

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
April 8, 1981

The meeting of the Senate Finance Committee was called to order by Vice Chairman James I. Gibson, at 8:00 a.m., Wednesday, April 8, 1981, in Room 231 of the Legislature Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator James I. Gibson, Vice Chairman
Senator Eugene V. Echols
Senator Norman D. Glaser
Senator Lawrence E. Jacobsen
Senator Thomas R. C. Wilson
Senator Clifford E. McCorkle

COMMITTEE MEMBER ABSENT:

Senator Floyd R. Lamb, Chairman

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst
Dan Miles, Deputy Fiscal Analyst
Tracy L. Dukic, Secretary

OTHERS PRESENT:

(Please see Exhibit B)

The meeting of the Senate Finance Committee was called to order by Senator James I. Gibson, Vice Chairman, at 8:00 a.m.

ASSEMBLY BILL 354

This presentation was made by Ronald W. Sparks, Chief Fiscal Analyst. He said that Assembly Bill 354 will allow the Industrial Development Fund to retain its interest earnings and allows Interim Finance To allocate funds from the Industrial Development Fund for this current Legislative Session.

He said that the 1979 Legislature appropriated \$5 million to the Industrial Development Fund for industrial development, and to accommodate some of the additional requests, the Interim Finance Committee, in loaning \$5 million to White Pine County, also retained control on the interest earnings on \$5 million. He said that this is being done through the Local Pooled Investment Fund for local governments. The interest accruals were, by Committee action, allocated to Lyon County for the purpose of a project in Wabuska, and, in addition, for the purpose of locating Kennedy Skylites of Orlando, Florida. He said that the details of the relocation of Kennedy Skylites were not completed prior to the convening of the 1981 Legislature and are basically unresolved currently.

He said that in order to complete the allocation to Lyon County for Kennedy Skylites, this legislation is necessary to allow the Interim Finance Committee, during Legislative Session, to allocate the interest income to Kennedy Skylites.

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He said that Section I provides for the Industrial Development Fund to earn interest, thereby, compounding earned interest on \$5 million. He also said that in Section III, the language provides for the sunsetting of the Industrial Development Fund by June 30, 1981, and it only allows for the allocation of any money that has been committed prior to that time. He said that the current estimated interest in the Industrial Development Fund is \$576,000 as of March 31st.

Senator Glaser asked Mr. Sparks what the current status of the negotiations with Kennedy Skylites is.

Mr. Sparks replied that they are ready to start; that they are awaiting the generation of the amount of money to fund the project.

Senator Gibson asked if Kennedy Skylites had been advanced any funds for this project.

Mr. Sparks said no; that that is what this bill would do.

Senator Jacobsen asked if June 30, 1981 is a good date to sunset the Industrial Development Fund.

Mr. Sparks replied that this simply means that there can be no further commitments of funds after June 30, 1981, and he added that it is expected that Interim Finance will allocate all the money prior to that time.

Senator Gibson asked if it is Mr. Sparks' assessment that the Legislature has already allocated the \$5 million.

Mr. Sparks replied that the interest will generate at a faster rate than expected; that the money had already been allocated but is not being withdrawn as far as expected.

ASSEMBLY BILL 354

SENATOR JACOBSEN MOVED THAT SENATE BILL 354 BE PASSED.

SENATOR GLASER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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SENATE BILL 474

This presentation was given by Mr. Arthur Palmer, Director of the Legislative Counsel Bureau. He told the Committee that this is a supplemental appropriation to enable them to print additional copies of volumes of The Nevada Report, a compilation of case histories of decision's rendered by the Nevada Supreme Court. He said that this appropriation is based upon the supply and demand of these volumes. He said that they have sequestered bids from private enterprise and the State Printing Office to determine the amount needed, and that the lowest bid was given by the State Printing Office. He indicated, though, that this bid could only be an estimate, by law; therefore, they have overestimated the bid (\$62,000) by asking for \$66,000 in order to be able to meet their expenses.

Senator Glaser asked if there is a charge for these volumes.

Mr. Palmer replied that there is.

Senator Glaser asked if the charge for these volumes offsets the price of the printing of the volumes.

Mr. Palmer replied that it does; that any monies collected are deposited to the General Fund.

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Senator Gibson asked how many volumes of The Nevada Report will be published.

Mr. Palmer replied that they are anticipating the publication of 300 sets of 19 volumes.

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ASSEMBLY JOINT RESOLUTION 26

Mr. John Bibee gave a brief presentation on this legislation, (please see Exhibit D).

Senator Gibson asked if Social Security benefits are also tax exempt.

Mr. Bibee replied that they are.

Mr. Warren Fowler, a lobbyist for the Retired Members of the Public Employment Retirement System, said that the contributions from the employees to the fund are exempt from taxation for 36 months.

Senator Gibson asked what percentage of retirees pay income tax.

Mr. Fowler replied that there is a certain strata of retirement benefit recipients that are most affected by the tax system. He indicated that they are not poor enough to qualify for income tax exemption, but they really can't afford to pay income tax.

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ASSEMBLY BILL 174

This presentation was given by Mr. William Moell, Health Division - Office of Vital Statistics. He told the Committee that this is a One Shot Appropriation to expand their record maintenance system, their vault space and to equip the vault with fire retardant equipment.

Senator Wilson asked for a cost breakdown on the One Shot.

Mr. Moell replied that \$34,000 dollars of this money is for new shelving, an expansion of the vault at a cost of \$2,000 to \$4,000, which will make it three to four times larger and \$3,000 to \$7,000 for fire retardant equipment to be placed in the vault.

Senator Gibson asked where are they going to put the new shelving units.

Mr. Moell replied that they have been informed by Buildings and Grounds that they will be able to expand the vault and fit this shelving in.

Senator Glaser asked if they utilize microfilm at all.

Mr. Moell replied that they do utilize a backup microfilm system, but they cannot utilize microfilm completely because it does not lend itself to reproducing fraud-free documents; (They must reproduce birth records and other vital statistics on tamper proof paper, and microfilm does not adequately reproduce on this kind of paper).

He added that their records are an unusual size, 8½ by 7½, and they require custom shelving with fiberglass trays.

Senator Gibson informed the Committee that this is a One Shot Appropriation that is contained in the Governor's budget proposals.

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ASSEMBLY BILL 272

This bill was presented by Ms. C. J. Hadley, Editor of The Nevada Magazine. She expressed great enthusiasm in regard to what the Golden Anniversary of Gaming has done for circulation but added that this will not greatly affect their revenue picture. She stated that last year, she had a \$204 dollar ending balance, and she is projecting an estimated reserve by July 1981 of \$19,064 dollars. She said that at this particular point, the magazine must generate a weekly income of \$14,856 dollars per week in order to remain in the black. She said that this request for an appropriation is needed in order to meet operating expenses, especially in light of the debts she is incurring because of the magazine's increased circulation. She indicated that she will do her utmost to make certain that it is unnecessary to return to Interim Finance in order to remain solvent.

Senator Jacobsen asked Ms. Hadley what she will do if in July Interim Finance has no money to loan.

Ms. Hadley indicated that she is not certain of what might happen then, but she would give them ample warning.

Senator McCorkle asked if the \$50,000 dollars being requested to meet their expenses is being covered by receivables that will be forthcoming in just a few months or so.

Ms. Hadley replied that they have based their request on their receivables; that the money will probably all be received by December as the Eastern vendors do not pay until the last quarter of the year, but she requested that she be allowed to let that money reside in their bank account until that time in order to insure that they will be able to meet their expenses for the year.

Senator Jacobsen asked what kind of leeway they have in their payments, whether it runs 90 to 120 days.

Ms. Hadley replied that they run on a 90-day basis, generally, although they do try to make payment upon demand, but she indicated that the State could be liable for their indebtedness.

Senator McCorkle asked if Ms. Hadley has ever considered utilizing prison labor in the production of The Nevada Magazine.

She replied that she has in the past, but that the quality of work is very poor. She stated that she has used them for warehousing magazines, and this is one area where they have been very helpful.

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ASSEMBLY BILL 316

This presentation was given by Michael Meizel, Administrator of Buildings and Grounds. He told the Committee that this bill is a request for the replacement of the mechanical scales that are currently being utilized by the State Mailroom in Carson City and Las Vegas. He said that they are proposing to utilize electronic scales, two in Carson City and two in Las Vegas. He said that this will bring the error rate in estimating postage down to 5 percent and will pay for itself within two to three years. He said that by purchasing these scales and not leasing them, this will save \$2,000 to \$3,000 dollars.

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Senator Gibson asked if this appropriation is contained in the Governor's budget recommendations.

Mr. Meizel replied that it is.

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SENATE BILL 48

This presentation was given by Mr. Donald Hataway, City Manager for Carson City, David Small, City Attorney for Carson City, and Supervisor Jack Warnicke.

Mr. Hataway endorsed Senate Bill 8, and told the Committee that this bill ties the program of cooperation between the City and State reimbursement for extraordinary expenses. For a further explanation of this bill, please refer to Exhibit E.

Mr. Hataway added that this bill provides for an audited reimbursement process by which the City can be reimbursed by the State, providing the claim can be justified to the Board of Examiners and the State Auditor. He said that the initial impact of this bill would not be felt until the 1983 Fiscal Year, although claims may be submitted in July of 1982.

Senator Wilson asked Mr. Hataway what kind of services he was referring to when he spoke of "reimbursable claims."

Mr. Hataway responded that a list of those reimbursable claims had been provided last session, and he proceeded to give the Committee some examples to illustrate his point.

Senator Wilson asked what the legal test of what would be considered "extraordinary," which is what would qualify an item of expense for reimbursement to the City by the State, would be.

Mr. Hataway responded that that would be generally what has not been budgetted for in their City budget, especially overtime expenses.

Senator Glaser asked what mechanism of government would be responsible for detailing what would be considered "extraordinary."

Mr. Hataway responded that the State Board of Examiners is responsible for the approval or disapproval of claims made by the City to the State. He indicated that in terms of the prison system, it may just be a question of requesting reimbursement for overtime expense.

Senator Glaser asked if there would be any objection on their part to amending the bill and adding a provision that the State Board of Examiners make recommendations to the Interim Finance Committee for review and further recommendation.

Mr. Hataway replied that they have no problem with that provision being added; that they had originally thought about doing that.

Senator Wilson asked Mr. Hataway if when he was referring to certain expenses involving the prison system, was he also including those ancilliary expenses of staff, utilization of the Law Library, etcetera.

Mr. Hataway replied that this does include mostly overtime; that most of the ancilliary expenses are already paid by the State, and that the approval or disapproval of certain individual expenses would be taken on a case-by-case basis.

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Senator Gibson asked what the actual financial impact of this bill would be.

Mr. Hataway replied that, according to studies they conducted of the average cost of extraordinary and ordinary services which were provided by the City to the State, the request would be on the order of \$150,000 a year, but he did indicate that this figure could vary greatly depending upon any emergency that might arise and hike this figure up.

Mr. Harold Jacobsen, Mayor of Carson City, expressed his support of this bill. He also told the Committee that new concepts in City Government and what it is obliged to supply State facilities will alter the program somewhat also. He also suggested that if the reimbursable costs exceeded \$150,000 per year, this would be a good time for Interim Finance to enter into the picture.

Senator Jacobsen asked if they have any arrangement to receive reimbursement from federal agencies when they incur costs to the State.

Mr. Hataway replied that they do have an arrangement for just this purpose.

Senator Wilson asked if it was possible to project an annual figure of expenses that will be incurred by the State.

Mr. Hataway replied that that is what they have done and told the Committee that he would supply them with a complete cost breakdown.

Mr. Jack Warnicke, Supervisor, then explained the budget breakdown of this bill and why this reimbursement policy is necessary.

Mr. Jacobsen added that he endorses Mr. Hataway's concept of this bill.

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ASSEMBLY BILL 319

This bill was presented by Mr. John Duarte, Chief of Management Services. He said that this is a supplemental appropriation that is needed in order to pay benefits for the balance of this fiscal year for the child welfare program. He said that they have experienced a 13.5 percent increase in foster care and a 37.4 percent increase in institutional care.

Senator Gibson asked if the figures of increase are still relevant currently.

Mr. Duarte replied that they are; that the payment structure is on target with the budget projections.

Senator Gibson asked if this is the amount of money that the Governor has in his budget.

Mr. Duarte replied that it is; that they transferred these monies from Fiscal Year '81 to Fiscal Year '80 through the mechanism which is built into the budget enabling them to transfer funds from one fiscal year to another. He indicated that they had done this in March of 1980, and that the amount of money transferred was \$118,000. He said that that is part of the reason for this supplemental appropriation request.

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Senator McCorkle asked if the Finance Committee had not already approved an interim supplement for just this purpose.

Mr. Duarte indicated that there had been a supplementary appropriation made but that the Child Welfare Program has grown to such an extent that they were not able to anticipate the need that would develop.

Senator Gibson asked if Senate Bill 497, a bill developing controls on Title 19 spending, how soon could this be effective in assisting cutting the costs of the Child Welfare Program.

Mr. Duarte indicated that the passage of Senate Bill 497 would not have that great of an effect upon the Child Welfare spending. He said that even if the funds are capped, the State must accept the responsibility for these children because they are adopted through court order and are not applicants who apply for benefits.

Senator McCorkle asked if this bill only encompasses foster care and institutionalized care.

Mr. Duarte replied that it is foster care, subsidized adoptions, institutional care, transportation, specific foster care homes that are subsidized, hard-to-place cases and the single parent program where the woman is going to relinquish her child for adoption.

He asked what causes a child to be placed in institutionalized care as opposed to foster care programs. He also asked why institutionalized care is three times greater in cost than that of foster care.

Mr. Duarte concluded that it is a matter of degree of the type of care that is required by the child. He said that in Clark County, there is a joint Committee that meets to determine where a child should go. Mr. Duarte replied that they were authorized for 35 cases, and it had increased to 52 cases. He added, though, that this is not a large increase.

ASSEMBLY BILL 334

Mr. Duarte stated that this is a bill providing for a supplemental appropriation for the Title 19 Program amounting to \$13,479,000. He said that the Governor's original request was modified and reduced by \$162,407. He indicated that \$13,300,000 is allocated for direct medical payments, of which, for Fiscal Year 1980, \$50,000 would be needed, and \$13,250,000 for Fiscal Year 1981. He said that they also transferred funds in this budget with the approval of the Interim Finance Committee from Fiscal Year 1981 to Fiscal Year 1980 to clear up the shortfall in Fiscal Year 1980. He said that there is an additional amount of \$179,000 for fiscal agent charges. He said that the main reason for this request is the difference between the number of authorized recipients that they were authorized through the budget and the number of recipients that are actually experiencing. He said that they are anticipating that the Title 19 caseload will be 18.6 percent higher than what they had been budgetted.

Senator Gibson asked what their budgetted increase was.

Mr. Duarte replied that they were allocated 9,500 recipients for the first year of the biennium and 10,000 recipients for the second year of the biennium. He indicated that as of last month, there were 14,714 recipients.

Senator Gibson asked how greatly the ADC Program has contributed to this increase.

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Mr. Duarte replied that the ADC Program is up 24.2 percent for the biennium, Child Welfare is up 16.6 percent, Aged is an increase of 11.7 percent, although there has been a decrease in services to the blind of 4.4 percent, which is not a major decrease, and in the disabled category, they have experienced about a 5.5 percent increase.

Senator Gibson asked how much it would help to have Senate Bill 497 in effect right away as far as this fiscal year is concerned.

Mr. Duarte replied that he feels that most important to cutting expenditures will be what criteria will be established for eligibility certification, but whether or not this will have a large effect on assistance payments is yet to be determined.

Senator McCorkle asked if there are any of the expenses previously referred to that have been incurred to date.

Mr. Duarte indicated that these expenses are bills that are expected to be incurred through June 30th of this fiscal year.

Senator Gibson said that the caseload has the most direct effect on costs, and that there should be an effort made in the area of caseload reduction.

Mr. Duarte said that the federal cap being proposed is going to be based upon what has been spent in Fiscal Year 1981 plus an increase of 5 percent. He said that even with this 5 percent increase, this will be a \$15 million reduction in the current Title 19 Program.

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SENATE BILL 427

This bill was presented by Mr. John Crossley, Legislative Auditor, Mr. Gary Crews and Mr. Lee Hanson, both of the Audit Division. For an explanation of Senate Bill 427 and a summary of Mr. Crossley's testimony, please turn to Exhibit F.

Senator McCorkle asked how they are proposing to pilot a program that is going to be a mandatory requirement.

Mr. Crossley replied that what this bill is proposing is not federal law yet, but it is a mandatory requirement. He said that the main concern he sees with this proposal is that the Federal Government wants to make this a mandatory requirement without supplying the funds enabling the states to conduct these audits.

Senator McCorkle asked if the legislation can be modified in some way to make it more cost effective for the states.

Mr. Crossley indicated that if there was an Audit Subcommittee formed who had the authority to approve or disapprove audits of State agencies, the \$50,000 in contract funds would become available for these State agencies to contract out with private CPA firms. He said that this should be done with Legislative approval, though.

Senator McCorkle asked if it is being requested by the Federal Government that the Legislature pass this measure.

Mr. Crossley indicated that this concept is not being federally mandated.

Senator Gibson said that in order for this bill to be effective, it would require Legislative support and an analysis of what it will cost to comply with the measure.

Senator McCorkle asked if Mr. Crossley was aware of whether or not the Federal Government is presently conducting any audits of State agencies.

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Mr. Crossley replied that there are no audits being conducted presently, and he added that the Federal Government is slowly but surely divorcing themselves from the auditing process and transferring this responsibility to the states.

Senator Gibson said that the Office of Budget and Management would determine what the federal fund share would be.

Senator McCorkle asked if it would be possible, in light of the possibility that Grant Audits will be made, to utilize staff members making these audits to conduct operational audits at the same time.

Mr. Crossley replied that this would be more expensive to do this; that they only conduct financial compliance audits in regard to State law presently.

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SENATE BILL 161

This bill was presented by Mr. Al Stone, Director of the Department of Transportation. He indicated to the Committee that they are currently experiencing a cash flow problem; that they need the flexibility of having a cash flow to maintain their lower fund balance which will enable them to utilize Highway User fees. He said that this bill will also have to be approved by the Board of Examiners and the Transportation Board.

Senator Wilson asked if what they are proposing to do will not incur a claim against the State, because, in effect, the State is pledging their credit in order to secure this loan.

Mr. Stone replied that they are securing this loan from the projected revenue increases from the gasoline tax, DMV fees and other fees. He did indicate that there would be an effort made to determine just what the liability to the State would be.

Mr. Frank Daykin, Chief Legislative Counsel, addressed Senator Wilson's question. He said that, in effect, they are proposing to secure short term revenue bonds or notes. He said that apparently the intention when drafting this legislation was to pledge receivables in order to secure the loan. He indicated that the lender would continue to have a claim against these revenues until the indebtedness was expunged.

Senator Wilson asked if the lender would be eligible to loan the money if the State's credit was not put up as collateral.

Mr. Daykin replied that they would be able to lend this money without the State's credit; that private industry is able to secure loans by pledging receivables, and that he was not aware of any State or Federal regulations which would prohibit the State from securing their loan this way either.

Senator Wilson asked if they were considering applying to the State Retirement Board for this loan, and, if so, would the Retirement Board be prohibited from loaning this money because of any regulation which might prohibit them from doing so.

Mr. Stone replied that they have discussed this possibility with the State Retirement Board, and that they have said that they are able to loan the money.

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SENATE BILL 474

SENATOR JACOBSEN MOVED THAT SENATE BILL 474 BE PASSED.

SENATOR ECHOLS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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SENATE BILL 161

THE COMMITTEE DECIDED TO HOLD THIS BILL FOR FURTHER ACTION.

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SENATE BILL 48

THE COMMITTEE DECIDED TO HOLD THIS BILL FOR FURTHER ACTION.

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SENATE BILL 427

SENATOR JACOBSEN MOVED THAT SENATE BILL 427 BE PASSED.

SENATOR WILSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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ASSEMBLY BILL 334

SENATOR ECHOLS MOVED THAT ASSEMBLY BILL 334 BE PASSED.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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ASSEMBLY BILL 174

SENATOR JACOBSEN MOVED THAT ASSEMBLY BILL 174 BE PASSED.

SENATOR ECHOLS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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ASSEMBLY BILL 272

SENATOR MCCORKLE MOVED THAT ASSEMBLY BILL 272 BE PASSED.

SENATOR ECHOLS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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ASSEMBLY BILL 316

SENATOR ECHOLS MOVED THAT ASSEMBLY BILL 316 BE PASSED.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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ASSEMBLY BILL 319

SENATOR ECHOLS MOVED THAT ASSEMBLY BILL 319 BE PASSED.

SENATOR GLASER SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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ASSEMBLY JOINT RESOLUTION 26

SENATOR WILSON MOVED THAT ASSEMBLY JOINT RESOLUTION 26
BE PASSED.

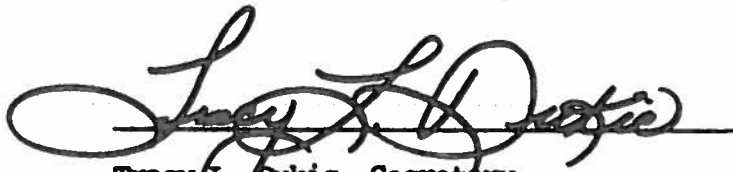
SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.


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There being no further business, the meeting was adjourned at 10:54 a.m.

Respectfully submitted by;


Tracy L. Dukic, Secretary

APPROVED BY:


Floyd R. Lamb, Chairman

DATED: Apr 22

SENATE AGENDA

COMMITTEE MEETINGS

Committee on FINANCE, Room 231.

Day (SEE BELOW), Date (SEE BELOW), Time 8:00 a.m.

TUESDAY, APRIL 7, 1981

1. Mental Health and Mental Retardation Subcommittee meeting.

WEDNESDAY, APRIL 8, 1981

- ✓ 1. A.B. No. 354 - Retains earned interest in fund for industrial development of small counties and facilitates allocation. (Ron Sparks)
 - ✓ 2. S.B. No. 474 - Makes an appropriation for reproduction of Nevada Reports. (Art Palmer)
 - ✓ 3. A.J.R. No. 26 - Memorializes Congress to enact legislation exempting certain retirement benefits from income tax. (Vernon Bennett)
 - ✓ 4. A.B. No. 174 - Makes appropriation for system of filing and storage for vital statistics section of health division of department of human resources. (Paul Cohen)
 - ✓ 5. A.B. No. 272 - Makes appropriation for working capital for The Nevada Magazine. (C. J. Hadley)
 6. A.B. No. 316 - Makes appropriation for electronic scales for state mailrooms in Carson City and Las Vegas. (Bruce Greenhalgh)
 - ✓ 7. A.B. No. 319 - Makes supplemental appropriation for the child welfare program. (John Duarte)
 - ✓ 8. S.B. No. 48 - Provides for reimbursement of Carson City for services rendered to state. (Senator Jacobsen)
 - ✓ 9. S.B. No. 427 - Creates audit subcommittee in legislative commission. (John Crossley)
 - ✓ 10. S.B. No. 161 - Authorizes borrowing by department of transportation from financial institutions. (Al Stone)
- ✓ A.B. No 334-

THURSDAY, APRIL 9, 1981

1. S.B. No. 20 - Establishes program of state support for public libraries. (All testimony by Joe Anderson)
2. S.B. No. 21 - Provides for formation of regional networks of libraries.
3. S.B. No. 22 - Revises laws governing administration and financing of libraries.
4. S.B. No. 23 - Directs submission to vote of people of proposal to issue state general obligation bonds for building and expanding public libraries and provides for construction grants from proceeds if issue is approved.
5. S.B. No. 26 - Revises provisions relating to distribution of official publications to libraries and governmental agencies.
6. Public Service Commission (Pg. 744 - Heber Hardy)
 - a. Department of Utility/Transportation Customer Representation (Pg. 749)

FRIDAY, APRIL 10, 1981

1. Closing of Budgets.

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON FINANCE

DATE: April 8, 1981

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS	TELEPHONE
Don Hataway	Carson City 813 N. Carson	882-5114
Bill Morse	HEALTH DIVISION 505 E King	885-4480
Mike Griffin	DISTRICT JUDGE Carson City	882-1996
John R. Duarte	Welfare Division 251 Jernell Carson	885-4725
Arthur Palmer	Director, Legislative Council Bureau	885-5627
John Crossley	Legislative Aulch - LCB	885-5620
GARY CREWS	" " "	"
LEE HANSON	" " "	"
Caroline Hadley	Nevada Magazine	885-5416
* Bruce Greenhalgh	Dept. of General Services	885-4094

Library Note:

Either no Exhibit C was submitted to the meeting or it is missing. There is no mention of an Exhibit C in the minutes, nor is there an Exhibit C on the microfiche.

Research Library
September 2014

VERNON W. NETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE NEVADA



PUBLIC EMPLOYEES RETIREMENT SYSTEM

693 WEST NYE LANE
CARSON CITY, NEVADA 89701
TELEPHONE (702) 885-4200

RETIREMENT BOARD
DARREL R. DAINES
CHAIRMAN
SAM A. PALAZZOLO
VICE CHAIRMAN

MEMBERS
WILLIS A. DEISS
PEGGY GLOVER
BOYD D. MANNING
MARGIE MEYERS
TOM WIESNER

TESTIMONY PROVIDED TO THE SENATE FINANCE COMMITTEE
REGARDING ASSEMBLY JOINT RESOLUTION NO. 26 ON APRIL 8, 1981

I am John Bibee, Supervisor of the Membership Division of the Public Employees Retirement System of Nevada.

The Retirement System favors AJR 26. We have been working since 1964 on tax relief for retired employees through our national retirement associations. Congress and IRS have continually opposed this type legislation because of the fiscal impact. We can think of no better way to assist our retired employees than to make their public retirement benefits exempt from federal income tax. AJR 26 will express the Legislature's support of this position.

We will appreciate your favorable consideration of AJR 26. We will be pleased to answer any questions which you may have.

E

SENATE BILL 48
Proposed Amendments

1 SECTION 1. The legislature finds that:

2 1. Carson City, as the state capital, does benefit from
3 the fact that substantial state facilities are located within
4 its boundaries.

5 2. Carson City, as the state capital, however, has a
6 financial burden for extraordinary expenses which are not borne
7 elsewhere in the State of Nevada, because:

8 (a) Many state activities are conducted in Carson City
9 which, if conducted by private persons employing a comparable
10 number of employees, would generate substantial revenue; and

11 (b) A large amount of the property within the limits of
12 Carson City is state property and is therefore exempt from
13 local taxation.

14 3. The requirements of this act must be imposed as a
15 matter of public necessity for the reimbursement of certain
16 specific services.

17 4. Under these special circumstances and conditions a
18 general law cannot be made applicable.

19 SECTION 2. 1. The following state agencies must reimburse
20 Carson City at the end of each fiscal year for the actual costs
21 incurred by agencies of the City in providing the state with the
22 described services during the fiscal year.

23 (a) The youth services division of the department of human
24 services of the state, for costs incurred by the juvenile justice
25 department of Carson City in supervising children under the care
26 and custody of the state in Carson City.

27 (b) The court administrator of the supreme court, for costs
28 incurred for judicial services by the first judicial district
29 court and the Carson City justice court in considering matters
30 arising in Carson City because of the location of state agencies
31 and institutions in Carson City.

32 SECTION 3. 1. The actual and reasonably necessary costs
33 incurred by Carson City for extraordinary expenses arising in
34 Carson City for the following described services, are a charge
35 against the state statutory contingency fund:

36 (a) Sheriff. Extraordinary expenses, related to internal
37 prison emergencies, jail services provided for internal prison
38 emergencies, and demonstrations related to legislative or
39 executive activities.

40 (b) Fire. Extraordinary expenses related to internal prison
41 emergencies, demonstrations related to legislative or executive
42 activities, and major fire activities.

43 SECTION 4. 1. All claims arising out of this act must be
44 presented to the state board of examiners for approval.

45 2. If approved by the state board of examiners, the
46 reimbursement of all claims will be made only after verification
47 and audit by the state controller. Claims certified by the
48 controller must be paid as other claims against the state are
49 paid.

50 3. The reimbursement program established herein will cease
51 on June 30, 1985 unless renewed by the state during the 1985 session
52 of the legislature.

S.B. 427
LEGISLATIVE COMMISSION
AUDIT SUBCOMMITTEE

EXPLANATION OF S.B. 427

CORRESPONDENCE

STATE AGENCIES

Traffic Safety Division	Barton Jacka
Health Planning and Resources	Myrl Nygren
Division of Water Planning	James P. Hawke
Department of Education	Ted Sanders

OTHER STATES

Kansas

Illinois

FEDERAL GOVERNMENT

Office of Management and Budget

U.S. Department of Education regarding Nevada
State Department of Education

U.S. Department of Education regarding
Rehabilitation Services

U.S. Department of Interior regarding Department
of Conservation and Natural Resources and
State Board of Wildlife Commissioners

SOUTHEASTERN INTERGOVERNMENT AUDIT FORUM

Regarding Pilot A-102 Attachment P audits of
the National Conference of State Legislators
and Arlington County, Virginia

FEDERAL AUDIT REQUIREMENTS
OMB A-102 - ATTACHMENT P
SB 427
BDR 17-610

On October 22, 1979, the Federal Office of Management and Budget issued Attachment P to their Circular A-102 entitled, "Uniform Administrative Requirements for Grants-and-Aid to State and Local Governments." The requirements of Attachment P are summarized as follows.

1. Audits of federal grants are to be on a continuous basis but not less than once every two years.
2. The audits are to be done by the recipient organization. (In our case this would be the State Government.)
3. Such audits are to determine whether:
 - (a) Financial operations are conducted properly,
 - (b) The financial statements are presented fairly,
 - (c) The organization has complied with laws and regulations affecting the expenditure of Federal funds,
 - (d) Internal procedures have been established to meet the objectives of federally assisted programs, and
 - (e) Financial reports to the Federal Government contain accurate and reliable information.

Several problems have been identified in Attachment P by the State auditors. These are best summed up in a report issued by the State Auditor Coordinating Council. For your information, the State Auditor Coordinating Council, of which this office is a member, is the information and policy coordinating mechanism for state auditor participation in the National Intergovernmental Audit Forum, the National Association of State Auditors, Controller's and Treasurer's (NASACT), and the Post Audit Section of the National Conference of State Legislators. Their report appeared in the NASACT newsletter, Volume 2, Number 3, May 1980, issued by the Council of State Governments.

In the report, they made the following recommendations (emphasis added):

(1) It is recommended that GAO undertake a study and review of the "Red Book", Statements 1 and 2 of NCGA and Attachment P of Circular A-102 with a view to achieving consistency within these separate documents and that such review and evaluation include a review of the results of the pilot projects now underway, such as the Arlington County, Virginia, audit, the National Conference of State Legislatures' audit, and departmental audit of the State of Virginia.

(2) It is recommended that GAO undertake, in conjunction with OMB, the development of a specific timetable of review, revision, and implementation of Attachment P of Circular A-102 which will resolve the problems outlined above and achieve an effective implementation program on a schedule of which all interested parties may have adequate notice.

(3) It is recommended that the Executive Office of the President, with the Director of OMB, work directly with the GAO and the state and local representatives to the National Intergovernmental Audit Forum to resolve the issues on reimbursement of state and local auditors for their efforts in implementation of the single audit concept.

(4) It is recommended that OMB meet with a task force of state and local officials to make compatible the criteria necessary to test for compliance for state and local as well as federal purposes.

(5) It is recommended that a task force of GAO, OMB, and state and local officials be formed to review the recommendations of the JFMIP study to see how these recommendations can be interfaced with the provisions of Attachment P to OMB Circular A-102.

(6) It is recommended that the duties, responsibilities, and obligations of cognizance be defined.

OMB, on April 17, 1980, issued their assignment of Federal agencies responsible for audit of states. This is their cognizant agency list.

OMB, on August 18, 1980, issued a publication entitled, "Uniform Requirements for Grants to State and Local Governments." This represents their compliance manual.

A bill (S-45) is currently in the United States Senate which would provide for reimbursements to state and local auditors for audits accomplished in accordance with Attachment P, and mandate that the audits be conducted by the state and local governments.

A task force has been developed of federal, state, and local representatives. They have identified issues and met two or three times. The following list identifies the key problem areas that need to be resolved.

1. Overall OMB planning needs to be improved. The single audit concept was developed without enough coordination between Federal, State, and local auditors. Questions such as the effective date to implement A-102 remain open when the concept is not yet fully implemented.
2. Reimbursement is a major problem because the majority of States cannot cause a flow of funds to support the single audit concept through the indirect cost allocation plan.
3. The role of the cognizant audit agency is not clearly defined. The major questions are: How can the State or local auditor correlate statutory responsibilities with those of the Federal cognizant agency if there are conflicts and how can the conflicts be mediated?
4. A role for minority and small CPA firms needs to be developed. Both types of firms believe they will be struggling to stay in business. They hope OMB and Federal program emphasis will help maintain their roles in the professional auditing area.
5. As we gain experience with the "red book," it will obviously need some revision. Participants expressed a desire, as they had before, to provide input to future revisions of the book.
6. Compliance factors have been developed for 56 programs representing about 90 percent of the grant funds to State and local governments. However, such requirements have not been promulgated. Participants believe input should be made by all levels of government as to what the compliance requirements will be and how procedures will be developed to test for compliance. A further concern is how the other 10 percent of grant funds (about 441 programs) are to be tested for compliance.
7. Identification of grants by the Federal agencies seems poor. It is awkward for an auditor to have a grantee identify the funds without being able to confirm whether all the funds are included in the audit. A grant information system is needed.

There seemed to be full agreement that the problems should be resolved through the combined efforts of OMB, GAO, State and local officials, and the audit forums.

We have already received requests for audits from state and federal agencies to be done in accordance with Attachment P. We received the first one in June 1980. I notified the Legislative Commission of this. I informed them that I felt Attachment P should be addressed by the 1981 Legislature. I recommended that those audits be deferred at this time. I also recommended that I would be directed to obtain from all State agencies a schedule of the grants they currently have and anticipate receiving during the 1981-83 biennium, and develop an estimated cost for auditing those grants.

On December 2nd, I reported back to the Legislative Commission on Attachment P. We completed the survey of the State agencies. The State agencies were very cooperative in this venture and many of them recognized the problems and were aware of the requirements of Attachment P. Our survey revealed that as expected, much of the federal money received by the State agencies is subject to the audit requirements of Attachment P. In addition to the amounts received by the Department of Transportation, we identified approximately \$117,000,000 that will be received in the current fiscal year and to the next biennium it is estimated that almost \$300,000,000 will be received. This amount, when added to the amount to the Department of Transportation, anticipates receiving very closely to what is in the Governor's budget that is currently before the Legislature.

Other states are also struggling with this problem. Kansas has passed what is called the Model Law, but they are having troubles implementing it. I was informed that Montana has built amounts into all of the agency budgets to finance the audits. My recommendation to the Commission, which they approved and is embedded in the bill currently before you, is a creation of an audit subcommittee of the Legislative Commission to review and make recommendations through the Commission to the 1983 Legislature.

Two major issues are involved.

1. The resolution of exactly what the compliance features of the audits will be. This is currently a running discussion between OMB and the different Federal agencies. Many of them are very unhappy with OMB's telescoping their own compliance requirements.
2. The method of reimbursement. In Section 3(b) on the advice of other States, I have worded the method of obtaining Federal reimbursement very loosely. They suggested that I should put the option of either a direct charge against the grants or a charge into the overhead allocation. The Federal Government has placed a significant burden upon the State and I feel before we move into it too quickly, it should be analyzed. The Federal Government, at the present time, will not pay, in

most situations, 100% of the cost of an audit, they will pay only their percentage.

I contacted two major State agencies to see if they have included any amount for auditing in their cost allocation plan. They had not.

A review of the bill is as follows:

Section 2 - This section creates the audit subcommittee of the Legislative Commission.

Section 3 - Provides for the following:

- a. That the Legislative Auditor must be notified of the ward of each grant. This is one of the major problems in this whole program in that no one has a firm handle on the grants, not even the Federal Government.
- b. Provides that if the audit subcommittee directs me to do the audit or hire a C.P.A. firm exactly how the audit will be financed. If they make that decision, we will request either a direct charge against the federal grant or determine how much federal money we would receive through the agency's cost allocation plan for the federal share of the audit. In as much as nothing is included in the agency budgets for the State portion, the State's share if done by me will be funded from my budget, and if it is performed by a C.P.A. firm the non-federal share would be financed from the appropriation included in this bill.

Sections 4 & 5 - Provides the audit subcommittee may decide to do the audit either through my office or through a qualified accounting firm. Under my direction, the balance of these sections provides how the auditing firm will be selected, confidentiality of records, the exit conference, and the distribution of the reports. We do have a provision in there that in accordance with the contract, we could submit the audit report to the federal cognizant agency before it goes to the audit subcommittee. This really presents no problem in my mind because I do not believe it would become a public document even though we distribute it and we could specify in the transmittal letter that this is a draft and is not a public document.

Section 6 - This section is related to section 10. In section 10 it is required that I submit to the audit subcommittee by September 1, 1982, the estimated cost to the State by agency, of complying with federal audit requirements for the next biennium. Section 6 is permissive language and it is for after the next session of the Legislature.

Section 7 - This is a key section. For example, this is a pilot project and I am not recommending we do all of the audits that the Federal Government wants. We have not provided the money either in my budget or in this bill for the C.P.A. firms to do all the audits. The reason for this Section is that the compliance feature is unresolved and before a State agency executes a contract with a Federal agency, I feel it should be important that they contract for no more compliance auditing than required. Obviously, the more they do, the more the costs are increased. Even if it is 100 percent federal, I don't believe more federal money should be spent than is necessary, but if it is a sharing ratio, that becomes State dollars and I do not believe the State should spend more money than they are required to. It was felt that any decision required by this Section should be by the full Commission instead of the subcommittee. I see no problem with timing.

Section 8 - Provides that members of the subcommittee will receive the salary, and travel and per diem allowances allowed by law.

Section 9 - Appropriates \$50,000 to provide that I could contract with C.P.A. firms if the subcommittee so decides to assist in performing audits in accordance with this bill.

In conclusion, I feel we could make a very constructive report back to the 1983 Legislature. The reason I have put a September 1st due date on the cost data, is so that it can be considered for inclusion in the Governor's budget if it is felt that it is the way to go. Also by that time, through the work of the forums, the steering committees, National Conference of State Legislatures, Council of State Governments, State Auditor Coordinating Council, and the Federal Government, we should have the problems worked out so that we can move forward and have the type of audits that should be made with a minimum interruption to the State agencies. I believe the concept is excellent, but I believe we should approach it cautiously and move forward slowly.

I have attached correspondence from State agencies, federal agencies, and other states regarding the implementation of Attachment P.



STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627
KEITH ASHWORTH, *Senator, Chairman*
Arthur J. Palmer, *Director, Secretary*
INTERIM FINANCE COMMITTEE (702) 885-5640
DONALD R. MELLO, *Assemblyman, Chairman*
Ronald W. Sparks, *Senate Fiscal Analyst*
William A. Bible, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

August 14, 1980

Mr. Barton Jacka, Director
Department of Motor Vehicles
Governor's Highway Safety
Representative
555 Wright Way
Carson City, Nevada 89710

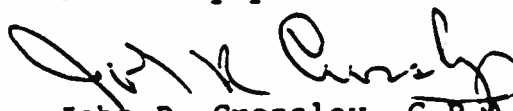
Dear Mr. Jacka:

I submitted your request for an audit of the Traffic Safety Division for the period October 1, 1979 through September 30, 1981, to the Legislative Commission on August 5, 1980. Enclosed is a copy the presentation that I made in regards to your request.

As you will note on page four, my first recommendation was that since the audit is prospective, I be directed to inform you that the request will be addressed by the 1981 Legislature. Accordingly, the Legislative Commission did not authorize me to do the audit at this time.

If you have any questions, please call me.

Sincerely yours,


John R. Crossley, C.P.A.
Legislative Auditor

JRC:hjr
Enclosure
pc: The Honorable Robert List

1649

ROBERT LIST
Governor

STATE OF NEVADA

S. BARTON JACKA
Director



DEPARTMENT OF MOTOR VEHICLES

TRAFFIC SAFETY DIVISION

CAPITOL COMPLEX

CARSON CITY, NEVADA 89710

(702) 885-5720

June 6, 1980

John Crossley, CPA
Legislative Auditor
Legislative Building
Carson City, Nevada 89710


Dear Mr. Crossley:

The United States Office of Management and Budget Circular A-102, Attachment P, requires State governments that receive Federal assistance arrange for independent audits of their financial operations, including compliance with certain provisions of Federal law and regulations.

Pursuant to the above requirement, it is requested that the Legislative Auditors perform the required audit on the Traffic Safety Division to cover the period from October 1, 1979 through September 30, 1981. Federal funds are available to reimburse expenses incurred in the performance of the audit, if necessary.

Please advise this office, in writing, if this request can be honored.

Very truly yours,


Barton Jacka, Director
Governor's Highway
Safety Representative

BJ/DLL/tai

1650

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



ARTHUR J. PALMER, Director
(702) 885-5627

LEGISLATIVE COMMISSION (702) 885-5627

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DONALD R. MELLO, Assemblyman, Chairman
Ronald W. Sparks, Senate Fiscal Analyst
William A. Bible, Assembly Fiscal Analyst

FRANK W. DAYKIN, Legislative Counsel (702) 885-5627
JOHN R. CROSSLEY, Legislative Auditor (702) 885-5620
ANDREW P. GROSE, Research Director (702) 885-5637

August 14, 1980

Miss Myrl Nygren, Administrator
Nevada Health Planning and Resources
Capitol Complex
505 E. King Street - Room 605
Carson City, Nevada 89710

Dear Miss Nygren:

I submitted your request for an audit of the Federal Grant to the Legislative Commission on August 5, 1980, verbally. At the same time I informed them of the ramifications of OMB Circular 102 Attachment P, which related funding problems associated therein. They directed me to inform you that your request for an audit of the grant by the Legislative Auditor will have to be addressed by the 1981 Legislature.

I am enclosing a copy of Attachment P for your information. Accordingly, at this particular time I am unable to perform the audit.

If you have any questions, please call me.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "John R. Crossley".

John R. Crossley, C.P.A.
Legislative Auditor

JRC:rie
Enclosure

1651

Responses to the following conditions should be submitted to:

Chief
Office of Grants Management
Public Health Service - Region IX
50 United Nations Plaza, Rm. 345
San Francisco, CA 94102

The agency may obligate and/or expend only 3 months (the approved budget/project period) of Federal funds. The release of funds beyond the 3-month budget period is contingent upon your satisfactory compliance with the conditions stated below. A revised budget for the 3-month period must be submitted by August 1, 1980.

Special Conditions:

1. By August 1, 1980, the agency must submit a revised work program for the Regional Office approval. The revised work program must address the following:

- Aug. 25*
Optimal
- a. SHPDA performance standards - *Optimal Performance*
 - b. Remedial actions to correct deficiencies identified in the Federal site assessment report
 - c. Contractual activities, resources and products
 - d. Activities of other agencies of State government to support SHPDA work program as reflected in the budget
 - e. Timely review, adoption and submission of SHPDA application and State Health Plan
 - f. Detailed tasks, products and deadlines for plan development.

In addition to the State Policy Analysis section described in 14 below, all high priority goals must be specific and measurable and followed by specific measurable objectives, specific community or State agency actions, and specific resource requirements.

- g. Enactment of conforming CON legislation
- h. Coordination with all SHCC committees.
- i. Compliance with the conditions the SHCC placed on its March 27, 1980 action to approve the SHPDA application.
- j. Provision for compliance with Federal conditions.

10. By January 30, 1981, the agency shall submit to the Regional Office fiscal audits of each of the first four years of agency designation.

11. The agency shall develop, as a part of the SHP, a State Policy Analysis which includes:

- (1) An inventory of existing and emerging Federal and State policies, programs, goals and objectives;
- (2) An analysis of the interrelationship and/or conflicts between these policies, programs, goals and objectives;
- (3) A statewide forecast of the need for various services;
- (4) An analysis of costs for the services.

12. The SHPDA must submit each proposed contract and/or consultant agreement to the Project Officer for review and approval prior to signing a contract or agreement.

13. The agency shall submit monthly to the Regional Office a summary of critical agency activities, accomplishments and problems including the following:

- a. Overall progress on the work plan and significant exceptions or revisions to proposed completion dates;
- b. Significant issues and problems encountered during the reporting period including but not limited to such areas as required functions, intermediate products, agency management, budgeting, etc. This monthly report should be no longer than two pages.

14. The agency shall submit quarterly to the Regional Office a revised work program showing target dates met, changes in target dates and products completed. The minimum requirements for these quarterly reports shall be determined by the Regional Office. The agency shall also submit quarterly an updated cumulative list of intermediate products developed (completed) by the agency since its initial conditional designation. The agency shall also submit a quarterly update on the composition of the SHCC.

15. By June 30, 1981, the agency must require that the redistribution of ten beds, or ten percent of the total bed capacity is subject to Certificate of Need review.

Submit timetable for regulations -

ROBERT LIST
GOVERNOR



STATE OF NEVADA

ADDRESS REPLY TO:

DIVISION OF WATER PLANNING
201 S. FALL STREET, NYE BLDG.
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

TELEPHONE (702) 685-4877

JAMES P. HAWKE

ADMINISTRATOR

September 5, 1980

MEMORANDUM

TO: John R. Crossley, CPA, Legislative Auditor
FROM: James P. Hawke, Administrator *JPH*
SUBJECT: Response to your Memorandum of August 25, 1980

Enclosed for your consideration are Schedules A and B per your request.

The U.S. Water Resources Council has recently published specific guidelines concerning standards to be followed in the conduct of audits for Title III Grants. The guide was designed for use by qualified independent public accountants and/or state auditors in performing grant audits pursuant to the requirements of the Office of Management and Budget Circular A-102, attachment G.2.h (revised). Should you so desire, I would be happy to make a copy of this rather lengthy (61 pages) document available to you for your consideration.

Should you have any questions regarding the information submitted on Schedules A and B, please feel free to call.

JPH:tf

Attachment

1654



NEVADA DEPARTMENT OF EDUCATION

Capitol Complex
Carson City, Nevada 89710

TED SANDERS
Superintendent

September 8, 1980

Mr. John R. Crossley, C.P.A.
Legislative Auditor
Legislative Counsel Bureau
Audit Division
401 South Carson Street
Carson City, NV 89710

Dear Mr. Crossley:

As requested in your letter of August 25, 1980 we are providing the information about Federal grants on the forms you supplied. As you can see there is a sizeable amount of Federal financial assistance that passes through the Department of Education. I'm not sure that the amount alone is indicative of the audit effort that would be necessary to comply with the mandate in OMB Circular A-102, Attachment P. It seems to me that the wide dispersal among eligible recipients in Nevada must also enter into the estimate of effort.

As you know, we have been engaged for some time in auditing grants of Federal funds made by this agency, and I believe we've been able to meet most of the auditing expectations of A-102. Very recent Federal requirements in some programs are going to require additional effort, and we will be requesting two additional auditors in the 1981-1983 biennium. These programs are ESEA Title I and USDA Child Nutrition (School Lunch).

I am interested in knowing more about your request for information and any activity or effort the Legislative Counsel Bureau may plan or have planned to take on this matter.

Sincerely,

Ted Sanders

JPC:TS:mg

cc: Jim Costa

1655

31



WESTERN INTERGOVERNMENTAL AUDIT FORUM



STATE - FEDERAL - LOCAL

Executive Director

JACK BIRKHOLZ

SUITE 900
1275 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94103
(415) 556-0682



Also includes AMERICAN SAMOA, GUAM and
the TRUST TERRITORY of the Pacific Islands

December 9, 1980

Executive Committee

DARREL DAMEL, CHAIRMAN
PATRICK COLLINS, VICE-CHAIRMAN
MIGUEL BARRIOS, JR.
STANLEY QUON
ROBERT GREEN
DOUGLAS NORTON

TO : State Auditors and Others Directly
Involved with the Single Audit

FROM : Jack Birkholz *Jack*

SUBJECT: Other States' Implementation Problems

Sometimes we are so deeply involved with our own problems that we tend to forget others are experiencing the same or similar concerns. A case in point is the enclosed letter from the State of Kansas Legislative Division of Post Audit.

They, too, are having problems in implementation of the Single Audit - particularly with respect to developing an inventory of grants received by State agencies and in developing a mechanism for reimbursement of additional costs for Attachment P audits. Sound familiar? At least it is comforting to know there are others with us.

They are asking for our comments on these and other areas. I am sure you will be happy to share your experiences - both positive and negative. Please send your comments directly to Ms. Vicky West with a copy to this office. Should you care to discuss this with her first, she can be reached at (913) 296-3792, commercial and FTS.

Lest we forget and become discouraged, it is well to remember that ours, the Forum way, undoubtedly is the best method to accomplish the Single Audit.

Enclosure

**LIST OF ADDRESSEES FOR DECEMBER 9, 1980 LETTER DEALING
WITH THE SINGLE AUDIT:**

Darrel Daines - Chairman Western Audit Forum
Leonard Bernaciak - Community Services Administration
Jack Brown - California Controller's Office
Don Byrd - Department of Labor
Alfred Clavelli - Department of Transportation
Patrick Collins - Department of Housing and Urban Development
✓ John Crossley - Nevada Legislative Auditor
Richard Cutting - California Department of Finance
C Robert Green - California Society of Municipal Finance Officers
Thomas Hayes - California Auditor General
Ronald Holte - Chairman, Western Audit Forum Committee on Auditing
Cooperation and Coordination, and California
Society of Auditors for Management
Robert Hubbard - California State Association of County Auditors
Douglas Norton - Arizona Auditor General
Stanley Quon - California Employment Development Department
Charles Rabb - Law Enforcement Assistance Administration
Bert Schirle - California Counties Audit Chiefs Committee
Danny Valdivia - Arizona Municipal Finance Officers Association
Herbert Witt - Department of Health and Human Services
James Yamamura - Hawaii Comptroller's Office
Robert Fronke - City Auditor, Long Beach
Thomas Ralph - Sacramento County Audit Chief
Edward Ryan - Auditor/Controller's Office, San Diego County
Clinton Tanimura - Hawaii Legislative Auditor
Marvin Leavitt - Nevada League of Cities



Legislative Division of Post Audit

December 3, 1980

MILLS BUILDING
TOPEKA, KANSAS 66612

Mr. Jack Birkholz, Exec. Director
Western Intergovernmental Audit Forum
Suite 900
1275 Market Street
San Francisco, CA 94103

Dear Mr. Birkholz:

Our office is in the process of implementing the provisions of OMB Circular A-102, Attachment P for the state of Kansas. We have encountered a number of difficulties in this process, some within the state and others at the federal level. There have been two especially difficult areas. The first has been developing an inventory of the grants received by our state agencies. There is considerable non-compliance by federal agencies with the reporting provisions of Treasury Circular 1082 so that process cannot be relied on to provide the inventory. Further, state agency officials are in many instances unable to provide a comprehensive list of the money received and the federal programs that are the sources of those funds.

The second difficulty has been in developing a mechanism by which the state can be reimbursed for the additional costs of an Attachment P audit. There are those who allege that there are no increased costs. However, our staff will be doing substantially more work in auditing every year as required by the attachment since our state statute formerly required audit only of every other year. Also, the inclusion of federal compliance issues in our audit plans will increase the costs. In addition, we have encountered federal programs, for example in the transportation area, that acknowledge there will be increased costs to the state but whose enabling legislation forbids payment of indirect administrative costs.

We are anxious to move forward in the implementation of the single audit concept, but many of the basic "how to" questions remain unanswered. We would appreciate hearing from you on how the states in your region are responding to the attachment and any problems they have encountered. Also if your forum has done any projects related to the whole area of federal auditing we would be interested in receiving copies of those.

Mr. Jack Birkholz
December 3, 1980
Page 2

If we can provide any information or assistance to you or your members in this area of federal auditing please do not hesitate to contact me. Thank you for your help.

Sincerely,
Vicky S. West
Vicky S. West
Senior Auditor

VSW:mj

cc: Richard E. Brown
Legislative Post Auditor
Randy Tongier
Director of Financial-Compliance Audits



Memorandum

FEB 6 - 1981

Date
From
Subject
To

Audit Manager
Non-Federal Audits (S&L)
HHS/OIG Audit Agency
Audits Under Attachment P
Mr. Asher Tenner
Regional Audit Director, Region V

On December 8, 1980, Mr. Thomas J. Loobey, Compliance Audit Director, Office of the Auditor General, State of Illinois, stated that regular biennial audits are scheduled for four of the six State agencies for which HHS is cognizant. These audits will include the period ending June 30, 1981. Accordingly, he is prepared to conduct Attachment P audits of these agencies if suitable funding arrangements to cover the additional costs can be worked out. Mr. Loobey inquired as to whether the OIG Audit Agency has funds for this purpose or if we have suggestions on how such funding arrangements can be made.

Although the OIG Audit Agency has limited funds appropriated for audits performed under formal contract service arrangements, these funds were not approved for the purpose of financing non-Federal audits of Federal awards at the State or local levels. If such funds were provided to Illinois, all other Federal award recipients would want equal treatment. This would not be practical.

Audit costs have long been recognized as an allowable expenditure under Federal cost principles. In the case of organization-wide audits required under Attachment P, the costs should be included in the State and local government's indirect cost proposal or cost allocation plan.

In discussions with staff in the Division of Cost Allocation, HHS Chicago Region V, we learned that Illinois has several indirect cost and cost allocation proposals for 1981 on file for review and negotiation. The Illinois Central Service Plan for 1981, for example, proposes \$4,810,786 for audit services by the Office of the Auditor General. Any additional audit costs anticipated in order to meet the requirements of Attachment P should be charged in the same manner.


Rodney S. Bateman, Jr.

cc:

Mr. Lordan (OMB) w/incoming correspondence
Mr. Kirschenmann (OASMS)
Mr. Talesnik (OGCFM)
Mr. Detloff (DCA, Region V) w/incoming correspondence
Mr. White (ARAD, Region V)
Mr. Mitchell (OIG)
Mr. Kropatkin (OIG/AA)
Mr. Majka (OIG/AA)
Regional Audit Directors, Regions I thru X, w/incoming correspondence
OIG Audit Agency Associate/Assistant Directors, w/incoming correspondence

HHS Audit Liaison Officials, w/incoming correspondence

Mr. Beuley (DOI)
Mr. Bradley (EPA)
Mr. Busbee (VA)
Mr. Genovese (DOT)
Mr. Heim (DOC)
Mr. Kratz (CSA)
Mr. Lowell (OPM)
Mr. Neuman (DCAA)
Mr. Peterson (USDA)
Mr. Pommering (DOJ)
Mr. Stepnick (DOL)
Mr. Sickon (HUD)
Mr. Wright (DOE)
Mr. Yazurlo (ED)

SON



GRAND L. MALANY
ASSISTANT AUDITOR GENERAL

MARGARET FRECHT
ADMINISTRATIVE SERVICES DIRECTOR

THOMAS J. LOOBEY, C.P.A.
COMPLIANCE AUDIT DIRECTOR

STATE OF ILLINOIS
OFFICE OF THE AUDITOR GENERAL

SPRINGFIELD OFFICE:
LINCOLN CENTER PLAZA, 2ND FLOOR
324 SOUTH SECOND STREET • 627
PHONE: (217) 782-6046

CHICAGO OFFICE:
1840 STATE OF ILLINOIS BUILDING
160 NORTH LASALLE STREET • 60
PHONE: (312) 793-2108

December 8, 1980

Mr. Asher Tenner
Regional Audit Director
HHS/OIG Audit Agency
300 South Wacker Drive, Room 3533
Chicago, Illinois 60606

Dear Mr. Tenner:

Thank you for your letter to Mr. Cronson of November 26, 1980 confirming your audit cognizance responsibilities for State of Illinois agencies.

We have our regular biennial audits of the Department of Mental Health and Developmental Disabilities, the Department of Public Aid, the Department of Public Health, and the Dangerous Drugs Commission scheduled for the period ended June 30, 1981.

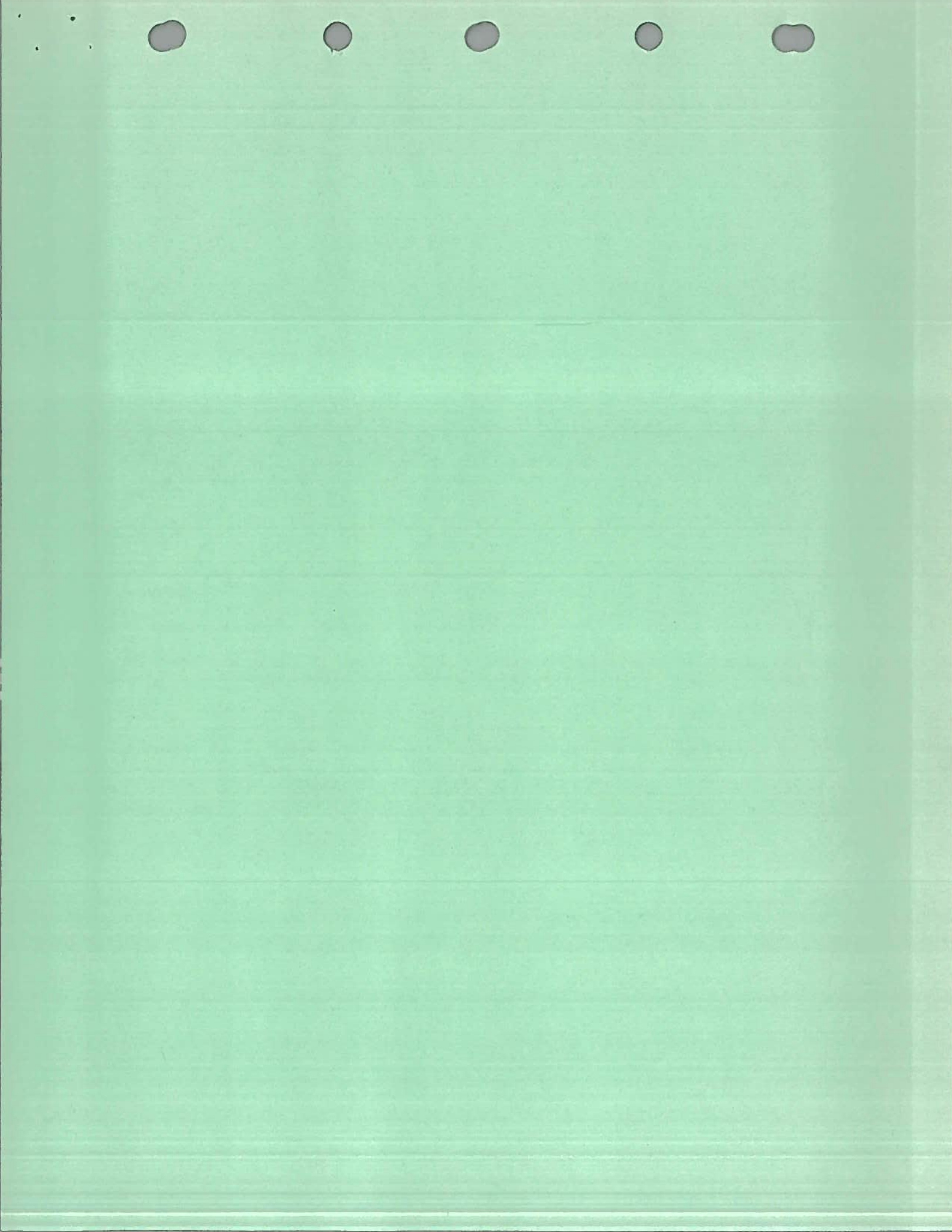
We are prepared to conduct Attachment P audits in these agencies if suitable funding arrangements to cover the additional cost can be worked out. If your own agency has funds for this purpose or if you have suggestions on how such funding arrangements can be made we would be pleased to meet with you to discuss it.

Yours truly,


THOMAS J. LOOBEY, C.P.A.
Compliance Audit Director

TJL:pt

1662



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 23, 1980

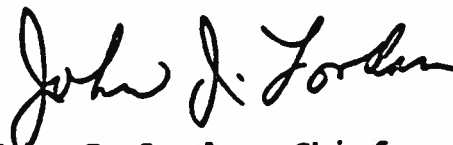
MEMORANDUM FOR STATE BUDGET OFFICES AND STATE AUDITORS
VIRGINIA, ILLINOIS, MISSOURI, TENNESSEE

SUBJECT: Recovery of Audit Costs by States

Since the issuance of Attachment P, "Audit requirements," to Circular A-102, "Uniform requirements for grants to State and local governments," States have become more concerned with the recovery of audit cost from Federal programs.

To get a better understanding of problems States face in recovering audit cost, we asked the Department of Health and Human Services to review audit costs for four States and to ascertain how much of this cost was recovered. The attached report shows that the States were not recovering as much audit cost as they could have and gives some of the reasons. The primary one seems to be that State agencies had not established indirect cost rates.

We would appreciate any comments that you may have on the report and any suggestions you may have for resolving the reimbursement issue in your State.



John J. Lordan, Chief
Financial Management Branch

Attachment

JUN 27 1980

1663

MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF THE SECRETARY

TO : John Lordan
: Chief, Financial Management Branch
: Budget Review Division, OMB

DATE: JUN 10 1980

FROM : Chief, Planning and Oversight Branch, Operations Division
: Office of Grant and Contract Financial Management, OGP, HHS

SUBJECT: Recoveries by States of Audit Costs Allocated under FMC 74-4 to
: Federal Programs

We are responding to your request for data on the above subject for the four states included in the review, namely Illinois, Missouri, Tennessee, and Virginia. Our involved Regional Divisions of Cost Allocation were contacted and asked to determine, through reasonable means immediately available under the circumstances 1), the dollar amounts of State audit costs actually recovered under the various supported programs within the State; 2) the dollar amounts representing the maximum potential recovery; and 3) the essential reasons for the non-recovery of the potential maximum.

While meeting certain difficulties in determining actual dollar amounts recoveries, the regions could largely ascertain the reasons for non-recovery of all state audit costs charged or allocated to federally supported programs. In summary State agencies are not recovering all audit costs chargeable to the Federal Government because:

- 1) Agency did not have a rate established because the amounts involved were too small, or the did not believe effort worthwhile, since some federal agencies were reluctant to pay indirect cost.
- 2) In limited grant dollar situations such as contained in formula grants, the grantee agencies in many cases chose to forego indirect costs in favor of "Direct" Program effort.
- 3) The State agency or department failed to include state-wide allocation costs in its departmental rates generally for the reason that it was unaware that such costs could or should be included.

With particular reference to the individual states, we found as follows:

Illinois

Total audit cost allocated per
state-wide cost allocation plan
to all State agencies/departments \$4,430,000

Total estimated maximum potential
recovery of State auditing costs
from the Federal Government \$ 586,000

Total estimated audit costs re-
covered from Federal Government \$ 310,000

Allocations of audit costs are based on actual hours. The State did not
direct charge any audit costs to any programs supported in whole or in
part by Federal Grants.

Missouri

Total audit costs allocated
per state-wide cost allocation
plan to all State agencies/de-
partments \$ 653,000

Total estimated maximum potential
recovery of State auditing costs
from the Federal Government \$ 213,000

Total estimated audit costs
recovered from Federal Government \$ 24,000

The large difference between the estimated recovery and the maximum potential
is due to approximately 13 agencies out of 18 not having established any
indirect cost rates, and of the 5 remaining agencies, 3 recovered audit costs,
while the remaining 2 never applied the established rate.

The State utilized departmental auditors (as opposed to "state" type) to a
large degree and charges such costs to State and Federal programs generally
as in indirect cost item where departmental rates are used.

Tennessee

Total audit cost allocated per
state-wide cost allocation plan
to all State agencies/departments \$2,818,000

Total estimated maximum potential
recovery of State auditing costs
from the Federal Government \$ 291,000

Total estimated audit costs re-
covered from Federal Government \$ 88,000

Of approximately 15 State departments, 10 had no rates and 6 had rates to recover indirect costs including audit. The State, however, direct charged and recovered an additional \$820,000 as the Federal share on other State/Federal programs.


Virginia

Total audit costs allocated per
state-wide cost allocation plan
to all State agencies/departments \$1,101,000

Total estimated audit costs re-
covered from Federal Government \$ 55,000

Total estimated maximum potential
recovery of State auditing costs
from the Federal Government *

*Could not be readily determined or estimated of the 48 State agencies/departments to which audit cost were specifically allocated per the state-wide cost allocation plan, only 14 such Agencies/departments had established indirect cost rates (which included audit costs). The remaining 34 units did not establish rates because amounts were too small, the feds, would not pay, etc.


George J. Wolff



UNITED STATES DEPARTMENT OF EDUCATION

REGIONAL INSPECTOR GENERAL FOR AUDIT
2000 Center Street, Room 302
Berkeley, California 94704

February 23, 1981

Mr. John R. Crossley
Legislative Auditor
Audit Division
401 S. Carson Street
Carson City, Nevada 89710

Dear Mr. Crossley:

As the cognizant Federal agency for the Nevada State Department of Education (SDE), we are conducting a survey to determine SDE's current and planned audit coverage to meet the requirements of Office of Management and Budget Circular A-102, Attachment P. The Attachment requires Federal grant recipients to have independent audits of their operations at least once every two years.

As part of our survey, we request that you provide us with the following information :

1. A listing of all open contracts, grants and cooperative agreements (Federal and State) at the close of the last completed fiscal reporting period. The listing should include (i) agreement number, (ii) awarding agency and originating agency where the agency is a subrecipient of Federal pass-through funds, (iii) award date, (iv) amount of award and matching or share provisions, and (v) total costs incurred under each grant at the end of the most recently completed fiscal reporting period.
2. A listing of all new contracts, grants or cooperative agreements entered into since completion of the last fiscal reporting period. The listing should include items (i) through (iv) above.
3. A listing of all subcontracts that are subject to audit under Paragraph 15 of Attachment P. The listing should include (i) the name and address of each subgrantee or subcontractor, (ii) award date, (iii) originating agency, (iv) amount of each subaward, and (v) audit status.
4. SDE's responsibility to report to other units of State government, i.e., Governor's office, State Auditor, etc.

We would appreciate receiving this information by March 13, 1981.

After receipt of the above information, we can then arrange a visit to discuss the purpose and objective of Attachment P and SDE's plans for meeting the requirements prescribed in the attachment.

Should you have any questions, please contact Clyde Izumi of my staff at (415) 486-3826

Yours truly,

SEPTON BOYARS
Regional Inspector General
for Audit

mt

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

KEITH ASHWORTH, *Senator, Chairman*
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

DONALD R. NELLO, *Assemblyman, Chairman*
Ronald W. Sparks, *Senate Fiscal Analyst*
William A. Bible, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

March 12, 1981

Mr. Sefon Boyars
Regional Inspector General
for Audit
2000 Center Street, Room 302
Berkeley, California 94704

Dear Mr. Boyars:

This is in response to your letter dated February 23, 1981, requesting information on the Nevada State Department of Education. This is the letter that we discussed at the forum meeting in San Diego.

Both of us are aware that many unresolved issues still surround the implementation of Attachment P. At the present time we are in a holding pattern from our standpoint until such time as I completely and fully appraise the Nevada Legislature of the ramifications of Attachment P. I plan to do this very shortly. I feel that because of the numerous problems that have surfaced, the Legislature should be brought into the picture so they are completely aware of the problems associated with the implementation of Attachment P.

Accordingly, at this time I would defer responding to your letter until such time as we have a better handle on Attachment P. As we discussed, much of the money is flow-through money and alternative methods might have to be instituted for the auditing of that money. One problem we identified just today is in the OMB Circular on Compliance. They have put together the compliance features for the Department of Health and Human Services and the Department of Education. This starts on page 55093. Also, the funding of the continuous audit must be addressed.

I really feel that it is important for me to get this legislation moving and once we work that out, sit down with the appropriate parties which, of course, would be yourself and work the problems out. As soon as I have that legislation in proper form, I will send you a copy.

Mr. Sefon Boyars
March 12, 1981
Page 2

I realize this doesn't satisfy your requirement, but I think it is the step that I will have to take at the present time.

Sincerely yours,



John R. Crossley, C.P.A.
Legislative Auditor

JRC:bjs
pc: Ted Sanders, Superintendent
of Public Instruction

UNITED STATES DEPARTMENT OF EDUCATION

REGION IX

RECEIVED
Rehabilitation Division

50 United Nations Plaza
San Francisco, California 94102

Rehabilitation Services
Administration

NOV 26 1980

November 20, 1980

Kinkead Bldg.
Carson City, Nevada 89710

REGION IX REHABILITATION SERVICES IDENTICAL MEMORANDUM NO. 80-84

TO : All State Directors
FROM : RSA Regional Commissioner
SUBJECT: State VR Agency Audits, OMB Circular A-102

On April 6, 1979, we sent a reminder that external or internal audits of VR grantee programs are required at a minimum once every two years (see attached). Discussions with the cognizant Department of Education Audit Agency indicate that no audit reports of the State operations have been received to date.

OMB Circular A-102 reaffirmed and clarified the requirement for audits (extract enclosed). Please schedule or arrange for your State's audit so that the audit report can be submitted into the Regional Office by June 30, 1981.

You may use either the Departmental auditors, State and/or legislative auditors or independent auditors. The only requirement is that the audit be made in accordance with the General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions; the Guidelines for Financial and Compliance Audits of Federally Assisted Programs; any compliance supplements approved by OMB and generally accepted auditing standards established by the American Institute of Certified Public Accountants.


Louie L. Terango

Enclosure



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REGIONAL OFFICE
50 UNITED NATIONS PLAZA
SAN FRANCISCO, CALIFORNIA 94102

OFFICE OF
HUMAN DEVELOPMENT
SERVICES

April 6, 1979

REHABILITATION SERVICES IDENTICAL MEMORANDUM NO. 79-27

TO: Rehabilitation Services Grantees

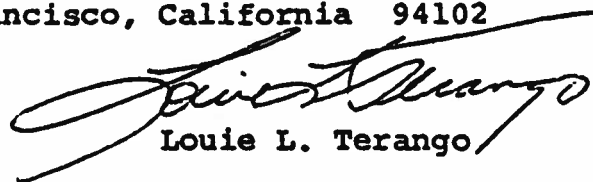
FROM: RSA Regional Program Director

SUBJECT: Audit Requirement in Title 45 of the Code of
Federal Regulations, Part 74.61(h)

We are reminding you to adhere and comply with the audit requirements which are conditions for receipt of HEW grants. Title 45 of the Code of Federal Regulations, Part 74.61(h), requires external or internal audits usually once a year, but at least every two years. The purpose of the audits is to determine the effectiveness of the financial management system and the internal procedures established by the recipient to meet the terms of its grants and subgrants.

Please ensure that your agency is audited according to these requirements. A copy of your latest audit report is to be furnished to:

HEW Regional Audit Agency
50 United Nations Plaza, Room 173
San Francisco, California 94102


Louie L. Terango

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627
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FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

December 5, 1980

Mr. Robert W. Beuley
Assistant Inspector General
for Auditing
U.S. Department of Interior
Office of the Secretary
Washington, D.C. 20240

Dear Mr. Beuley:

I received your letter dated November 24, 1980, in regard to auditing in accordance with Attachment P of OMB, Circular A-102. We are currently involved in developing the mechanics to carry out the intent of that attachment.

In the future, please address all correspondence to:

Mr. John R. Crossley, C.P.A.
Legislative Auditor
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89710
Telephone: (702) 885-5620

Sincerely yours,

A handwritten signature in cursive script, appearing to read "John R. Crossley".

John R. Crossley, C.P.A.
Legislative Auditor

JRC:hjr
pc: Mr. James R. Doyle



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

NOV 24 1980

In recent years we have furnished your office a listing of the State grant portions of our annual audit plans. Attachment P to Office of Management and Budget (OMB) Circular A-102, issued October 22, 1979, provides for "single-audit concept" organization-wide audits of grantee agencies, rather than grant-by-grant audits, and requires that grantees use their own procedures to arrange for independent audits. You should also be aware that the September 10, 1980 revision to Attachment P provides that grantees take action to "assure that small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals as defined in Pub. L. 95-507 are used to the fullest extent practicable." Accordingly, we do not plan to contract for or make any new grant "cycle" audits in FY 1981, except for Office of Surface Mining grants which will be continued for the current fiscal year only (specific States to be determined).

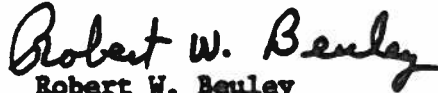
We have accepted Federal single-audit oversight cognizance for 79 major State grantee agencies, as listed in the enclosure. We will continue to provide oversight, however, for all grant audits contracted during FY 1980, for which reports will be issued during FY 1981 covering transactions through June 30, 1980. We anticipate full implementation of the single-audit concept by FY 1982, for State agencies.

In addition to providing oversight for organization-wide audits of selected grantees, we will continue to review grantee indirect cost proposals, and negotiate rates, in accordance with the OMB cognizance assignments. Since we have no control over the timing of submission of proposals by the grantee agencies, we cannot forecast the indirect cost proposal reviews which will be performed this year.

If you have any questions, please contact Mr. Isak M. Danon, Supervisory Auditor, Contract and Grant Operations, Office of Inspector General, U.S. Department of the Interior, Ballston Towers #1, 800 North Quincy Street, Room 401, Arlington, Virginia 22217 (telephone 703-235-8133).

Copies of the single-audit guide, "Guidelines for Financial and Compliance Audits of Federally Assisted Programs" issued by the General Accounting Office, may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (Stock Number 020-000-00181-0). This guide includes Attachment P to Circular A-102. A supplemental guide on major compliance features of grant programs was issued in August 1980 by the Office of Management and Budget. For copies of the supplement contact Mr. James R. Doyle, Financial Management Branch, Office of Management and Budget, Washington, D.C. 20503, telephone (202)-395-3993.

Sincerely,



Robert W. Beuley
Assistant Inspector General for Auditing

Enclosure

AGENCY SUMMARY
DOI (78)

26 SEP 80

STATE
TITLE

ALABAMA (3)

Department Of Conservation & Natural Resources
State Geologist & Geological Survey
Board of Trustees, Dept. of Archives & History

ALASKA (1)

Department of Fish & Game

ARIZONA (1)

Game & Fish Department

ARKANSAS (3)

Department of Natural & Cultural Heritage
Department of Parks & Tourism
Game & Fish Commission

COLORADO (1)

Department of Natural Resources

DELAWARE (2)

Department of State
Department of Natural Resources & Environmental Control

DISTRICT OF COLUMBIA (1)

Dept. of Recreation

FLORIDA (1)

Department of Natural Resources

GEORGIA (1)

Natural Resources Board

HAWAII (1)

Department of Land & Natural Resources

IDAHO (3)

Department of Fish & Game
Department of Parks & Recreation
Department of Water Resources

ILLINOIS (2)

Department of Conservation
Department of Mines & Minerals

INDIANA (1)

Department of Natural Resources

IOWA (3)

Conservation Commission
Geological Board

1676

AGENCY SUMMARY
001 (79)

26 SEP 80

STATE
TITLE

Natural Resources Council

KANSAS (2)

Fish & Game Commission
Water Resources Board

KENTUCKY (2)

Department of Parks
Department of Fish & Wildlife Resources

LOUISIANA (2)

Department of Culture, Recreation & Tourism
Department of Wildlife & Fisheries

MAINE (2)

Department of Indian Affairs
Dept. of Inland Fisheries & Wildlife

MARYLAND (2)

Department of Natural Resources
Dept. of Historical Grants Preservation

MASSACHUSETTS (2)

Department of State--Secretary of the Commonwealth
Executive Office of Environmental Affairs

MICHIGAN (1)

Natural Resources Commission

MINNESOTA (2)

State Planning Agency
Department of Natural Resources

MISSISSIPPI (3)

Commission for the Department of Natural Resources
Commission for Department of Wildlife Conservation
Board of Trustees of Archives & History

MISSOURI (2)

Conservation Commission
Department of Natural Resources

NEVADA (2)

Department of Conservation & Natural Resources
State Board of Wildlife Commissioners

NEW HAMPSHIRE (2)

Department of Resources & Economic Development
Fish & Game Commission

NEW MEXICO (1)

1677

AGENCY SUMMARY
DOI (79)

26 SEP 80

STATE
TITLE

Department of Natural Resources

NEW YORK (1)
Office of Parks & Recreation

NORTH CAROLINA (1)
Department of Cultural Resources

NORTH DAKOTA (2)
Game & Fish Department
North Dakota Parks & Recreation Department

OHIO (2)
Department of Natural Resources
Ohio Historical Society

OKLAHOMA (1)
Tourism & Recreation Commission

OREGON (2)
Fish & Wildlife Commission
Water Resources Department

PENNSYLVANIA (3)
Fish Commission
Game Commission
Historical and Museum Comm.

SOUTH CAROLINA (2)
Wildlife & Marine Resources Commission
Parks, Recreation & Tourism Commission

SOUTH DAKOTA (1)
Department of Game, Fish & Parks

TENNESSEE (2)
Department of Conservation
Wildlife Resources Commission

TEXAS (1)
Parks & Wildlife Commission

UTAH (1)
Department of Natural Resources

VERMONT (1)
Environmental Conservation Agency

VIRGINIA (2)
Commission on Game & Inland Fisheries
Comm. of Outdoor Recreation

1678

AGENCY SUMMARY
DOI (79)

26 SEP 80

STATE
TITLE

WASHINGTON (4)

Office of Archaeology and Historic Preservation
Game Commission
State Parks & Recreation Commission
Interagency Committee for Outdoor Recreation

WEST VIRGINIA (1)

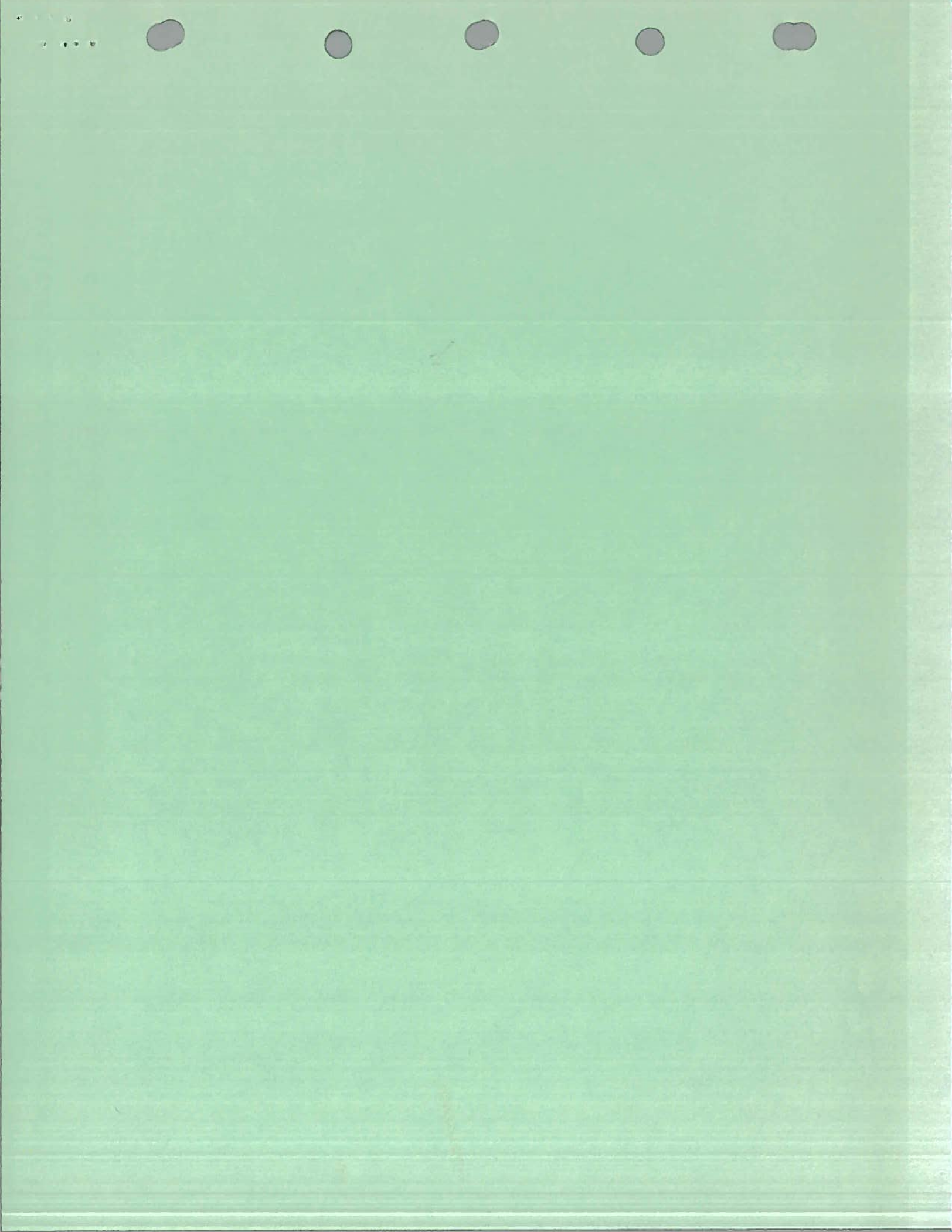
Department of Natural Resources

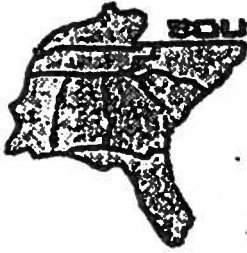
WISCONSIN (2)

Natural Resources Board
Board of Curators, Historical Society of Wisconsin

WYOMING (1)

Game & Fish Commission





SOUTHEASTERN INTERGOVERNMENTAL AUDIT FORUM

FEDERAL STATE LOCAL
221 COURTLAND STREET, N.E., SUITE 306
ATLANTA, GEORGIA 30337
(404) 771-4676 FTS 8-242-4578

February 9, 1981

TO : FORUM MEMBERS/OBSERVERS

FROM : *Bob Conrad*
Executive Director

SUBJECT: Minutes of Forum Meeting

Minutes of the September 25-26, 1980, meeting held at Research Triangle Park, North Carolina, are attached.

Attachment

TECHNICAL SESSION - EMIL TREFZGER, HHS
DISCUSSING PROJECT TO MONITOR
ATTACHMENT P PILOT AUDITS

Mr. Emil Trefzger, Regional Audit Director, HHS, began his presentation by explaining that after Attachment P to OMB Circular A-102 was issued, several organizations went to OMB and volunteered to get involved in Attachment P pilot audits. OMB asked him to monitor the pilot audit of an organization in Kentucky, the National Conference of State Legislators, because of the large amount of HHS funds in Kentucky. OMB also requested that he monitor the pilot audit of Arlington County, Virginia.

Mr. Trefzger stated that he realized very quickly in his cognizant agency role that he needed to know and understand the (1) Guidelines for Financial and Compliance Audits of Federally Assisted Programs (Red Book), (2) Standards for Audit of Governmental Organizations, Programs, Activities and Functions (Yellow Book), (3) AICPA auditing standards, and (4) Federal compliance system. This is because the CPA firm and cognizant agency are in constant contact regarding how the audit should be done.

Mr. Trefzger next focused on problems that have surfaced during the two pilot audits. These are discussed below:

- Federal funds - The identification of Federal funds, especially those that flow through State governments, is difficult. On flow-through funds, the auditor has to rely on the auditee to identify that portion of funds received from States that are actually Federal flow-through funds. Even with direct funding there is a problem because auditee records frequently don't cite the Catalog of Federal Domestic Assistance program identification number.

- Compliance - For a number of Federal programs, it was necessary for auditors to go beyond the OMB compliance supplement to determine precise compliance criteria. The compliance requirements for those programs listed in the supplement are supposed to be adequate. For State flow-through funds, it was necessary for auditors to refer to State agreements with the county to determine compliance requirements because the State establishes the precise compliance criteria within the broad Federal program guidelines.

- Statistical Sampling - The sampling technique used in Arlington County necessitated the taking of two samples. The first sample did not provide adequate coverage to satisfy the RFP requirements. As a result, a second sample was taken to ensure adequate coverage of Federal programs. At this point there was a considerable amount of discussion concerning the use of statistical sampling in auditing and whether a single audit is actually being done (or at least done efficiently) if stratified sampling is used to focus on Federal funds.

- Materiality - The Red Book, Yellow Book, and Attachment P define materiality differently. Also, CPA firms use judgment to determine what is material since a precise definition doesn't exist.

- Reporting - One CPA firm said it could not attest to the accuracy of financial statements. The Red Book requires auditors to determine and comment on accuracy of financial records.

The above problems are being brought to the attention of OMB through various methods including a summary report which will be prepared at the completion of the project.

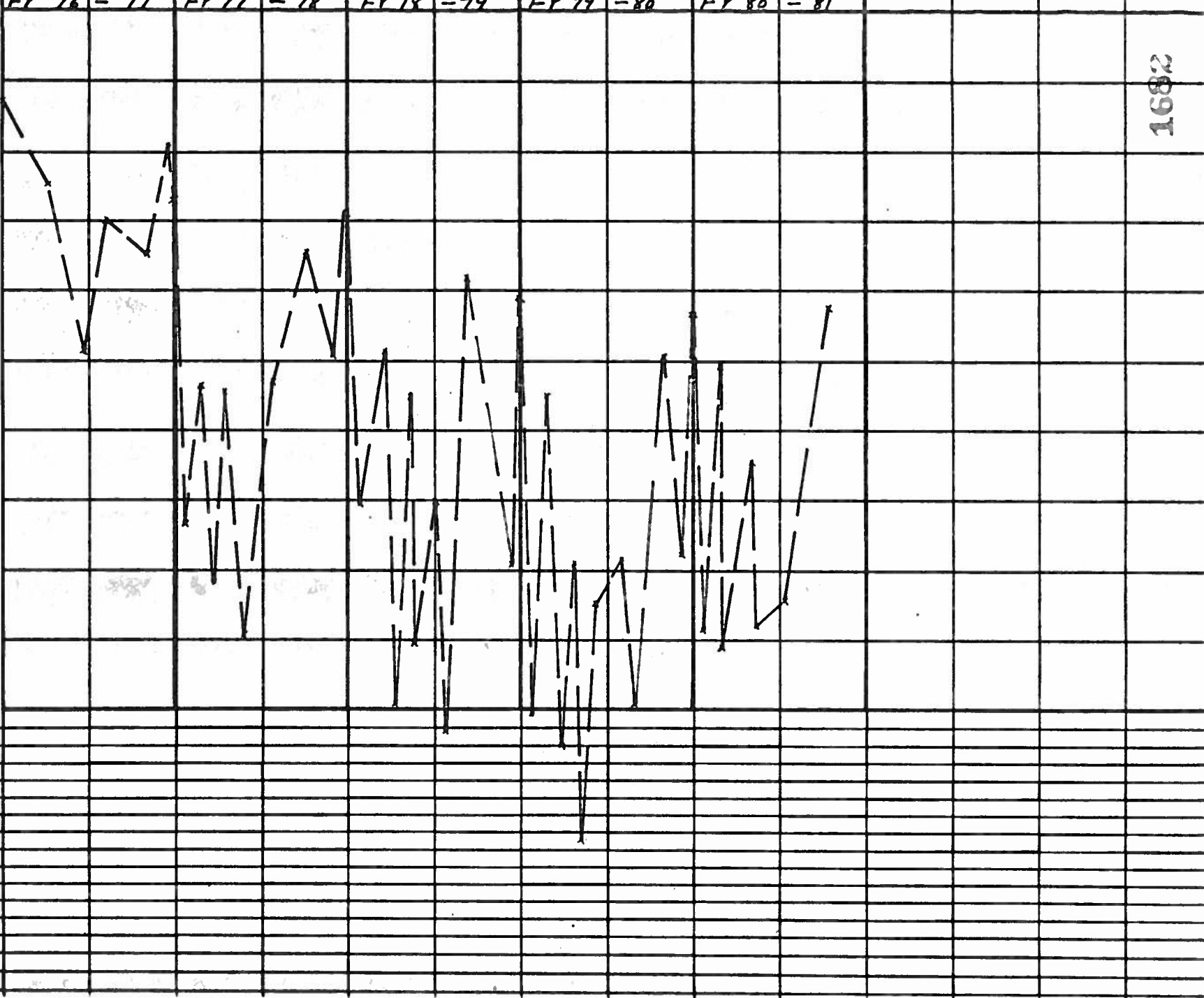
by

Mr. Trefzger concluded his presentation/stating that he recognized he brought up a lot of controversial issues that need to be faced up to. It was his belief the concept can be successful if we all pull together to make it work.

FY 76 - 77 FY 77 - 78 FY 78 - 79 FY 79 - 80 FY 80 - 81

CASH
BALANCE

\$18M
\$16M
\$14M
12M
\$10M
\$8M
\$6M
\$4M
\$2M
0



1682

SENATE BILL NO. 48—SENATOR JACOBSEN

JANUARY 21, 1981

Referred to Committee on Government Affairs

SUMMARY—Provides for reimbursement of Carson City for services rendered to state. (BDR S-447)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to Carson City, providing for reimbursement for services rendered to the state; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. The legislature finds that:
2 1. Carson City, as the state capital, has a financial burden which is
3 not borne elsewhere in the State of Nevada because:
4 (a) Many state activities are conducted in Carson City which, if con-
5 ducted by private persons employing a comparable number of employees,
6 would generate substantial revenue; and
7 (b) A large amount of the property within the limits of Carson City is
8 state property and is therefore exempt from local taxation.
9 2. The requirements of this act must be imposed as a matter of pub-
10 lic necessity.
11 3. Under these special circumstances and conditions a general law
12 cannot be made applicable.
13 SEC. 2. 1. The following state agencies shall reimburse Carson City
14 at the end of each biennium for the actual costs incurred by agencies of
15 the city in providing the state with the described services during the
16 biennium:
17 (a) The department of general services of the state, for costs incurred
18 by the district attorney's office, the sheriff's office and the fire department
19 of Carson City;
20 (b) The youth services division of the department of human resources
21 of the state, for costs incurred by the juvenile detention center of Carson
22 Ci and
23 (c) The court administrator of the supreme court, for costs incurred
24 by the first judicial district court.
25 2. The reimbursement must be made on claims verified and audited
26 by the state controller and paid as other claims against the state are paid.

S. B. 161

SENATE BILL NO. 161—COMMITTEE ON TRANSPORTATION

JANUARY 30, 1981

Referred to Committee on Transportation

SUMMARY—Authorizes borrowing by department of transportation from financial institutions. (BDR 35-280)

**FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.**

EXPLANATION—Matter in italics is new; matter in brackets [] is material to be omitted.

AN ACT relating to the department of transportation; authorizing the board of directors to borrow money from financial institutions for short periods; providing that the loan obligation may only be secured by anticipated revenues; and providing other matters properly relating thereto.

***The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:***

- 1 **SECTION 1.** Chapter 408 of NRS is hereby amended by adding
2 there to a new section which shall read as follows:
3 1. *Whenever the legislature is not in session, the board may borrow,*
4 *with the approval of the state board of examiners money from financial*
5 *institutions for short periods to carry out the responsibilities of the*
6 *department.*
7 2. *To secure short-term financing, the board may pledge only revenue*
8 *which it anticipates the department will receive.*
9 3. *The lending institution has no claim against the state, and may*
10 *recover from the board under the loan agreement only to the extent that*
11 *the revenues pledged as security for the loan become available.*

A. B. 354

ASSEMBLY BILL NO. 354—COMMITTEE ON
WAYS AND MEANS

MARCH 17, 1981

Referred to Committee on Ways and Means

SUMMARY—Retains earned interest in fund for industrial development of small counties and facilitates allocation. (BDR 31-1475)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to the fund for industrial development in certain counties; requiring the interest earned by its investment to be credited to it; authorizing the interim finance committee to allocate from it during sessions of the legislature; accelerating its termination; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. NRS 356.087 is hereby amended to read as follows:
2 356.087 1. Except as provided in subsections 2 and 3, all interest
3 paid on money belonging to the State of Nevada must be deposited in the
4 state general fund.
5 2. At the end of each quarter of each fiscal year, the state treasurer
6 shall:
7 (a) Compute the proportion of total deposits of state money pursuant
8 to the provisions of this chapter which were attributable during the quar-
9 ter to the state highway fund, the motor vehicle fund and the taxicab
10 authority fund created by NRS 408.235, NRS 482.180 and NRS 706.-
11 8825, respectively;
12 (b) Apply such proportion to the total amount of interest paid during
13 that quarter to the state treasurer on deposits of state money; and
14 (c) Credit to the state highway fund and the taxicab authority fund an
15 amount equal to the amount arrived at by the computation in paragraph
16 (b).
17 3. The proportionate shares of the interest earned and received by:
18 (a) The dairy commission fund;
19 (b) The legislators' retirement fund;
20 (c) The public employees' retirement fund;
21 (d) The state permanent school fund;

1 (e) The silicosis and disabled pension fund;

2 (f) The wildlife account; [and]

3 (g) The Colorado River resources fund, the Colorado River research
4 and development fund, the Eldorado Valley development fund, the Fort
5 Mohave Valley development fund and any other special revenue fund,
6 capital projects construction fund, trust fund, enterprise fund or agency
7 fund for which the division of Colorado River resources of the depart-
8 ment of energy is responsible [.] ; and

9 (h) *The fund for industrial development in counties having a popula-*
10 *tion of 25,000 or less, created by chapter 621, Statutes of Nevada*
11 *1979,*

12 must be accounted for as separate income and assets of those respective
13 funds and account.

14 SEC. 2. NRS 218.6822 is hereby amended to read as follows:

15 218.6822 1. There is hereby created in the legislative counsel bureau
16 an interim finance committee composed of the members of the assembly
17 standing committee on ways and means and the senate standing com-
18 mittee on finance during the *current* or immediately preceding session of
19 the legislature. The immediate past chairman of the senate standing com-
20 mittee on finance shall be the chairman of the interim finance committee
21 for the period ending with the convening of the 56th session of the legis-
22 lature. The immediate past chairman of the assembly standing committee
23 on ways and means shall be the chairman of the interim finance com-
24 mittee during the next legislative interim, and the chairmanship shall con-
25 tinue to alternate between the houses of the legislature according to this
26 pattern.

27 2. The interim finance committee, except as provided in subsection
28 3, may exercise the powers conferred upon it by law only when the legis-
29 lature is not in regular or special session. The membership of any mem-
30 ber who does not become a candidate for reelection or who is defeated
31 for reelection continues until the next session of the legislature is con-
32 vened.

33 3. The interim finance committee may exercise its powers at all times
34 for the purpose of performing the duties imposed on it by NRS 353.220,
35 353.224 and 353.335 [.] and *chapter 621, Statutes of Nevada 1979.*

36 4. The director of the legislative counsel bureau shall act as the secre-
37 tary of the interim finance committee.

38 5. In all matters requiring action by the interim finance committee,
39 the vote of the assembly and senate members shall be taken separately.
40 An action must not be taken unless it receives the affirmative vote of a
41 majority of the assembly members and a majority of the senate members.

42 6. Except during a regular or special session of the legislature, each
43 member of the interim finance committee is entitled to receive the com-
44 pensation provided for a majority of the members of the legislature during
45 the first 60 days of the preceding regular session for each day or portion
46 of a day during which he attends a committee meeting or is otherwise
47 engaged in committee work plus the per diem allowance and travel
48 expenses provided by law. All such compensation must be paid from the
49 contingency fund in the state treasury.

1 SEC. 3. Section 4 of chapter 621, Statutes of Nevada 1979, at page
2 1337, is hereby amended to read as follows:

3 Sec. 4. After June 30, [1984,] 1981, the uncommitted balance
4 of the appropriation made in section 1 of this act shall not be com-
5 mitted and [shall revert] *after all money committed has been dis-*
6 *bursed or the commitment by its terms has lapsed, any remaining*
7 *balance reverts* to the state general fund.

8 SEC. 4. This act shall become effective upon passage and approval,
9 and governs all interest earned on the fund for industrial development in
10 counties having a population of 25,000 or less after December 31, 1980.

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A. B. 174

**ASSEMBLY BILL NO. 174—COMMITTEE ON
WAYS AND MEANS**

FEBRUARY 17, 1981

Referred to Committee on Ways and Means

SUMMARY—Makes appropriation for system of filing and storage for vital statistics section of health division of department of human resources. (BDR S-1070)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT making an appropriation to the health division of the department of human resources for a system of filing and storage for the vital statistics section; and providing other matters properly relating thereto.

*The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:*

- 1 **SECTION 1.** There is hereby appropriated from the state general fund
2 to the health division of the department of human resources the sum of
3 \$40,000 for the purpose of purchasing a system of filing and storage for
4 the vital statistics section.
- 5 **SEC. 2.** Any remaining balance of the appropriation made by section
6 1 of this act must not be committed for expenditure after June 30, 1983,
7 and reverts on that date to the state general fund.
- 8 **SEC. 3.** This act shall become effective upon passage and approval.

A. B. 272

**ASSEMBLY BILL NO. 272—COMMITTEE ON
WAYS AND MEANS**

MARCH 4, 1981

Referred to Committee on Ways and Means

**SUMMARY—Makes appropriation for working capital for
The Nevada Magazine. (BDR S-1083)**

**FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.**



EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT making an appropriation to the department of economic development for working capital for The Nevada Magazine; and providing other matters properly relating thereto.

***The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:***

- 1 SECTION 1. There is hereby appropriated from the state general fund**
- 2 to the department of economic development the sum of \$50,000 for the**
- 3 purpose of providing working capital for The Nevada Magazine.**
- 4 SEC. 2. This act shall become effective upon passage and approval.**

A. B. 316

**ASSEMBLY BILL NO. 316—COMMITTEE ON
WAYS AND MEANS**

MARCH 11, 1981

Referred to Committee on Ways and Means

SUMMARY—Makes appropriation for electronic scales for state mailrooms in Carson City and Las Vegas. (BDR S-1339)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT making an appropriation to the buildings and grounds division of the department of general services for electronic scales for their central mailrooms in Carson City and Las Vegas; and providing other matters properly relating thereto.

*The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:*

- 1 SECTION 1. There is hereby appropriated from the state general fund
2 to the buildings and grounds division of the department of general services
3 the sum of \$18,632 for the purchase of four electronic scales for use in
4 the central mailrooms in Carson City and Las Vegas.
5 SEC. 2. Any remaining balance of the appropriation made by section
6 1 of this act must not be committed for expenditure after June 30, 1983,
7 and reverts to the state general fund as soon as all payments of money
8 committed have been made.
9 SEC. 3. This act shall become effective upon passage and approval.

A. B. 319

**ASSEMBLY BILL NO. 319—COMMITTEE ON
WAYS AND MEANS**

MARCH 11, 1981

Referred to Committee on Ways and Means

**SUMMARY—Makes supplemental appropriation for the
child welfare program. (BDR S-1259)**

**FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.**

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT making an additional and supplemental appropriation to the welfare division of the department of human resources for the child welfare program; and providing other matters properly relating thereto.

***The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:***

- 1 SECTION 1. There is hereby appropriated from the state general fund
2 to the welfare division of the department of human resources the sum of
3 \$636,454 for the child welfare program. This appropriation is additional
4 and supplemental to that allowed and made by section 29 of chapter 695,
5 Statutes of Nevada 1979.**
- 6 SEC. 2. Any remaining balance of the appropriation made by section
7 1 of this act must not be committed for expenditure after June 30, 1981,
8 and reverts to the state general fund as soon as all payments of money
9 committed have been made.**
- 10 SEC. 3. This act shall become effective upon passage and approval.**

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(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

A. B. 334

ASSEMBLY BILL NO. 334—COMMITTEE ON
WAYS AND MEANS

MARCH 12, 1981

Referred to Committee on Ways and Means

SUMMARY—Makes supplemental appropriation to pay medical bills of recipients of public welfare. (BDR S-1258)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT making an additional and supplemental appropriation to the welfare division of the department of human resources to pay the medical bills of recipients of public welfare; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. There is hereby appropriated from the state general fund
2 to the welfare division of the department of human resources the sum of
3 \$13,479,000 for the purpose of paying the medical bills of recipients of
4 public welfare. This appropriation is additional and supplemental to that
5 allowed and made by section 29 of chapter 695, Statutes of Nevada 1979.
6 SEC. 2. Any remaining balance of the appropriation made by section
7 1 of this act must not be committed for expenditure after June 30, 1981,
8 and reverts to the state general fund as soon as all payments of money
9 committed have been made.
10 SEC. 3. This act shall become effective upon passage and approval.

SENATE BILL NO. 427—COMMITTEE ON
LEGISLATIVE AFFAIRS

MARCH 18, 1981

Referred to Committee on Legislative Affairs

SUMMARY—Creates audit subcommittee in
legislative commission. (BDR 17-610)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to the legislative commission; creating an audit subcommittee in the legislative commission to provide audits of state agencies which have been awarded federal grants; making an appropriation; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. Chapter 218 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 7, inclusive, of this act.
- 3 SEC. 2. 1. *There is hereby created in the legislative commission an*
4 *audit subcommittee consisting of three members.*
- 5 2. *The subcommittee must be composed of:*
- 6 (a) *The chairman of the legislative commission or a member of the*
7 *legislative commission appointed by him; and*
- 8 (b) *Two other members of the legislative commission.*
- 9 3. *The person serving on the subcommittee pursuant to paragraph (a)*
10 *of subsection 2 shall serve as chairman and the legislative auditor or a*
11 *member of his staff appointed by him shall serve as secretary of the sub-*
12 *committee.*
- 13 4. *The subcommittee shall meet at the times and places specified by*
14 *a call of the chairman. Two members of the subcommittee constitute a*
15 *quorum, and a quorum may exercise any power or authority conferred on*
16 *the subcommittee.*
- 17 SEC. 3. 1. *Each state agency which is awarded a federal grant, a*
18 *condition of which is the requirement that an audit be conducted to ensure*
19 *compliance with federal regulations, shall:*
- 20 (a) *Immediately notify the legislative auditor of the award of the grant;*
21 *and*
- 22 (b) *Upon receipt of the proceeds of the grant, remit to the legislative*

1 auditor, upon his request, a sum fixed by the legislative auditor which
2 approximates the amount the Federal Government will contribute towards
3 a direct charge against the grant for the audit or will contribute towards
4 the cost of the audit if it is included as a factor in the agency's plan for
5 cost allocation. That amount may later be adjusted to the actual cost of
6 the audit. The amount of the cost of the audit which the Federal Govern-
7 ment does not contribute must be paid from the legislative auditor's
8 budget, if the audit is performed by him, or from the audit contingency
9 account which is hereby created in the legislative fund, if the audit is per-
10 formed by an auditor under contract as provided for in section 4 of this
11 act.

12 2. The legislative auditor shall deposit the sum remitted pursuant
13 to paragraph (b) of subsection 1 with the state treasurer for credit to
14 the audit contingency account in the legislative fund. Expenditures from
15 the account may only be made to pay the cost of audits described in
16 subsection 1. All vouchers for expenses must be approved by the legis-
17 lative auditor and paid as other claims against the legislative fund are
18 paid.

19 SEC. 4. 1. The audit subcommittee may require the legislative audi-
20 tor to conduct, or may choose to contract with a qualified accounting
21 firm to conduct, an audit which is a prerequisite to the award of a
22 grant from the Federal Government to a state agency.

23 2. The legislative auditor shall keep a list of firms qualified and
24 willing to perform this kind of audit. Firms desiring to be included on
25 the list must annually submit to the legislative auditor statements of
26 qualifications and data relating to the performance of the firm, includ-
27 ing relevant information regarding any consultants used or to be used
28 by the firm.

29 3. When the audit subcommittee chooses to contract with a firm to
30 conduct an audit, the legislative auditor shall evaluate the data on file
31 for each firm, together with any statements which firms may submit
32 regarding the proposed audit and any other pertinent information. The
33 legislative auditor shall prepare a list of not fewer than three nor more
34 than five firms which, in the judgment of the legislative auditor, are
35 qualified to perform the proposed audit. The legislative auditor shall
36 submit the list to the audit subcommittee.

37 4. Two or more separate audits may be combined by the audit sub-
38 committee to obtain auditing services from a single source. Audits com-
39 bined in this manner shall be deemed a single audit for purposes of
40 compliance with sections 2 to 7, inclusive, of this act.

41 SEC. 5. 1. The audit subcommittee shall confer with the legislative
42 auditor to establish standards of performance to be required of a firm
43 chosen to perform an audit. The audit subcommittee shall conduct nego-
44 tiations with each of the firms recommended for consideration by the leg-
45 islative auditor and shall select the firm or firms which, in the judgment of
46 the audit subcommittee, are best qualified to meet the standards of per-
47 formance established. During the negotiations and in making its selection,
48 the audit subcommittee shall consider:

49 (a) The competency of the firms being considered;

1 (b) *The estimated cost of the services required to conduct the audit;*
2 *and*

3 (c) *The scope and complexity of the services required.*

4 2. *Each contract for an audit must be signed by the legislative audi-*
5 *tor and an authorized representative of the firm selected to perform the*
6 *audit. The legislative auditor shall periodically monitor the performance*
7 *of the firm conducting the audit to ensure that the terms of the contract*
8 *are being complied with.*

9 3. *Except as otherwise provided in sections 2 to 7, inclusive, of this*
10 *act, the officers and employees of a firm conducting an audit shall keep*
11 *information disclosed by an audit in strict confidence and shall not dis-*
12 *close the contents of an audit before it is presented to the audit subcom-*
13 *mittee. The officers and employees of the firm have the same rights of*
14 *access to books, accounts, records, files, correspondence or other docu-*
15 *ments that the legislative auditor has.*

16 4. *At the conclusion of the audit, the firm or firms which have con-*
17 *ducted the audit shall submit a written report of the audit to the legisla-*
18 *tive auditor. The legislative auditor shall follow the procedures set forth*
19 *in NRS 218.821, concerning preliminary audit reports and shall attend,*
20 *or have a member of his staff attend, the discussion held pursuant to*
21 *that section.*

22 5. *Copies of the final audit report may be distributed in accordance*
23 *with the terms of the contract at a time before presentation to the audit*
24 *subcommittee.*

25 6. *The legislative auditor shall distribute the final audit report to*
26 *members of the legislature, other appropriate state officers and the head*
27 *of the agency audited:*

28 (a) *After the audit subcommittee has received the report and has deter-*
29 *mined that the report is not to be presented to the legislative commis-*
30 *sion; or*

31 (b) *If the audit subcommittee determines that the report is to be pre-*
32 *sented to the legislative commission, after the legislative commission has*
33 *received the report.*

34 SEC. 6. *The legislative auditor shall, upon the request of the audit*
35 *subcommittee, submit by September 1 of each even-numbered year the*
36 *estimated cost to the state, by agency, of complying with federal audit*
37 *requirements in each fiscal year in the ensuing biennium.*

38 SEC. 7. *If the audit subcommittee does not authorize the audit under*
39 *section 4 of this act, a state agency may not execute a contract for an*
40 *audit which is to be conducted to ensure compliance with federal regula-*
41 *tions without the prior approval of the legislative commission. If the legis-*
42 *lative commission approves the execution of the contract, the state agency*
43 *upon completion of the audit must submit to the legislative auditor a state-*
44 *ment showing the cost and source of funding of the audit.*

45 SEC. 8. NRS 218.680 is hereby amended to read as follows:

46 218.680 1. *Except during a regular or special session of the legisla-*
47 *ture, for each [day] day's or portion of a day's attendance at each meet-*
48 *ing of the commission [.] or its audit subcommittee, if a member of the*
49 *subcommittee, or if engaged in the official business of the legislative coun-*
50 *sel bureau, the members of the legislative commission are entitled to*

1 receive the compensation provided for a majority of the members of the
2 legislature during the first 60 days of the preceding session, and the per
3 diem allowance and travel expenses provided by law.

4 2. An alternate member of the legislative commission who replaces a
5 regular member at a meeting of the commission or on official business of
6 the legislative counsel bureau is entitled to receive the same salary and
7 expenses as a regular member for the same service. An alternate member
8 who attends a meeting of the commission but does not replace a regular
9 member is entitled to the travel expenses provided by law.

10 SEC. 9. 1. There is hereby appropriated from the state general fund
11 to the audit contingency account in the legislative fund created pursuant
12 to section 3 of this act the sum of \$50,000.

13 2. Any remaining balance of the appropriation made by subsection 1
14 must not be committed for expenditure after June 30, 1983, and reverts
15 to the state general fund as soon as all payments of money committed
16 have been made.

17 SEC. 10. The legislative auditor shall submit to the audit subcom-
18 mittee of the legislative commission by September 1, 1982, the estimated
19 cost to the state, by agency, of complying with federal audit requirements
20 in the fiscal years 1983-84 and 1984-85.

S. B. 474

SENATE BILL NO. 474—COMMITTEE ON FINANCE

MARCH 26, 1981

—
Referred to Committee on Finance

SUMMARY—Makes an appropriation for reproduction of Nevada Reports. (BDR S-1887)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.

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EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to Nevada Reports; making an appropriation for their reproduction; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 **SECTION 1.** There is hereby appropriated from the state general fund
2 for the support of the legislative counsel bureau, for the cost of reproduc-
3 ing volumes of Nevada Reports pursuant to NRS 345.025, the sum of
4 \$66,000.
5 **SEC. 2.** This act shall become effective upon passage and approval.

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A. J. R. 26

**ASSEMBLY JOINT RESOLUTION NO. 26—ASSEMBLYMEN
GLOVER, BARENGO, BANNER, BENNETT, BERGEVIN,
BEYER, BRADY, BREMNER, CAFFERATA, CHANEY,
COULTER, CRADDOCK, DINI, DuBOIS, FOLEY, HAM,
HAYES, HORN, JEFFREY, KOVACS, MALONE, MARVEL,
MAY, MELLO, NICHOLAS, POLISH, PRENGAMAN, PRICE,
RACKLEY, REDELSPERGER, RHOADS, ROBINSON, RUSK,
SADER, SCHOFIELD, STEWART, THOMPSON, VERGIELS,
WESTALL AND HICKEY**

MARCH 9, 1981

Referred to Committee on Ways and Means

SUMMARY—Memorializes Congress to enact legislation exempting certain retirement benefits from income tax. (BDR 1304)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

ASSEMBLY JOINT RESOLUTION—Memorializing the Congress of the United States to enact legislation which would exempt from the federal income tax certain allowances paid from a public retirement system.

- 1 WHEREAS, The Internal Revenue Service now treats as earned income
- 2 and collects income taxes on retirement allowances received by a person
- 3 after he has received retirement allowances in an amount equivalent to
- 4 the contributions he made to a public retirement system; and
- 5 WHEREAS, The recipient of retirement allowances has already paid
- 6 income taxes on the money he contributed to the retirement system; and
- 7 WHEREAS, The recipients of retirement allowances are on fixed incomes
- 8 and therefore suffer greatly from the effects of inflation; and
- 9 WHEREAS, In their later years, upon completion of payments equiva-
- 10 lent to their own contributions, they begin to have the additional burden
- 11 of income taxes on their retirement allowances; and
- 12 WHEREAS, Several public retirement systems and groups which repre-
- 13 sent retired employees have attempted for the past 20 years to obtain
- 14 some relief from the federal income tax for the recipients of retirement
- 15 benefits; now, therefore, be it
- 16 *Resolved by the Assembly and Senate of the State of Nevada, jointly,*
- 17 That the Congress of the United States is hereby memorialized to enact
- 18 legislation which would provide that the allowances paid from a public

1 retirement system, after payment of allowances equivalent to the mem-
2 ber's own contributions, are exempt from the federal income tax; and be
3 it further

4 *Resolved*, That a copy of this resolution be prepared and transmitted
5 forthwith by the legislative counsel to the President of the United States,
6 the Vice President of the United States as President of the Senate, to the
7 Speaker of the House of Representatives and to all members of the
8 Nevada congressional delegation; and be it further

9 *Resolved*, That this resolution shall become effective upon passage and
10 approval.