

JOINT MEETING

WAYS AND MEANS COMMITTEE
AND
SENATE FINANCE COMMITTEE

MEMBERS PRESENT: Chairman Bremner
Vice Chairman Hickey
Mr. Bergevin
Mr. Brady
Mr. Coulter
Mr. Glover
Mrs. Hayes
Mr. Horn
Mr. Marvel
Mr. Rhoads
Mr. Robinson
Mr. Vergiels
Mrs. Westall

Senate Finance Committee:

Senator Floyd Lamb, Chairman
Senator James Gibson, Vice Chairman
Senator Eugene Echols
Senator Norman Glaser
Senator Thomas Wilson
Senator Lawrence Jacobsen
Senator Clifford McCorkle

Chairman Bremner called the meeting to order at 7:00 a.m.

State Controller's Office

Mr. Bible indicated that a major difference between the two committees is that the Senate Finance Committee is recommending two new positions (unclassified staff accountants at \$30,000 per year each).

Mr. Bill Reinhard, General Manager of the Controller's Office testified before the two committees in support of the two new positions.

Chairman Bremner pointed out that the Ways and Means Committee heard no testimony regarding these two requested positions and, in fact, said that Mr. Reinhard indicated that in 6 months time FMIRS would be online and operating smoothly. In view of that fact, Chairman Bremner questioned the need for the additional positions. Mr. Reinhard said that these positions would be utilized in educating agencies on the use of FMIRS.

Mr. Horn said that it appeared to him that perhaps "trainers" were needed as opposed to accountants. Mr. Reinhard said that accountants experienced in general accounting principles and governmental operations, preferably Certified Public Accountants, were actually needed.

In response to Senator Echols' question on the possibility of contracting this work, Mr. Reinhard said that this is a long-term project with an extensive training program involved.

Senator Wilson asked to what degree is the FMIRS system being utilized at the present time. Mr. Reinhard said that currently there is 50% utilization of the system. In response to Senator Wilson's question on the time span necessary to bring state agencies on line, Mr. Reinhard said that without the two requested positions it would take 5 years and with the new accounting positions it would take 2 years.

Chairman Bremner asked why these positions were not included in the budget for the Controller's Office. Mr. Reinhard said that at the time the budget was developed there was a thrust among state agencies to cut positions not add new ones and since that time the importance of these two accounting positions has been realized.

Senator Echols questioned the possibility of bringing agency people into the Controller's Office for training. Mr. Reinhard the current staff does not have the time for such a training program.

Mr. Robinson asked for an explanation of the Contract Services line item. Mr. Reinhard said that those expenditures are for cost of the computer equipment, maintenance charges and insurance.

Mr. Vergiels asked Mr. Reinhard if given a choice of the two new requested positions by eliminating existing positions which would he choose. Mr. Reinhard said that he would keep the existing staff.

Senator Gibson pointed out that at the present time the state expends approximately \$10 million on accounting positions throughout state government that would not be necessary if FMIRS were fully utilized.

Mr. John Crossley, Legislative Auditor, introduced Mr. Lee Hansen, Legislative Counsel Bureau, and distributed a handout to the committee (EXHIBIT A). Mr. Crossley commented that the Controller's Office has moved in the proper direction; however, they do need more assistance at the top level and that the requested positions are justified if they are properly qualified and have the right background.

Mr. Rhoads asked Mr. Crossley if these two positions are approved could the success of the program be measured in two years. Mr. Crossley said that if in two years there is no opinion of the Controller's Annual Report the State of Nevada will be in trouble.

Mr. Vergiels asked why these positions were not requested in the original budget submitted to the Budget Office. Mr. Crossley said that it was his impression that they were to be included. Mr. Barrett said that originally the Controller's Office did request additional positions but they were withdrawn because at the time the budgets were developed there was an emphasis placed on state agencies to reduce budgets 10%.

Senator McCorkle asked Mr. Crossley if he could confirm a statement made by Mr. Reinhard in his original testimony before the Senate Finance Committee that because of "economies" set forth by the Controller's Office 13 man-years can be saved. Mr. Hansen stated that it was his impression that he was referring to their automated process for preparing the financial statements. In 1979 the financial statements had to be prepared manually and it is now automated and can produce the "raw" figures at a faster time.

Mr. Glover asked if a person with the qualifications necessary to perform the duties would be available for \$30,000 a year. Mr. Crossley said that it would be difficult.

Mr. Robinson commented that every session it appears the Controller's Office has trouble with their accounting system.

Public Works Board

Chairman Bremner pointed out that the Ways and Means Committee reduced the General Fund appropriation, deleted a Mechanical/Electrical Engineer position and reduced expenditures the second year of the biennium.

Mr. Bill Hancock, Public Works Board, said that the Electrical Engineer position is the only one on staff and is necessary to fulfill the duties of the agency.

In response to Chairman Bremner's question on how long the position has been vacant, Mr. Hancock said since October 1980.

Senator Lamb asked what has been the problem in filling the position. Mr. Wittenberg, State Personnel, said that engineering field is a difficult manpower area and the salary level is a problem.

Mr. Vergiels said that the Ways and Means Committee based their reductions on the information that all design work on the 1979 projects would be completed no later than December 1981 with the construction to be completed by December 1982. Mr. Hancock said that of the total work program allocated by the 1979 Legislature, the Public Works Board has completed 50% of the projects. He added that there is approximately \$100 million of construction yet to be undertaken if the pavillion projects are approved and felt that the existing staff is minimal to handle the workload.

Mr. Hancock pointed out that the Public Works Board, if no additional projects are added, is committed to making staff reductions in 1983.

Senator Glaser asked for an explanation of the \$125,000 cut made by Ways and Means from Other Expenditures. Mr. Hancock said that the solution to that reduction would be the transfer of the Chief Inspector and the Assistant Chief Inspector back into the Inspection budget which is separate from the budget for the Public Works Board and reductions would have to be made by eliminating a professional position, one clerical position, one draftsman position and \$8,000 from the Operating category.

Senator McCorkle asked Mr. Hancock if additional staff was added to the Public Works Board during the 1979 Legislature and if the workload was increased. Mr. Hancock said that the project expenditure for 1977 was \$74 million and in 1979 it was \$183.5 million with no additional staff.

Rehabilitation Administration

Mr. Del Frost, Administrator of the Rehabilitation Division, said that the Ways and Means Committee is recommending the deletion of 4 positions (Chief of the Bureau of Vocational Rehabilitation and the Assistant Chief of the Bureau of Vocational Rehabilitation, the Personnel Analyst and the Management Support Analyst). He testified that the positions were all necessary to the functioning of the division. He noted that the duties of the Personnel Analyst could not be performed by the Personnel Division as was anticipated by the Ways and Means Subcommittee.

Senator Lamb asked Mr. Wittenberg to clarify Mr. Frost's statement on the Personnel Analyst position. Mr. Wittenberg said that some of the functions that are being performed by the Personnel Analyst on staff with the Rehabilitation Division would have to be discontinued as the Personnel Division does not have the staff to assume the duties. He added that if A.B. 699 passes the Legislature it will streamline some of the examining procedures but there will be some loss of service.

Mr. Frost pointed out that the Governor's recommendation was the deletion of 26 positions from this division. Chairman Bremner noted that the majority of cuts in personnel were positions at the working level providing direct services, not supervisors. Mr. Frost said his recommended cuts in positions were based on the logic of providing the greatest production and still make an 11% cut.

Mr. Hickey referred to the program statement for the Rehabilitation Division which states that "if federal funds are not available the agency may request special allocations from Interim Finance" and asked for an explanation. Mr. Frost said there will be no relief in this program in terms of federal regulatory requirements for the next year and one-half. There has been a strong resolve for the last 15 to 20 years in Congress to keep programs for handicapped people

on a categorical basis to preserve those funds. Mr. Frost noted that the monies that will not materialize is money based on the work program year which is the year in which the budget is based when it is developed. Based on the performance of the division the money appropriated from the federal government was doubled based on the outstanding record in serving handicapped people. He said that essentially there is \$187,000 on paper but the division will not be able to spend it.

Mr. Hickey reiterated Chairman Bremner's concern that the proposed cuts by the division were positions providing the services to the public, not administrative positions.

Mr. Robinson asked if the duties performed by the Personnel Analyst are paralleled with services provided by the State Personnel Division. Mr. Wittenberg said that the Personnel Analyst positions in various agencies are performing support work to the Personnel Division and there is no duplication of effort.

In response to Mr. Robinson's question if the Personnel Analyst position is required by federal law, Mr. Frost said that the law states that the agency shall provide adequate staff to handle personnel planning, training and program evaluation. He added that all positions recommended for deletion by the Ways and Means Committee are required by federal law.

Department of Energy

Mr. Noel Clark, Director of the Department of Energy, announced to the committees that he would be leaving the agency as of July 1981. He added that he supports the Department of Energy as it is essential to the state. Mr. Clark indicated that it would be difficult to produce quantitative results of efforts made by this department.

Mr. Kelly Jackson, Department of Energy, presented an organizational chart to the committees (EXHIBIT B) and detailed the various programs and functions of the department.

Chairman Bremner noted that there appears to be a duplication of duties between the Department of Energy and the requested Facility Energy Engineer in the Buildings and Grounds Department. Mr. Alastuey said that the Facility Energy Engineer is intended to provide state agencies with the expertise necessary to manage their facilities with a particular emphasis on energy. Additionally, Chairman Bremner asked if this position in Buildings and Grounds would essentially be an intermediary between the Department of Energy and state agencies. Mr. Alastuey said that the Facility Energy Engineer is the result of a Task Force recommendation and it was placed in the budget with an emphasis on energy; however, the Task Force recommended the position to encompass all aspects of buildings management.

Mr. Hickey referred to the organization chart and noted that it appears that there are too many "chiefs".

Senator Jacobsen emphasized the importance of this department and stressed that energy is a number one priority in this state.

Department of Prisons

Senator Lamb asked Mr. Wolff, Warden of the Department of Prisons, to address the educational program in the prison system.

Mr. Wolff indicated that an interim study of the prison system recommended that consideration be given to contracting teachers and he noted that the Department of Prisons would not oppose that concept.

In response to Senator Jacobsen's question if the teachers at the prisons are utilized in any other capacity, Mr. Wolff said that in times of emergency the teaching staff has been used as security guards.

Senator Glaser asked what the relationship is between the Department of Prisons and the Carson City School District. Mr. Wolff said that the Department of Education works with the prison in the high school diploma program and a working relationship with the community college to earn an AA degree.

Senator Glaser asked Mr. Wolff to comment on the decreases in the medical expenses proposed by the Ways and Means Committee. Mr. Wolff said that he is opposed to the \$3 fee that would be charged to inmates for each doctor visit as there is a case law that states that the state shall provide reasonable medical services to inmates that are wards of the state. He noted that the expenditure for medical expenses is debatable but in view of the fact of the growing prison population it would be difficult to operate within those parameters set by the Ways and Means Committee.

Senator Wilson said that it was his understanding that the recommendation by the Ways and Means Committee was that the inmate would be assessed the \$3 fee only if he had the money in his account which would eliminate the constitutional argument and asked if there was another policy discrepancy at issue. Mr. Wolff said that if this concept is initiated then it is suggested that the revenue item be revised as it is estimated that all inmates will visit the doctor 12 times a year times \$3 to derive the revenue. He noted that this is not a realistic amount as 60% of the prisons population has less than \$10 in their accounts.

Chairman Bremner asked Mr. Wolff for his comments on the transfer of \$194,000 from the medical category to other categories in the budget. Mr. Perry Comeaux, Department of Prisons, said that he was not aware of any transfer from the medical category. He added that in January of 1981 the reserve at the Nevada State Prison was transferred to the various institutions and that reserve did contain some medical funds.

Mr. Horn said that the Ways and Means Subcommittee on the prison spent 200 hours on testimony and data gathering to compile the recommendations that are being presented.

Senator McCorkle asked what precautions are taken against unnecessary medical expenses. Mr. Wolff said that each case is screened and second opinions are required on surgeries.

In addition, Senator McCorkle asked what was the purpose of the Equal Opportunity Specialist position and Librarian III position. Mr. Wolff said that the Equal Opportunity Specialist works with recruiting, minority groups and solving employee and inmate grievances for the prison staff. He added that the Librarian III position is a supervisory position for the libraries statewide.

Mr. Hickey said that according to his information, \$187,000 worth of books has been lost at the prison system. Mr. Wolff said that he did not agree with that figure. Mr. Hickey asked that he be provided with the correct amount.

Senator Lamb asked that the superintendent of the Carson City School District be consulted on the issue of contracting teachers for the prison system. Mr. Clifford Lawrence, Superintendent, was present to testify on the issue.

Mr. Vergiels interjected that there appeared to be an assumption that the Carson City School District was being forced to contract with the prison to provide educational services which was not the case. Mr. Lawrence said that the feeling of the school district is that the educational program at the prison can be run more effectively as it is presently done. If a contract basis does materialize, the school district would need an additional staff person to coordinate the program.

He added there would need to be an administrative position on the prison staff to handle the scheduling of classes, disciplining of prisoners and the security aspect.

Mr. Vergiels noted that the subcommittee had agreed previously not to contract with the school district and much of their decision was based on a letter from Mr. Lawrence dated April 8, 1981.

Public Service Commission

Mr. Heber Hardy, Public Service Commission, said the department would have no trouble in cutting back to the level set by the recommendations of the subcommittee on the Ways and Means Committee.

Senator Gibson noted that many cuts by the Ways and Means Committee were based on the presumed savings by the implementation of a Consumer Advocate Office and asked if that were the case. Mr. Hardy said that he did not foresee any reduction of workload for the commission because of the Consumer Advocate Office. In fact, the Cresap Report indicated that the Consumer Advocate Office would increase the workload of the Public Service Commission. The Consumer Advocate Office does not provide any services which the commission is currently providing.

Mrs. Westall asked how much of the appropriated funds for contract services was expended by the commission over the last biennium. Mr. Hardy said that the full \$115,000 appropriated for 1979-80 was expended and in the current budget year approximately the full \$178,000 that was budgeted was expended.

Mrs. Westall questioned the validity of the Cresap Report in view of the fact that recently a former employee of Cresap, McCormick and Paget, Inc., Management Consultants, was appointed as a board member of the Sierra Pacific Power Company. Mr. Hardy said that it was his impression that the Cresap Report is valid, has been widely disseminated and sees no conflict.

In response to Mr. Hickey's question on the role of the Consumer Representative, Mr. Hardy said the position was implemented to assist the public with complaints against the public utilities regarding service or errors in billing and there is no duplication of duties with regard to the Consumer Advocate.

Senator Jacobsen asked Mr. Hardy if, under the current operating status of the commission, is the staff adequate to correlate with private enterprise. Mr. Hardy said that in the area of salary there needs to be an upgrade to be competitive with private enterprise. Senator Jacobsen additionally asked if the commissioners that left the Public Service Commission did so due to public pressure or did they feel they were not adequately backed staff wise. Mr. Hardy said that he hesitated to speak for former commissioners but it was his impression that in the majority of cases it was due to public pressure.

Mrs. Westall again reiterated her point that the Cresap Report is "suspect" and questioned where the recommendations in the report actually originated. Senator Wilson observed that the recommendations in the report are for increases in staff - not decreases - of people competent to be adversaries to the power company in rate increases.

Mr. Hickey asked which positions deleted by the Ways and Means Committee directly affect the rate increase hearings. Mr. Hardy said the positions of importance are the Financial Analyst and Legal Researcher and are indirectly related to the rate increase hearings.

Division of State Parks

Mr. Glover pointed out that the subcommittee for the Ways and Means Committee is recommending that \$26,688 per year be restored to the budget to fund the seasonal help which in affect helps to collect the user fees. He added they further recommend that the Interpreter II position at the Valley of Fire state park and the Park Maintenance Specialist II at Floyd Lamb park be restored and delete the Park Maintenance Specialist II at Red Rock state park.

Senator Gibson moved to accept the Ways and Means Committee's recommendation, seconded by Senator Jacobsen. Motion approved.

The meeting was adjourned at 10:00 a.m.



LEGISLATIVE AUDITOR'S COMMENTS ON
PROPOSED POSITIONS IN
THE STATE CONTROLLER'S OFFICE

Last year we placed our opinion in the State Controller's Annual Report for the fiscal year ended June 30, 1979. This was done in order to satisfy the Federal Revenue Sharing requirements, and protect the State's \$15,000,000 that we received over that three year period from Revenue Sharing. We identified many problems in that report from a generally accepted accounting principles standpoint. The Controller's agreed with our findings. I am aware that they have been working on those problems and also the problems that we identified in our management letter that accompanied the opinion. One of the key things I think the Controller's Office has identified in the past six or seven months is that as they dig deeper and attempt to have all the State's accounting transactions recorded, and recorded in FMIRS in accordance with generally accepted accounting principles, they are finding out that there is more out there than meets the eye. For example, there is a considerable number of bank accounts which the State agencies are required to report to the Controller as a result of 1979 legislation. Other accounting areas they are reviewing or need to review are lease purchases, equipment, accounts receivables, mortgages, transfers, inventories, depreciation, etc.

In 1969 and the early 1970's, when the financial management information reporting system - FMIRS was being developed, one of the original intents was to reduce the number of accountants in individual State agencies and have all of the accounting performed in the Controller's Office. I really never thought this was feasible. Since that time, state accounting has become a major issue. We have had several cases, such as New York, Chicago, and Cleveland, which demonstrated that the lack of accounting can be detrimental to the entity.

The following entities are extremely interested in governmental accounting.

1. The Municipal Finance Officers Association (MFOA), as they have instituted, vigorously, a certificate of performance program.
2. The Council of State Governments, in coordination with the National Conference of State Legislatures and the MFOA, have spent almost \$3,000,000 in both cash and in-kind contributions in the development of preferred accounting practices for state governments. This project is over half complete.

1.

EXHIBIT A

3. The Federal Government, through OMB Circular A102 - Attachment P. This is the requirement that all entities that receive federal money must be audited on a continuous basis. The accounting systems and the internal controls are extremely important from this standpoint.
4. Standard and Poors.

It is one thing to establish an accounting system, but it is another thing to make sure it is maintained and that proper and significant accounting changes are implemented in accordance with generally accepted accounting principles. We have identified areas where the accounting could be done in the FMIRS System, but instead it is being done manually. A vigorous effort from the Controller's Office to bring those systems in to provide the proper accounting would result in savings to the agencies in manpower. This would allow them to do other functions, and would also make all of the financial activity reported in an agency's records and included in the State's reports.

In addition, the State has two basis of accounting - modified accrual for all governmental operations and full accrual for business operations. The two basis must be incorporated into FMIRS properly.

I think the Controller's Office has moved in the proper direction. However, I think they do need more assistance at the top level. I feel that new positions are justified in the Controller's Office if they are properly qualified and have the right background. Accordingly, I would say that the Controller's Office, at this time, could use two more people. The qualifications should be at least the following.

1. They should have a bachelors in accounting. No substitution.
2. Three to four years recent responsible experience in a management position in accounting or auditing.
3. They should be C.P.A.'s.
4. Definite knowledge of governmental fund accounting. They should be fully aware of the Municipal Finance Officers Association, the Council of State Governments, and the American Institute of Certified Public Accountant's and the functions they have and are performing in regards to governmental accounting.

They should be in the unclassified service and the salary would probably have to be in the \$30,000 to \$35,000 range.

The Controller's Office should dictate accounting policies for the State in accordance with the requirement of NRS. They should control the financial transactions, and make sure that all of the assets and liabilities of the State are recorded and reported properly. I recognize that the budget and the cash receipt and disbursement of the money is extremely important, however, the State is getting big and the financial position is also extremely important. The State has become big business and I think this must be recognized.

ORGANIZATION CHART
NEVADA DEPARTMENT OF ENERGY

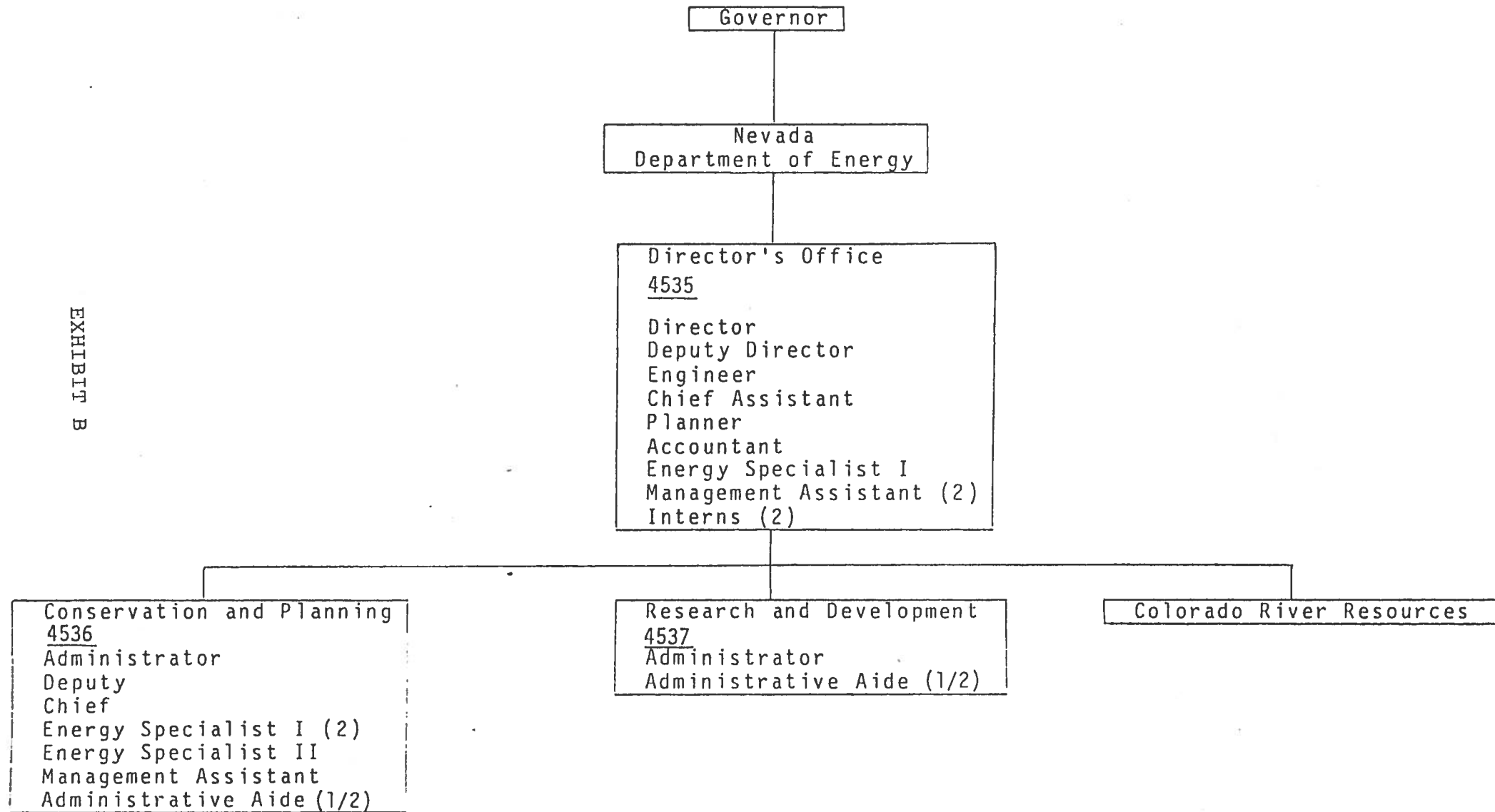


EXHIBIT B