

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON LEGISLATIVE AFFAIRS

SIXTY-FIRST SESSION
March 26, 1981

The Senate Committee on Legislative Affairs was called to order by Chairman Gene Echols, at 2:30 p.m., Thursday, March 26, 1981, in Room 243 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster. Exhibit C is a copy of Senate Bill No. 427, Legislative Commission Audit Subcommittee Report. Exhibit D is a copy of the testimony of Mr. Gregory S. Anson.

COMMITTEE MEMBERS PRESENT:

Senator Gene Echols, Chairman
Senator Melvin D. Close, Jr., Vice Chairman
Senator James I. Gibson
Senator Jean Ford
Senator Sue Wagner

COMMITTEE MEMBER ABSENT:

Senator Thomas R.C. Wilson

GUEST LEGISLATOR:

Assemblyman Dean Rhoads

STAFF MEMBERS PRESENT:

Mr. John Crossley, Chief Auditor
Mr. Robert Erickson, Research Analyst
Mary Gump, Secretary
Leila Kutscherousky, Secretary

ASSEMBLY BILL NO. 127--Provides for review by legislative committee of policies, rules and regulations of U. S. Forest Service.

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Assemblyman Rhoads indicated that a similar bill was introduced by him in 1977 providing for a four-man legislative committee to review rules, regulations and policies of federal land agencies, specifically the Bureau of Land Management. He commented on the effectiveness of the committee's action.

He further stated that the bill provides for committee input to the Attorney General concerning lands held by the U.S. Forest Service and the Bureau of Land Management.

Senator Wagner inquired concerning the composition of the committee. Mr. Rhoads indicated that no appointments have been made. He stated, however, that the previous members of the committee were Senators Mike Sloan and Norman Glaser, and Assemblyman Karen Hayes and Dean Rhoads.

Upon questioning by Senator Wagner, Mr. Rhoads advised the committee that the Attorney General would work more closely with an administration sympathetic to Nevada's problems and that the select committee would be able to provide input to the Attorney General on issues he may not have time to review.

Senator Wagner questioned the role of the select committee in terms of presenting information on areas recommended for wilderness areas. Mr. Rhoads indicated that if the issue was controversial, federal agencies would have an opportunity to provide an interpretation from the federal level.

Mr. Robert Erickson, Research Analyst, Legislative Counsel Bureau advised the committee that a budget, in the sum of \$6,000, was provided in 1979 for the functioning of the subcommittee and to date less than \$2,000 had been expended for travel, salaries and per diem.

Mr. Jac R. Shaw, State Land Registrar and Administrator, Division of the State Lands, Department of Conservation and Natural Resources testified that his Division has been actively involved in land issues for the past two years and that the Division of State Lands provides services to the State Multiple Use Advisory Committee on Federal Lands. He stated that the Forest Service should be included if the select committee would be reviewing actions of federal

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agencies. He further stated that in the Assembly hearings on Assembly Bill No. 127, employees of the U.S. Forest Service testified they were in favor of being members of the select committee.

Senator Gibson moved that Assembly Bill No. 127 be reported out of committee with a "do pass" recommendation.

Senator Close seconded the motion.

The motion carried. (Senator Wilson was absent for the vote.)

ASSEMBLY BILL NO. 248--Makes legislators eligible for participation in state insurance program at their own expense.

Senator Close pointed out that line 12, page 2 of the bill should be clarified by adding the wording "the beginning or during his term of office if he wants to join". He indicated that further clarification was needed on line 45, upon retirement, because the manner in which the bill is written would prohibit continuation with the insurance program.

Senator Gibson stated that on line 36, page 2, the bill provided "on termination other than retirement any state or other participating officer or employee may retain his membership in the state's group insurance program but no part of the cost of the group insurance premiums may thereafter be paid by the department, agency, commission or public agency which employed the officer or employee."

Senator Gibson moved the bill be held for further research and clarification.

Senator Ford seconded the motion.

The motion carried. (Senator Wilson was absent for the vote.)

MEETING OF THE SENATE LEGISLATIVE AFFAIRS COMMITTEE
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ASSEMBLY CONCURRENT RESOLUTION NO. 22--Directs Legislative Commission to study grand jury system in Nevada.

Senator Echols stated the resolution would be held for future discussion.

SENATE BILL NO. 427--Creates audit subcommittee in legislative commission.

Mr. John Crossley, Chief Auditor, Legislative Counsel Bureau presented a report of the Audit Committee of the Legislative Commission (Exhibit C). He stated that the bill will create an audit committee of the Legislative Commission composed of three (3) members. The bill also makes it mandatory that an agency receiving a grant immediately notify the legislative auditor of the grant and makes additional provisions concerning the manner in which an audit of the federal grant will be handled.

Senator Gibson moved that Senate Bill No. 427 be reported out of committee with a recommendation of "refer to the Committee on Finance."

Senator Wagner seconded the motion.

The motion carried. (Senator Wilson was absent for the vote.)

SENATE JOINT RESOLUTION NO. 30--Calls upon the President of the United States to proclaim national day of prayer for the children of Atlanta.

Ms. Barbara LaCoursiere, Pastor, Daystar Christian Center Prison Ministry stated the Resolution should be passed as more should be done to protect the children of Atlanta and she felt it was best to place this in the hands of the Lord.

Senator Wagner informed the committee that four churches in downtown Reno are organizing a day of prayer on April 5, 1981 for the people of Atlanta.

Mr. Gregory S. Anson presented favorable testimony supporting Senate Joint Resolution No. 30 (Exhibit D).

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Senator Wagner moved that the resolution be amended to provide recognition "that a day of prayer is being held in Washoe County on April 5, 1981 for the children of Atlanta" and that the committee report the resolution out with a recommendation of "amend and do pass".

Senator Close seconded the motion.


The motion carried. (Senator Wilson was absent for the vote.)

The meeting adjourned at 3:50 p.m.

Respectfully submitted by:


Mary E. Gump, Secretary

APPROVED BY:


Senator Gene Echols, Chairman

Date: _____

SENATE AGENDA

Posted 3/20/81--3:30 p.m.

COMMITTEE MEETINGS

Committee on Legislative Affairs, Room 243.
Day Thursday, Date March 26, Time 2:00 p.m.

A. B. No. 127--Provides for review by legislative committee of policies, rules and regulations of U.S. Forest Service.

A. B. No. 248--Makes legislators eligible for participation in state insurance program at their own expense.

A. C. R. No. 22--Directs legislative commission to study grand jury system in Nevada.

S. B. No. 427--Creates audit subcommittee in legislative commission.

S. C. R. No. 38--Amends Joint Rules of Senate and Assembly by adding rule which establishes Joint standing Committee on Elderly.

S. J. R. No. 30--Calls upon the President of the United States to proclaim national day of prayer for children of Atlanta.

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON

Legislative Affairs

DATE: *March 26, 1981*

PLEASE PRINT PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME ORGANIZATION & ADDRESS TELEPHONE

<i>Jac R Shaw</i>	<i>State hands</i>	<i>4363</i>
<i>ROBERT WHINLEY</i>	<i>CHRISTIAN COMMUNITY</i>	<i>870 4219</i>
<i>BARBARA COURSIER</i>	<i>DAY STAR CHRISTIAN Prison Ministry</i>	<i>646 2446</i>
<i>Bill Curran</i>	<i>Clark County D.A. Office</i>	<i>1386-4765</i>
<i>JOHN Crossley</i>	<i>L.C.B. Audit</i>	
<i>LEE HANSON</i>	<i>L.C.B. Audit</i>	
<i>GARY CREWS</i>	<i>L.C.B. Audit</i>	
<i>DEAN A. RHODES</i>	<i>ASBL</i>	
<i>BARBARA COURSIER</i>	<i>Day Star Christian Prison Ministry</i>	<i>646 2446</i>

FOR THE PURPOSES OF THE TESTIMONY HEREIN, MAY THE RECORD SHOW THAT MY NAME IS GREGORY S. ANSON AND MAY IT FURTHER SHOW THAT I AM A CITIZEN OF THESE UNITED STATES OF AMERICA.

MR. CHAIRMAN, HONORABLE MEMBERS OF THE COMMITTEE ON LEGISLATIVE AFFAIRS IN AND FOR THE SIXTY-FIRST SESSION OF THE NEVADA LEGISLATURE.

I AM HONORED THIS DAY TO SPEAK TO YOU AND TO TESTIFY IN THE AFFIRMATIVE ON BEHALF OF SENATE JOINT RESOLUTION NUMBER THIRTY.

WHEREAS, ALL MANKIND ARE CHILDREN OF OUR LORD; AND

WHEREAS, CHRIST JESUS DIED ON THE CROSS IN MANKINDS BEHALF; AND

WHEREAS, I AM A CHRISTIAN MAN; AND

WHEREAS, I AM A CITIZEN OF THE UNITED STATES, NOW, THEREFORE, I

URGE THE IMMEDIATE PASSAGE OF S.J.R.#30 AND FURTHER URGE THE TOTAL

SUPPORT OF THIS COMMITTEE TO SUPPORT OUR FELLOW MAN, TO PRAY, AND

TO URGE THE PRESIDENT OF THE UNITED STATES TO DECLARE A NATIONAL

DAY OF PRAYER FOR THE SLAIN CHILDREN OF ATLANTA, GEORGIA.

DATED THIS, THE TWENTY-SIXTH DAY OF MARCH, IN THE YEAR OF OUR LORD NINETEENHUNDRED AND EIGHTY-ONE.

RESPECTFULLY AND WITH PRAYER:



GREGORY S. ANSON
555 So. Roop St. #16
Carson City, Nevada 89701

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) 885-5630
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

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,

A handwritten signature in cursive script, appearing to read "Barton Jacka".

Barton Jacka, Director
Governor's Highway
Safety Representative

BJ/DLL/tai

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

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Arthur J. Palmer, *Director, Secretary*

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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

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

NEVADA DEPARTMENT OF HUMAN RESOURCES
HEALTH PLANNING AND ~~RESEARCH~~ *Resources*
GRANT NUMBER 09P 001168-05 BPP25

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*
Outlined ?
- a. SHPDA performance standards - *continued 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 -



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.

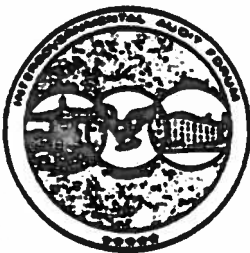
Sincerely,


Ted Sanders

JPC:TS:mg

cc: Jim Costa

WESTERN INTERGOVERNMENTAL AUDIT FORUM

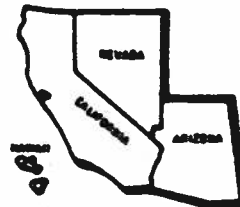


STATE - FEDERAL - LOCAL

Executive Director

JACK BIRKHOIZ

SUITE 900
1275 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94103
(415) 556-0882



Also includes AMERICAN SAMOA, GUAM and the PRISTINE TERRITORY of the Pacific Ocean

December 9, 1980

Executive Committee

DARREL DAINES, 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 *J.B.*

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 of 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 Audit Manager
Non-Federal Audits (S&L)
HHS/OIG Audit Agency

Subject Audits Under Attachment P

To 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 (OASMB)
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

GENERAL



SPRINGFIELD OFFICE:
LINCOLN TOWER PLAZA, 2ND FLOOR
324 SOUTH SECOND STREET • 627
PHONE: (317) 782-6046

GRAND L. MALANY
ASSISTANT AUDITOR GENERAL

MARGARET FRECHT
ADMINISTRATIVE SERVICES DIRECTOR

STATE OF ILLINOIS
OFFICE OF THE AUDITOR GENERAL

CHICAGO OFFICE:
1840 STATE OF ILLINOIS BUILDING
160 NORTH LASALLE STREET • 606
PHONE: (312) 793-2103

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

December 3, 1980

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

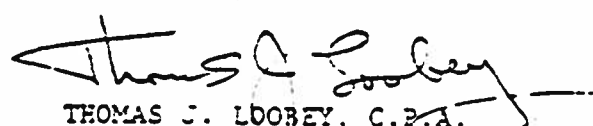
Dear Mr. Tenner:

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

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. Jordan, Chief
Financial Management Branch

Attachment

MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF THE SECRETARY

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 FIC 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 re-
maining 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,

SEFTON 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. 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

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.

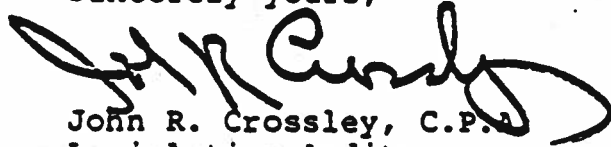
Accordingly, at this time I would defer responding to your letter until such time as we have a better handle on Attachment P. As we discussed, much of the money is flow-through money and alternative methods might have to be instituted for the auditing of that money. One problem we identified just today 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

5/14/80
cc: [unclear]

UNITED STATES DEPARTMENT OF EDUCATION *Maynard*

RECEIVED
Rehabilitation Division

REGION IX
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
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

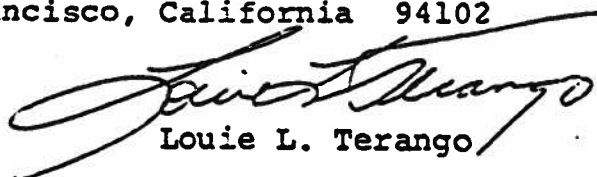
FROM: RSA Regional Program Director

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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(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

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 black ink, 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

Robert W. Beuley

Assistant Inspector General for Auditing

Enclosure

AGENCY SUMMARY
DOI (79)

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

AGENCY SUMMARY
DOI (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)

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

STATE
TITLE

WASHINGTON (4)

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

WEST VIRGINIA (1)

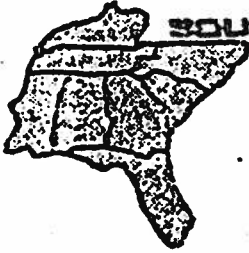
Department of Natural Resources

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 300
ATLANTA, GEORGIA 30307
(404) 771-4636 FTS 8-20-4636

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.

ASSEMBLY BILL NO. 127—ASSEMBLYMEN RHOADS,
HAYES, MARVEL, BERGEVIN AND GLOVER

FEBRUARY 10, 1981

Referred to Committee on Legislative Functions

SUMMARY—Provides for review by legislative committee of policies, rules and regulations of U.S. Forest Service. (BDR 17-89)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Effect less than \$2,000.

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

AN ACT relating to the state legislature; adding the policies, rules and regulations of the U.S. Forest Service to those reviewed by the legislative committee for the review of federal regulations; 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 218.5365 is hereby amended to read as follows:
2 218.5365 1. The members of the committee shall meet throughout
3 each year at such times and at such places as shall be specified by a call
4 of the chairman or a majority of the committee. The director of the legis-
5 lative counsel bureau shall act as the nonvoting recording secretary. The
6 committee shall prescribe regulations for its own management and gov-
7 ernment. Three members of the committee constitute a quorum, and a
8 quorum may exercise all the power and authority conferred on the com-
9 mittee.
10 2. The members of the committee are entitled to receive a salary of
11 [\$40, a per diem allowance of \$40 and the travel expenses] \$80 and
12 *the subsistence allowances and travel expenses* provided by law for each
13 day of attendance at a meeting of the committee and while engaged in the
14 business of the committee.
15 SEC. 2. NRS 218.5367 is hereby amended to read as follows:
16 218.5367 1. The committee may:
17 (a) Review and comment on any administrative policy, rule or regu-
18 lation of the:
19 (1) Secretary of the Interior which pertains to policy concerning or
20 management of public lands under the control of the Federal Govern-
21 ment; and

1 (2) *Secretary of Agriculture which pertains to policy concerning or*
2 *management of national forests;*

3 (b) *Conduct investigations and hold hearings in connection with its*
4 *review, including-but not limited to investigating the effect on the state,*
5 *its citizens, political subdivisions, businesses and industries of such poli-*
6 *cies, rules, regulations and related laws;*

7 (c) *Consult with and advise the state land use planning agency on*
8 *matters concerning federal land use, policies and activities in this state.*

9 (d) *Direct the legislative counsel bureau to assist in its research, inves-*
10 *tigations, review and comment; [and]*

11 (e) *Recommend to the legislature as a result of its review any appro-*
12 *priate state legislation or corrective federal legislation [.] ; and*

13 (f) *Advise the attorney general if it believes that any federal policy,*
14 *rule or regulation which it has reviewed encroaches on the sovereignty*
15 *respecting land or water or their use which has been reserved to the state*
16 *pursuant to the Constitution of the United States.*

17 2. *Any reference in this section to federal policies, rules, regulations*
18 *and related federal law includes those which are proposed as well as*
19 *those which are enacted or adopted.*

SENATE CONCURRENT RESOLUTION NO. 38—
SENATOR KOSINSKI

MARCH 17, 1981

Referred to Committee on Legislative Affairs

SUMMARY—Amends Joint Rules of Senate and Assembly by adding rule which establishes Joint Standing Committee on Elderly. (BDR 436)

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

SENATE CONCURRENT RESOLUTION—Amending the Joint Rules of the Senate and Assembly by adding a rule which establishes a Joint Standing Committee on the Elderly.

- 1 WHEREAS, The spiraling inflation which this nation now experiences is
2 almost unparalleled in the history of the United States; and
3 WHEREAS, The savageness of inflation is most keenly felt by those who
4 are elderly, particularly those living on fixed incomes; and
5 WHEREAS, Many older Nevadans continually suffer from inflation as
6 they struggle to obtain the necessities of proper housing, medical care,
7 food and transportation, as inflation erodes dollars set aside for retire-
8 ment; and
9 WHEREAS, All members of our community are, and should be, desirous
10 of assisting the state's elderly; and
11 WHEREAS, It is necessary for the legislature to develop a comprehen-
12 sive approach to the problems affecting older Nevadans as opposed to the
13 piecemeal method which has characterized past efforts; now, therefore,
14 be it
15 *Resolved by the Senate of the State of Nevada, the Assembly con-*
16 *curring,* That the Joint Rules of the Senate and Assembly are amended
17 by the addition of the following rule:
18
19
20

13

21 **JOINT STANDING COMMITTEE ON THE ELDERLY**

- 22 1. *The Joint Standing Committee on the Elderly is composed of three*
23 *members of the assembly, appointed by its speaker, one member being*
24 *from the Standing Committee on Health and Welfare, one member from*
25 *the Standing Committee on Taxation and one member from the Standing*
26 *Committee on Ways and Means, and three members of the senate,*
27 *appointed by its majority leader, one member being from the Standing*
28 *Committee on Finance, one member from the Standing Committee on*

1 *Human Resources and Facilities and one member from the Standin,*
2 *Committee on Taxation.*

3 2. *The chairmanship of the Joint Standing Committee on the Eldert,*
4 *alternates between the houses of the legislature according to the followin,*
5 *pattern. The chairman for the 61st session of the legislature is appointe,*
6 *by the majority leader of the senate from the members he appoints u*
7 *the committee. The chairman for the 62d session of the legislature i*
8 *appointed by the speaker of the assembly from the members he appoint*
9 *to the committee. The vice chairman of the committee is appointed by*
10 *the majority leader or the speaker, whoever does not name the chairman*

11 3. *The committee shall meet at the call of the chairman. It shall con-*
12 *sider, act and report on measures in the same manner as any standing*
13 *committee. Except for matters specifically provided for in this rule, the*
14 *committee is subject to the rules of the house from which the measure was*
15 *referred.*

16 4. *When the committee reports a measure back to the house of origin,*
17 *the measure may then be referred by motion to another standing com-*
18 *mittee.*

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

A. B. 248

ASSEMBLY BILL NO. 248—COMMITTEE ON
LEGISLATIVE FUNCTIONS

FEBRUARY 27, 1981

Referred to Committee on Government Affairs

SUMMARY—Makes legislators eligible for participation in state insurance program at their own expense. (BDR 23-904)

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 group insurance for public officers and employees; making legislators eligible for participation in the state group insurance program at their own expense; 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 287.044 is hereby amended to read as follows:
2 287.044 1. A part of the cost of the monthly premiums of that
3 group insurance, not to exceed the amount specified by law, applied to
4 both group life and group accident or health coverage, for each public
5 officer, *except a senator or assemblyman*, or employee electing to partici-
6 pate in the group insurance program, may be paid by the department,
7 agency, commission or public agency which employs the officer or
8 employee in whose behalf that part is paid from money appropriated
9 to or authorized for that department, agency, commission or public
10 agency for that purpose. State participation in the cost of monthly premi-
11 ums must not exceed the amounts specified in this subsection.
12 2. A department, agency, commission or public agency shall not pay
13 any part of those premiums if the group life insurance or group accident
14 or health insurance is not approved by the committee on group insurance.
15 SEC. 2. NRS 287.045 is hereby amended to read as follows:
16 287.045 1. Every state officer or employee who is employed on a
17 permanent and full-time basis on July 1, 1963, [shall be] is eligible
18 immediately to participate in the state's group insurance program.
19 2. Except as provided in subsection 3, every officer or employee of
20 the state who commences his employment after July 1, 1963, [shall be]
21 is eligible to participate in [such] the program upon the completion of
22 90 days of full-time employment.

1 3. Professional employees of the University of Nevada System with
2 annual employment contracts [shall be] are eligible to participate in
3 [such] the program upon the effective dates of their respective employ-
4 ment contracts.

5 4. Every officer or employee who is employed by a participating
6 public agency on a permanent and full-time basis on the date [such] the
7 agency enters into an agreement to participate in the state's group
8 insurance program, and every officer or employee who commences his
9 employment after that date upon completion of 90 days of full-time
10 employment, [shall be] is eligible to participate in the [state's group
11 insurance] program.

12 5. Upon beginning his term in office, every senator and assemblyman
13 is eligible to participate in the program.

14 SEC. 3. NRS 287.046 is hereby amended to read as follows:

15 287.046 1. [Any] Except as provided in subsection 3, any state or
16 other participating officer or employee who elects to participate in the
17 state's group insurance program may participate, and the department,
18 agency, commission or public agency which employs the officer or
19 employee shall pay the state's share of the cost of the premiums of the
20 group insurance from money appropriated or authorized as provided in
21 NRS 287.044. Employees who elect to participate in the state's group
22 insurance program shall authorize deductions from their compensation
23 for the payment of premiums on the insurance.

24 2. The personnel division of the department of administration shall
25 pay \$15 per month of the cost of the premiums of group insurance for
26 persons retired from the service of the state who have continued to
27 participate. The division shall agree through the committee on group
28 insurance with the insurer for billing of remaining premiums to the
29 retired participants.

30 3. A senator or assemblyman who elects to participate in the state's
31 group insurance program shall pay the entire premium for his insurance.

32 SEC. 4. NRS 287.047 is hereby amended to read as follows:

33 287.047 If the retention is consistent with the terms of any agree-
34 ment between the state and the insurance company which issued the
35 policies pursuant to the program:

36 1. Upon the termination of his employment other than by retirement,
37 any state or other participating officer or employee may retain his mem-
38 bership in the state's group insurance program [if the retention is
39 consistent with the terms of any agreement between the state and the
40 insurance company which issued the policies pursuant to the program,] ,
41 but no part of the cost of the group insurance premiums may thereafter be
42 paid by the department, agency, commission or public agency which
43 employed the officer or employee.

44 2. Upon retirement from the service of the state, a participating state
45 employee or legislator may retain his membership in the state's group
46 insurance program. [if the retention is consistent with the terms of any
47 agreement between the state and the insurance company which issued the
48 policies for the program.]

49 SEC. 5. This act shall become effective upon passage and approval.

S. R. 9

**SENATE RESOLUTION NO. 9—COMMITTEE ON
LEGISLATIVE AFFAIRS**

MARCH 18, 1981

—
Read and adopted

SUMMARY—Provides for appointment of additional senate attaché (BDR 1873)

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

**SENATE RESOLUTION—Providing for the appointment of an additional
senate attaché**

1 *Resolved by the Senate of the State of Nevada, That Clare Jones is*
2 *elected as an additional attaché of the senate for the 61st session of the*
3 *legislature of the State of Nevada.*

ASSEMBLY CONCURRENT RESOLUTION NO. 22—
ASSEMBLYMEN HAYES AND WESTALL

MARCH 4, 1981

Referred to Committee on Legislative Functions

SUMMARY—Directs legislative commission to study
grand jury system in Nevada. (BDR 746)

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

ASSEMBLY CONCURRENT RESOLUTION—Directing the legislative
commission to study the grand jury system in Nevada.

- 1 WHEREAS, The grand jury is an integral part of the system of criminal
2 justice in Nevada; and
3 WHEREAS, Recognizing the need for minimum guidelines in the admin-
4 istration of criminal justice, the American Bar Association has developed
5 a set of comprehensive standards covering the system of criminal justice
6 which includes a draft published in 1979 relating to grand juries; and
7 WHEREAS, These standards may be of great benefit to criminal justice
8 in Nevada; and
9 WHEREAS, Appropriate action should be taken to study and review the
10 standards along with other recommendations and carry them out where
11 necessary and practical; now, therefore, be it
12 *Resolved by the Assembly of the State of Nevada, the Senate con-*
13 *curring,* That the legislative commission is hereby directed to conduct a
14 study of the laws, rules and practices relating to the grand jury in
15 Nevada; and be it further
16 *Resolved,* That this study include an evaluation of the standards of the
17 American Bar Association regarding grand juries; and be it further
18 *Resolved,* That the legislative commission report the results of the
19 study and any recommended legislation to the 62d session of the legisla-
20 ture.

⊗

SENATE JOINT RESOLUTION NO. 30—SENATORS ECHOLS,
DON ASHWORTH, KEITH ASHWORTH, BILBRAY, BLAKE-
MORE, CLOSE, FAISS, FORD, GETTO, GIBSON, GLASER,
HERNSTADT, JACOBSEN, KOSINSKI, LAMB, McCORKLE,
NEAL, RAGGIO, WAGNER AND WILSON

MARCH 23, 1981

Referred to Committee on Legislative Affairs

SUMMARY—Calls upon President of United States to proclaim national day of
prayer for children of Atlanta. (BDR 1864)

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.

SENATE JOINT RESOLUTION—Calling upon the President of the United
States to proclaim a national day of prayer for the children of Atlanta.

- 1 WHEREAS, At least twenty children have been murdered in the city
2 of Atlanta; and
3 WHEREAS, More than human effort appears to be needed at this time
4 to solve those crimes and stop the killings; and
5 WHEREAS, Our Pledge of Allegiance declares that we are "one nation,
6 under God"; and
7 WHEREAS, Our national motto, "in God we trust," has appeared on
8 all United States currency and coins since 1864; and
9 WHEREAS, From the Revolutionary War and the founding of this
10 nation until today, this country has in times of crisis or despair relied on
11 the guidance of divine providence; and
12 WHEREAS, The Lord, appearing to Solomon, said "If my people who
13 are called by my name humble themselves, and pray and seek my face,
14 and turn from their wicked ways, then will I hear from heaven, and will
15 forgive their sin and heal their land" (2 Chron. 7:14); now, therefore,
16 be it
17 *Resolved by the Senate and Assembly of the State of Nevada, jointly,*
18 That this legislature calls upon the President of the United States to
19 declare a national day of prayer for a solution to the continuing tragic
20 murders of children in the city of Atlanta; and be it further
21 *Resolved,* That a copy of this resolution be immediately transmitted
22 by the legislative counsel to the President of the United States; and be it
23 further
24 *Resolved,* That this resolution shall become effective upon passage and
25 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 (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.