Operation	358										
Clothing and Uniform Allowance	2,761		2,600		2,700		2,700		2,700		2,700
Data Processing Program Facility Charge	5,160		4,500		10,000		10,000		10,000		10,000
Other Governmental Services	18,376		18,222		23,000		20,997		24,000		22,794
Dues and Registrations	57										
Total Operating Expense	\$ 44,109		\$ 43,682		\$ 56,400		\$ 50,615		\$ 57,400		\$ 52,658
Automobiles	\$ 661,572		\$ 152,788		\$ 250,000		\$ 265,226		\$ 250,000		\$ 0
Trucks	50,601		0		40,000		0		40,000		0
Office Furniture and Equipment			1,000		500		500		500		500
Other Furniture and Equipment	289										
Total Capital Outlay Equipment	\$ 712,462		\$ 153,788		\$ 290,500		\$ 265,726		\$ 290,500		\$ 500
Vehicle Operation	\$ 420,001		\$ 440,000		\$ 420,000		\$ 470,800		\$ 430,000		\$ 503,736
Vehicle Depreciation Reserve			265,226				319,492				315,283
Total Agency Expenditures	\$1,327,762		\$1,083,357		\$ 945,916		\$1,292,217		\$ 968,629		\$1,068,447
Agency Balance											

STATE OF NEVADA
DEPARTMENT OF GENERAL SERVICES
DIVISION OF BUILDINGS AND GROUNDS
CENTRAL MOTOR POOL

Comparison of Anticipated Appropriation Requests to Anticipated Payback (Depreciation Expense Plus Estimated Salvage Recovery).

<u>Fiscal Year</u>	<u>No. Vehicles to be Purchased</u>	<u>Anticipated Appropriation Request</u>	<u>Less Depreciation Expense</u>	<u>Less Est. Salvage Value (12%)</u>	<u>Net Appropriation Each Year</u>	<u>Cumulative Appropriations to Date (Net)</u>
1979	159*	\$ 638,984	\$ --	\$ --	\$ 638,984	\$ 638,984
1980	113	311,074	319,492	--	(8,418)	630,566
1981	113	610,878	315,283	--	295,595	926,161
1982	113	647,490	463,081	--	184,409	1,110,570
1983	124	753,176	518,545	--	234,631	1,345,201
1984	124	798,312	616,375	76,678	105,259	1,450,460
1985	124	846,176	671,441	37,329	137,406	1,587,866
1986	124	896,892	720,049	73,305	103,538	1,691,404
1987	136	1,042,712	763,545	77,699	201,468	1,892,872
1988	136	1,105,272	855,343	90,381	159,548	2,052,420
1989	136	1,171,640	929,657	95,797	146,186	2,198,606
1990	136	<u>1,241,952</u>	<u>996,961</u>	<u>101,541</u>	<u>143,450</u>	2,342,056
	Totals	<u>\$10,064,558</u>	<u>\$7,169,772</u>	<u>\$552,730</u>	<u>\$2,342,056</u>	

*113 vehicles plus 46 additional due to recommended staff increase in Parole & Probation and Gaming Control Board during the coming biennium.

EXHIBIT C 793

DEPARTMENT OF GENERAL SERVICES - DIVISION OF BUILDINGS AND GROUNDS, MOTOR POOL

Schedule of Anticipated Appropriation Requests, Fiscal Years 1979 through 1986:

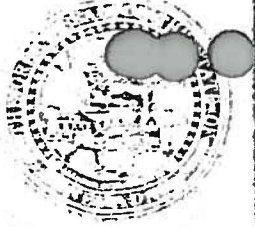
<u>Description</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Motor Pool Vehicles to be Purchased in Fiscal Year 1979:								
159 @ \$4,900 each (estimate)	\$779,100							
Less: Vehicles currently on order to be paid from accumulated revenue, total \$140,116*	(140,116)							
Total Appropriation Requested	<u>\$638,984</u>							
113 Vehicles @ \$5,100 each (estimate) fiscal year 1980		\$576,300						
Less: Estimated accumulated revenue carried forward from fiscal year 1979, total \$265,226*		(265,226)						
Appropriation Request		<u>\$311,074</u>						
113 Vehicles @ \$5,406 each (estimate) fiscal year 1981			\$610,878					
113 Vehicles @ \$5,730 each (estimate) fiscal year 1982				\$647,490				
124 Vehicles @ \$6,074 each (estimate) fiscal year 1983					\$753,176			
124 Vehicles @ \$6,438 each (estimate) fiscal year 1984						\$798,312		
124 Vehicles @ \$6,824 each (estimate) fiscal year 1985							\$846,176	
124 Vehicles @ \$7,233 each (estimate) fiscal year 1986								\$896,892

EXHIBIT C
794

Schedule of Depreciation - Four Year Life Double Declining Balance Method:
(Estimated Salvage Value = 12%)

<u>Description</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Depreciation on Net Appropriation Request Fiscal Year 1979	\$319,492	\$159,746	\$ 79,873	\$ 3,195	\$	\$	\$	\$	\$	\$	\$
Depreciation on Net Appropriation Request for Fiscal Year 1980		155,537	77,769	38,885	1,554						
Depreciation Appropriation Request for Fiscal Year 1981			305,439	152,720	76,360	3,054					
Depreciation Appropriation Request for Fiscal Year 1982				323,745	161,873	80,937	3,236				
Depreciation Appropriation Request for Fiscal Year 1983					376,588	188,294	94,147	3,766			
Depreciation Appropriation Request for Fiscal Year 1984						399,156	199,578	99,789	3,992		
Depreciation Appropriation Request for Fiscal Year 1985							423,088	211,544	105,772	4,231	
Depreciation Appropriation Request for Fiscal Year 1986								448,446	224,223	112,112	4,484
	\$319,492	\$315,283	\$463,081	\$518,545	\$616,375	\$671,441	\$720,049	\$763,545			

*These amounts will not be depreciated.



STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

ROBERT L. BENTLEY
Governor
HOWARD E. BARRETT
Director

March 7, 1979

MEMORANDUM

TO: Assembly Ways and Means Committee
FROM: Budget Division

An Attorney General's Opinion concerning the carry-forward of funds per Chapter 432, 1977 Statutes of Nevada (AB 334) has been received.

This Opinion states that any portion of the \$150,000 appropriated for fiscal year 1977-78 that was not obligated by June 30, 1978, should not be carried forward into fiscal year 1978-79.

NRS 353.257 states, "Whenever moneys have been appropriated from the general fund to a specific fund created for the purpose of carrying on certain activities or accomplishing certain objectives, and no provision has been made for the reversion to the general fund of any moneys which remain in such specific fund after the completion of the activities or the accomplishment of the objectives for which such fund was created, the state controller may order the transfer to the general fund of such moneys upon obtaining an appropriate recommendation from the state board of examiners and the consent of the agency having control of the specific fund involved."

In accordance with NRS 353.257, the \$29,638 (\$3,946 not obligated before June 30, 1978, plus \$25,692 that was recovered when the Alcoholic Rehabilitation Association closed down) in question will be put on the agenda for the March 23, 1979, meeting of the Board of Examiners and recommended for reversion.

MS/md

EXHIBIT "D"

7-8

MEMORANDUM

TO: Senate Finance and Assembly Ways and Means Committees

FROM: Budget Division

SUBJECT: Distributive School Fund

As a result of an underestimate in State revenue, the Governor is able to fully reevaluate the special education allotments for the coming biennium allowing the following recommendations:

An additional \$500,000 in 1979 and \$500,000 in 1980, reflecting a total of \$1,000,000 additional for the biennium.

Of equal importance is the definition of a unit and the dispersement of those units. The Governor recommends the following:

1. A unit shall comprise: The average salary of a teacher during the year of the legislative session (\$15,500) plus the basic per pupil State support for an average class (10) in special education (\$12,520). The first shall be identified in the special education allotment and the second in the basic support allocation. The total unit will therefore be \$28,020. Total State dollars should therefore provide for 775.5 teachers, benefits and materials. (Teachers in the special education allotment and benefits and materials in the General Distribution School Fund.)
2. Dollar distribution should be based on general teacher allocations as in the past with the exception that for each ten (10) children enrolled in the SNCH and NNCH, one teacher unit should be allocated to the school district providing for those children. This is an effort to address the inequity of impacting those districts with these special State ward children.
3. The second year of the biennium will increase the teacher allocation to 807.7 and the basic support to \$13,310 for an average special education class.

Historically there has been wide disparity in the definition of what a unit is and how it is utilized from district to district. While the sophistication of service delivery varies widely from county to county, the types of handicaps treated also vary.

This proposed plan continues to subscribe to local control within the constraints of present State and federal requirements. The plan presupposes that present State regulations regarding caseload and class size will remain constant unless federal requirements prohibit.

This approach should lay to rest the role of the State and the responsibility of the local district in providing for our special children. This concept leaves in the hands of the district local decision with regard to how they will prioritize their needs and address the overall education of our children. This plan does not assume that districts cannot identify additional local resources as need or desire arises. Nor does it supplant the large resources of the federal government which districts are entitled to utilize.

For the first time, it should be clear that the State recognizes its role as a partner in the educational process and substantially more than an equal partner for special education.* It should be noted that local districts must assume its role in prioritizing needs and providing resources for those priorities.

*At the end of the biennium for every 7.1 regular teachers the State will provide for one special education teacher average salary.

JP/md

DISTRIBUTIVE SCHOOL FUND
Revised February 27, 1979

	<u>1977-78</u>	<u>1978-79</u>	<u>% of Change</u>	<u>1979-80</u>	<u>% of Change</u>	<u>1980-81</u>	<u>% of Change</u>
<u>Before Recommended Tax Reform</u>							
Weighted Enrollment	140,077	142,610	1.8%	145,462	2.0%	148,371	2.0%
Basic Support	\$1,035	\$1,131	9.3%	*\$1,252	8.0%	\$1,331	6.3%
Total Basic Support	\$144,979,695	\$161,291,910	11.3%	\$182,118,424	12.9%	\$197,481,801	8.4%
Special Education**	10,560,000	11,088,000	5.0%	12,020,000	8.4%	12,520,000	4.2%
Adult Diploma	797,455	904,800	13.5%	1,026,640	13.5%	1,104,730	7.6%
Bonus Payments NRS 387.1233	255,344	410,508	60.7%	0		0	
Bonus Payments NRS 387.1243	39,614	0		0		0	
Trigger	0	3,988,547		0		0	
Prior Year Adjustments	(443,088)	0		0		0	
Total Need	\$156,189,020	\$177,683,765	13.8%	\$195,165,064	9.8%	\$211,106,531	8.2%
70¢ Property Tax	(28,137,989)	(33,482,978)	19.0%	(39,269,590)	17.3%	(44,767,333)	14.0%
1¢ School Support Tax	(43,370,547)	(53,345,773)	23.0%	(61,881,097)	16.0%	(71,163,262)	15.0%
State Responsibility	\$ 84,680,484	\$ 90,855,014	7.3%	\$ 94,014,377	3.5%	\$ 95,175,936	1.2%
General Fund	\$ 73,449,500	\$ 81,164,950	10.5%	\$ 67,556,595	(16.8%)	\$ 66,751,787	(1.2%)
Slot Tax	9,603,370	10,771,000	12.2%	12,032,000	11.7%	13,395,000	11.3%
Revenue Sharing	5,737,742	5,800,000	1.1%	5,900,000	1.7%	5,900,000	0%
Investment Income	760,871	750,000	(1.4%)	750,000	0%	750,000	0%
Mineral Land Lease	3,886,359	3,800,000	(2.2%)	3,800,000	0%	3,800,000	0%
Out-of-State Sales Tax	2,881,035	3,457,202	20.0%	3,975,782	15.0%	4,579,149	15.2%
Balance Forward from Previous Year		11,638,393					
Balance Forward to New Year	(11,638,393)						
Approximate Reversion		\$ 26,526,531					
Increase Includes Prior Year Support Plus Trigger							
**Special Education Units	600	630	5%	775.5	23.1%	807.7	4.2%
***Price/Unit	\$17,600	\$17,600		\$15,500 ✓		\$15,500	

After Recommended Tax Reform

General Fund (Line 10 Above)				\$ 67,556,595		\$ 66,751,787
General Fund to Replace 70¢ Property Tax				39,269,590		44,767,333
General Fund to Replace Sales Tax on Food				7,425,612		8,539,591
General Fund to Replace 30¢ of 80¢ Property Tax				0		19,186,000
Total General Fund				\$114,251,797		\$139,244,711

***Price per unit is average teacher salary during fiscal year 1979

+ 1,494,640

+ 12,412,130