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We have completed an audit of the University and Community College System of Nevada's Statewide Programs. This report represents one component of the audit required by Chapter 442, Statutes of Nevada, 2003 (A.B. 148). The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the University and Community College System of Nevada's response, are presented in this report.

We wish to express our appreciation to the management and staff of the University and Community College System of Nevada for their assistance during the audit.

Respectfully presented,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA
Legislative Auditor

May 26, 2004
Carson City, Nevada

STATE OF NEVADA
UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA
STATEWIDE PROGRAMS

AUDIT REPORT

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EXECUTIVE SUMMARY

UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA STATEWIDE PROGRAMS

Background

Since fiscal year 1972, the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV) have each received General Fund appropriations for statewide programs. During fiscal year 2003, there were 22 statewide programs, 17 at UNR and 5 at UNLV, included in the statewide program budget accounts. These programs either provide research-oriented services, public services, or academic support. Beginning in fiscal year 2004, two additional programs were selected for inclusion in the statewide program budget accounts.

In addition to more than \$7 million in General Fund appropriations for statewide programs, 21 of the 22 programs received additional funding in fiscal year 2003 from other sources, such as grants, contracts, gifts, sales, and other money appropriated by the State. According to the two universities, the 22 statewide programs received almost \$56 million in total funding during fiscal year 2003.

Purpose

The purpose of this audit was to assess the process used to identify and select programs for inclusion in the two statewide program General Fund budget accounts; determine how the statewide programs were funded; and evaluate the process for measuring and reporting the statewide programs' outcomes. Our audit included a review of the financial and administrative activities of the 22 statewide programs included in the UNR and UNLV General Fund budget accounts for the fiscal year ended June 30, 2003, and through December 2003 for certain audit issues.

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Results in Brief

The University and Community College System of Nevada (UCCSN) needs to improve its oversight of statewide programs to ensure funding requests represent the optimal use of state General Fund resources. By providing guidance to the institutions, UCCSN's System Administration can help ensure consistent processes are in place for: (1) determining if other funding sources are sufficient to meet program missions and the appropriate level of General Fund money to request for each program; (2) identifying the most deserving programs to recommend for General Fund support; (3) using General Fund money only for program purposes; and (4) developing reliable performance measures that relate to program missions.

Principal Findings

- UCCSN does not review total funding and expenditures for each of the current programs to determine the appropriate amount to request from the General Fund. Reviewing total funding would help determine how much state money the programs need to operate. For example, during fiscal year 2003, the universities reported the statewide programs received almost \$56 million in funding and used about \$7 million less than they received. (page 10)
- No definition of a statewide program has been established. Developing a standard definition of a statewide program would help UCCSN ensure the process of recommending programs for General Fund support is consistent. In addition, periodic review of programs' missions and activities is needed to ensure programs still function as statewide programs.

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Several of the programs have undergone changes since they were first included as statewide programs. Without an established, documented definition, there is no basis to assess whether these programs remain “statewide programs” after undergoing these changes. In addition, programs similar to statewide programs exist without receiving General Fund support. A formal review process could help determine why programs similar to statewide programs can operate without General Fund support. (page 12)

- UCCSN lacks written guidance on what types of expenditures the statewide programs can make with General Fund money appropriated for their use. The lack of sufficient guidance allowed for non-program related expenditures to be made with General Fund money, which resulted in subsidizing other programs at the universities with statewide program money. For example, General Fund money for one program was used to pay the salary of a university employee who did not work for the statewide program. In addition, five faculty, budgeted at 100% with General Fund money appropriated for statewide programs, taught courses that were included in the formula used to fund the universities. This resulted in the State paying the universities a portion of instructional costs twice for the same courses. (page 14)
- UCCSN can improve the performance indicators in the Executive Budget. UNR included two performance indicators in the 2004-2005 Executive Budget, while UNLV had three. These indicators covered activity for only some of the statewide programs and were not outcome related. Also, the universities do not report these statistics annually, and information supporting the reported statistics is not always readily available. Good performance indicators that include outcomes for the statewide programs, along with accurate annual statistics, would

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UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA STATEWIDE PROGRAMS

give decision makers quality information to help manage the statewide programs. (page 16)

- Most programs have established missions and goals, but few have established performance measures to determine if they are meeting their missions and goals. Many of the programs have established activity or output measures, which are important in evaluating the programs' workloads. However, these measures do not always provide an assessment of the programs' achievements. UCCSN's System Administration can help statewide programs develop outcome measures by providing guidance and periodically reviewing reported statistics. (page 18)

Recommendations

This report contains five recommendations to improve accountability for the statewide programs. Specifically, UCCSN's System Administration should document a definition and develop criteria for statewide programs. In addition, it should review each statewide program to determine if it still meets the established criteria and if the need for General Fund money still exists. Furthermore, System Administration should provide guidance on the types of expenditures that may be made with General Fund money and on performance measurements. (page 31)

Agency Response

The agency, in its response to our report, accepted all five recommendations. (page 28)

Introduction

Background

Since fiscal year 1972, the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV) have each received General Fund appropriations for statewide programs. Although some statewide programs may have received General Fund money prior to this time, 1972 was the first fiscal year specific statewide program budget accounts were established for UNR and UNLV. For the purposes of our audit, a statewide program is defined as any program included in either of the two universities' statewide program budget accounts. Thus, other programs located at the two universities and other institutions of the University and Community College System of Nevada (UCCSN) that may provide similar services were not considered statewide programs.

During fiscal year 2003, there were 22 statewide programs, 17 at UNR and 5 at UNLV, included in the statewide program budget accounts. These programs either provide research-oriented services, public services, or academic support. Services include trying to find cures for cancer, helping small business become competitive, studying earthquake activity, teaching educational courses to students and the public, and operating a radio station. Each program is closely linked with one or more academic departments within the universities and reports to a dean of a college.

According to the universities, the 22 statewide programs were selected for inclusion in the General Fund budget accounts during various years. Exhibit 1 lists the 22 statewide programs and shows the service category the universities designated to each for fiscal year 2003, along with the fiscal year the universities indicated each program was first included in the budget accounts. Appendix D includes more detail on the specific types of services each of the 22 statewide programs provide.

Exhibit 1

**Service Categories for
the 22 Statewide Programs and
Fiscal Year Selected for State Funding**

Statewide Program Name	Service Category	Fiscal Year Selected
UNR		
1 Research and Education Planning Center	Research	1972
2 Bureau of Business and Economic Research	Research	1972
3 Center for Applied Research	Research	1987
4 Cancer Research Laboratory	Research	1972
5 Seismology Laboratory	Research	1976
6 Oral History Project	Research	1976
7 Center for Basque Studies	Research	1976
8 Engineering Research and Development Center	Research	1976
9 Nevada Bureau of Mines and Geology	Research	1972
10 Energy and Environmental Physics	Research	1996
11 Extended Studies	Public Service	1976
12 Fleishmann Planetarium	Public Service	1976
13 Gerontology/Geriatrics	Public Service	1992
14 Nevada Small Business Development Center	Public Service	1988
15 Nevada Center for Ethics and Health Policy	Public Service	2002
16 Film and Video Library	Academic Support	1984
17 Northern Nevada Writing Project	Academic Support	1998
UNLV		
1 Center for Business and Economic Research	Research	Pre 1989
2 Marjorie Barrick Museum of Natural History/Harry Reid Center	Public Service	Pre 1989
3 Continuing Education	Public Service	Pre 1989
4 KUNV Radio	Public Service	2002
5 Southern Nevada Writing Project	Public Service	Pre 1989

Sources: Legislatively Approved Budgets, UNR, and UNLV.

Additional programs at UNR and UNLV were selected for inclusion in the statewide program budget accounts beginning in fiscal year 2004. These programs were the State Climate Office at UNR and the Nevada Small Business Development Center, Las Vegas Office, at UNLV.

In fiscal year 2003, General Fund money was used directly and indirectly for the 22 statewide programs. All of the appropriated money was spent, except a transfer to the General Fund for mandatory salary savings. Exhibit 2 shows total expenditures from the money appropriated to UNR and UNLV for the 22 statewide programs during fiscal year 2003. It also shows the budgeted number of full-time equivalent (FTE) positions funded with General Fund money specifically appropriated to these programs.

Exhibit 2

**Total Expenditures and FTE From
Statewide Program General Fund Appropriations
Fiscal Year 2003**

Statewide Program Name	Expenditures	FTE
UNR		
1 Research and Education Planning Center	\$ 99,552	1.90
2 Bureau of Business and Economic Research	267,495	2.68
3 Center for Applied Research	292,749	3.00
4 Cancer Research Laboratory	55,430	0.39
5 Seismology Laboratory	407,697	3.80
6 Oral History Project	243,496	3.71
7 Center for Basque Studies	517,630	7.00
8 Engineering Research and Development Center	31,589	0.29
9 Nevada Bureau of Mines and Geology	1,740,807	20.69
10 Energy and Environmental Physics	142,690	1.00
11 Extended Studies	509,196	5.70
12 Fleishmann Planetarium	151,581	2.00
13 Gerontology/Geriatrics	91,483	1.00
14 Nevada Small Business Development Center	240,540	3.31
15 Nevada Center for Ethics and Health Policy	431,011	6.00
16 Film and Video Library	153,279	3.00
17 Northern Nevada Writing Project	37,007	0.75
Program Totals	\$ 5,413,232	66.22
Operation and Maintenance	695,735	
Personnel Assessment and Salary Savings	275,525	
UNR Totals	\$ 6,384,492	66.22
UNLV		
1 Center for Business and Economic Research	\$ 271,485	2.85
2 Marjorie Barrick Museum of Natural History/Harry Reid Center	249,802	4.00
3 Continuing Education	167,939	2.25
4 KUNV Radio	96,710	2.00
5 Southern Nevada Writing Project	48,242	0.00
Program Totals	\$ 834,178	11.10
Personnel Assessment and Salary Savings	38,037	
UNLV Totals	\$ 872,215	11.10
UNR and UNLV Totals	\$ 7,256,707	77.32

Sources: UNR, UNLV, State's Accounting Records, and Legislatively Approved Budgets.

In addition to the over \$7.2 million in General Fund appropriations for statewide programs, 21 of the 22 programs received additional funding in fiscal year 2003 from other sources such as grants, contracts, gifts, sales, and other money appropriated by the State. According to the two universities, the 22 statewide programs received almost

\$56 million in total funding during fiscal year 2003. Appendix E provides additional information on fiscal year 2003 funding and expenditures for each statewide program.

Scope and Objectives

This audit was required by Chapter 442, Statutes of Nevada, 2003 (A.B. 148) and was conducted pursuant to the provisions of NRS 218.737 to 218.893. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included the financial and administrative activities of the 22 programs included in the UNR and UNLV statewide program budget accounts for the fiscal year ended June 30, 2003, and through December 2003 for certain audit issues. The audit objectives were to:

- Assess the process used to identify and select programs for inclusion in the two statewide program General Fund budget accounts.
- Determine how the statewide programs were funded.
- Evaluate the process for measuring and reporting the statewide programs' outcomes.

Findings and Recommendations

The University and Community College System of Nevada (UCCSN) needs to improve its oversight of statewide programs to ensure funding requests represent the optimal use of state General Fund resources. By providing guidance to the institutions, UCCSN's System Administration can help ensure consistent processes are in place for: (1) determining if other funding sources are sufficient to meet program missions and the appropriate level of General Fund money to request for each program; (2) identifying the most deserving programs to recommend for General Fund support; (3) using General Fund money only for program purposes; and (4) developing reliable performance measures that relate to program missions.

Process to Recommend Statewide Programs for Funding Needs Improvement

UCCSN could improve its process of recommending statewide programs for funding and ensuring the requested level of appropriations reflects the most efficient use of General Fund money. There are no written policies specifically describing the types of financial analysis needed to determine the amount of General Fund appropriation to request for each program. In addition, there is no guidance on the selection of statewide programs for which to request General Fund support. The various colleges or divisions include a request for funding in their budgets. These requests are then reviewed at the university level and submitted to UCCSN's System Administration. After further review by the Board of Regents, the programs may be included in the Executive Budget in each university's budget account for statewide programs.

In addition, some programs are added later in the budget process during legislative session. For example, the State Climate Office was added to UNR's statewide program budget account during the 2003 legislative session. The State Climate Office had been included in the Department of Conservation and Natural Resources budget in prior years. When the 2004-2005 Executive Budget did not

include the State Climate Office, the program was added to UNR’s statewide program budget.

Funding Analysis Should Be Performed

UCCSN does not review total funding and expenditures for each of the current statewide programs to determine the appropriate amount to request from the General Fund. Reviewing total funding would help determine how much state money the programs need to operate. Without information on total funding and expenditures, decision makers involved in the budget process may not realize the extent of funding the programs receive from other sources. For example, during fiscal year 2003, the statewide programs received almost \$56 million in funding and used about \$7 million less than they received, according to our analysis of information provided by the universities. Almost 85% of the \$7 million came from three programs—Extended Studies (UNR), Continuing Education (UNLV), and the Marjorie Barrick Museum of Natural History (UNLV). This money was carried forward to the next fiscal year.

Exhibit 3 shows the total amount of funding and expenditures, along with the difference between the two, for the 22 statewide programs at UNR and UNLV during fiscal year 2003. Total funding and expenditure information for each program is located in Appendix E.

Exhibit 3

**Total Funding, Expenditures, and Difference
for the 22 Statewide Programs at UNR and UNLV
Fiscal Year 2003**

University	Total Funding ⁽¹⁾	Total Expenditures	Difference
UNR	\$ 26,068,476	\$ 22,590,349	\$ 3,478,127
UNLV	\$ 29,828,807	\$ 26,457,417	\$ 3,371,390
Totals	\$ 55,897,283	\$ 49,047,766	\$ 6,849,517

Sources: Audit Division analysis of information from UNR and UNLV.

(1) Includes beginning balances of \$6,798,030.

Of the total funding, \$7,256,707 (13%) came from money specifically appropriated to the statewide programs from the General Fund. Exhibit 4 compares the

total amount of funding during fiscal year 2003 with the amount of state funding the 22 statewide programs at UNR and UNLV received.

Exhibit 4

**Total Funding Compared to
General Fund Appropriations for Statewide Programs
Fiscal Year 2003**

University	Total Funding	General Fund Appropriation	General Fund Appropriation as Percent of Total
UNR	\$ 26,068,476	\$ 6,384,492	24.5%
UNLV	\$ 29,828,807	\$ 872,215	2.9%
Totals	\$ 55,897,283	\$ 7,256,707	13.0%

Sources: UNR and UNLV.

Of the total expenditures, 15% came from money specifically appropriated to the statewide programs from the General Fund. The 22 programs spent all the money they received from the State except for amounts reverted for mandatory salary savings. Exhibit 5 compares total expenditures for the 22 statewide programs during fiscal year 2003 with expenditures made with General Fund money.

Exhibit 5

**Total Expenditures Compared to Expenditures
Made With General Fund Appropriations for Statewide Programs
Fiscal Year 2003**

University	Total Expenditures	General Fund Appropriation	General Fund Appropriation as a Percent of Total
UNR	\$ 22,590,349	\$ 6,384,492	28.3%
UNLV	\$ 26,457,417	\$ 872,215	3.3%
Totals	\$ 49,047,766	\$ 7,256,707	14.8%

Sources: Audit Division analysis of information from UNR and UNLV.

During fiscal year 2003, the General Fund appropriation received by the 22 statewide programs contributed various percentages of each program's total funding. We found 1 of the 22 statewide programs was funded 100% with General Fund money compared to 2 other programs that were funded at about 1.5%. Also, we found 5 of the 22 statewide programs received additional General Fund money from other

appropriations UNR and UNLV received from the State during fiscal year 2003. These other state appropriations were almost \$1.1 million of the programs' total funding, most of which went to one program. Appendix E gives the amounts of other General Fund money each of these five programs received. It also provides further information on the percent of General Fund money to total funding and expenditures for each statewide program during fiscal year 2003.

Definition of Statewide Program Not Established

No definition of a statewide program has been established. The description included in the Executive Budget for both universities' statewide programs states the programs provide a wide variety of research and public service functions in the areas of education, economics, government, the sciences, and the cultural environment of Nevada and the Western United States. While this description is broad, it does little to assist decision makers with determining what programs should or should not be included in the Executive Budget as statewide programs. Developing a standard definition of a statewide program would help UCCSN ensure the process of recommending programs for General Fund support is consistent. In addition, periodic review of programs' missions and activities is needed to ensure programs still function as statewide programs.

Some Programs Have Changed

Several of the programs have undergone changes since they were first included as statewide programs. Many of the 22 programs that received General Fund support during fiscal year 2003 have been included in the two budget accounts for at least 20 years. Between fiscal years 1990 and 2003, four programs were added to UNR's budget account and one was added to UNLV's budget account.

Changes to programs have been organizational, due to changing technologies, or evolution of services. Examples of these changes include:

- Energy and Environmental Physics – This program first received funding as a statewide program in 1996. The Executive Budget for fiscal years 1996 and 1997 shows the program as a transfer of a research professional from the Desert Research Institute. The subsequent Executive Budget lists the program as Atmospheric Physics Research. The program description changed in the fiscal years 2000-2001 Executive Budget to its current title, Energy and Environmental Physics. In fiscal

year 2003, this program provided funding for one full-time position, a physics professor whose duties are similar to those of other professors, including teaching. The program received no other funding from any other source, and spent no money other than for the one position.

- Film and Video Library – This program has expanded due to changing technology, changing the focus of the services provided. This program first received funding as a statewide program in fiscal year 1984 to be a repository for 16mm films and distribute the films throughout Nevada, including schools and UCCSN's other institutions. The program still maintains the films, but its function has expanded to include cleaning, inspecting, and repairing film and videos, reproducing multimedia, providing teleconferencing, and lending videos and compact discs.
- Gerontology – This program is an example of organizational change. This program became a statewide program in fiscal year 1992. That same year, it was moved into the Sanford Center for Aging. Ten years later, in 2002, the program was moved out of the Sanford Center. The Gerontology program still offers the same basic services, a 24-credit hour certificate and an 18-credit hour minor in gerontology. However, its description in the Executive Budget for fiscal years 2004 and 2005 reflects only the Sanford Center, of which the Gerontology program is no longer a part.

Without an established, documented definition, there is no basis to assess whether these programs remain “statewide programs” after undergoing these changes. In addition, a definition would assist decision makers with evaluating requests for funding new statewide programs.

Similar Programs Operate Without General Fund Support

Programs similar to statewide programs exist without receiving General Fund support. We found seven programs or functions at the universities that do not receive General Fund appropriations as statewide programs, but are similar, if not almost identical, to the statewide programs at the other university. A formal review process could help determine why programs similar to statewide programs can operate without General Fund support. For example, the Gerontology program at one university receives a statewide program General Fund appropriation, but the similar program at the other university does not. Both programs' main purpose is to offer a 24-credit hour certificate program and an 18-credit hour minor in gerontology. Exhibit 6 shows the

seven statewide programs and their non-statewide program counterparts, and describes the programs' similarities.

Exhibit 6

Comparison of Statewide Programs to Non-Statewide Programs

Statewide Program	Non-Statewide Program	Services Provided
Center for Applied Research (UNR)	Cannon Center for Survey Research (UNLV)	Both conduct survey research for local governments, the State, their respective institutions, and others.
Cancer Research Laboratory (UNR)	Cancer Research Institute (UNLV)	Both are dedicated to cancer research.
Research and Education Planning Center (UNR)	Center for Education Research and Planning (UNLV)	Both assist their respective Colleges of Education with research and funding.
Gerontology/Geriatrics (UNR)	Gerontology Certificate Program (UNLV)	Both provide 24-credit hour certificates in gerontology.
Energy and Environmental Physics (UNR)	Physics Department (UNLV)	Both teach physics and conduct related research.
Film and Video Library (UNR)	Lied Library Media Resources (UNLV)	Both are the multi-media resource centers for their respective universities' libraries.
KUNV Radio (UNLV)	KUNR Radio (UNR)	Both provide programming such as music for the public over the radio.

Sources: Statewide Program Directors and UNR and UNLV websites.

Recommendations

1. Document a definition and develop criteria for statewide programs to assist with determining the programs that are appropriate to include in General Fund budget accounts.
2. Periodically review each statewide program included in the Executive Budget to determine if it still meets the definition and established criteria for statewide programs, if the need still exists for receiving General Fund money, and the appropriate funding amount to request.

Insufficient Guidance for Spending State Money

UCCSN lacks written guidance on what types of expenditures the statewide programs can make with General Fund money appropriated for their use. As a result, state money allocated to the statewide programs was used for various types of

expenditures, including non-program related expenses. Written guidance would help ensure state money is used for intended purposes and the institutions are consistent regarding the types of expenditures their programs can make. NRS 353.235(1) requires every state appropriation be limited to some single work, object, or purpose.

The lack of sufficient guidance allowed for non-program related expenditures to be made with General Fund money, which resulted in subsidizing other programs at UNR and UNLV with statewide program money. During our review of expenditures made by the statewide programs in fiscal year 2003, we found General Fund money was used to:

- Pay the salary of a university employee who did not work for the statewide program from which he was paid, the Film and Video Library. The total payroll-related cost during fiscal year 2003 for this employee was \$29,768. Not using General Fund money directly for the statewide programs defeats the purpose of receiving this money from the State separate from the universities' other state appropriations.
- Print 3,000 copies of a book costing \$8,881. Nevada Bureau of Mines and Geology staff indicated the printed books are sold and the revenue from the sales is recorded in the statewide programs' self-funded budget account. Through this practice, state money is transferred to another revenue source that can be carried forward to other years and be used for other purposes. Unused General Fund money should be reverted at the end of each fiscal year.
- Pay five faculty, budgeted at 100% with General Fund money appropriated for statewide programs, who taught courses that are included in the formula used to fund the universities. These faculty taught 19 courses in the funding formula during the fall 2002, spring 2003, and fall 2003 semesters. This resulted in the State paying the universities a portion of instructional costs twice for the same courses. We estimated the duplicate amount to be about \$153,000 for the three semesters. Written guidance could help distinguish when statewide program state money can be used to pay salaries for teaching-related purposes.

Although the universities provided us with some criteria on the types of expenditures the statewide programs can make with General Fund money, these criteria are not in writing to help guide the programs. Also, the documents referred to us by the universities do not specifically address the types of expenditures the statewide programs can make with state money. UNR indicated expenditures with General Fund

money must be related to the purpose of the statewide program and cannot be expended for purposes precluded either by state law or provisions of its administrative manual. UNLV indicated these expenditures are treated the same as money received from the state's general appropriation to the university in accordance with the Board of Regent's Handbook.

Recommendation

3. Develop written guidance on the types of expenditures the statewide programs can make using General Fund appropriations.

Performance Measures Need Improvement

The performance indicators used in the statewide programs' Executive Budget need to be improved to include program outcomes and provide better information on the programs' achievements and activities. In addition, the universities did not have documentation adequately supporting the indicators included in the Executive Budget. Finally, programs have not developed performance measures that measure their outcomes related to their missions.

Improving the statewide programs' performance measures would provide better information to decision makers on whether the programs are meeting their missions. Good measures can also provide decision makers with information on which to base funding decisions. UCCSN can help ensure the statewide programs have effective performance measures that address program outcomes and not just outputs. This would include having performance indicators in the Executive Budget that better describe program achievements and activities, and developing outcome measures for each statewide program.

Executive Budget Performance Indicators Can Be Improved

UCCSN can improve the performance indicators in the Executive Budget. UNR included two performance indicators in the 2004-2005 Executive Budget, while UNLV had three. Although the universities had performance indicators, these indicators covered activity for only some of the statewide programs and were not outcome related. Also, the universities do not report these statistics annually, and information supporting

the reported statistics is not always readily available. Exhibit 7 shows the performance indicators included in the Executive Budget for the 2003 Legislative Session, and the projected statistics reported for fiscal year 2003. It also includes fiscal year 2003 statistics provided during the audit.

Exhibit 7

**Executive Budget
Performance Indicators
2004-2005 Executive Budget**

Performance Indicator	Fiscal Year 2003 Projected Statistic	Fiscal Year 2003 Reported Statistic
UNR		
Increase the number of research papers, reports, and other documents published by 5% per year.	236	Not readily available
Increase the number of public presentations concerning center issues and programs by 3% per year.	2,353	Not readily available
UNLV		
Number of research contracts for services completed by the Center for Business and Economic Research	20	19
Total number of registrations in Continuing Education	17,600	14,000 ⁽¹⁾
Number of research papers, reports, and other documents published by the Center for Business and Economic Research and the Museum	47	47

Sources: Executive Budget, UNR, and UNLV.
(1) Calendar year projection.

The two indicators for UNR’s budget account do not show how many of its 17 statewide programs report activity statistics for inclusion. We discussed this issue with 11 of the 17 statewide program directors and staff at UNR. Ten indicated statistics for their programs are not included in the performance indicators and the indicators may not always be good ways of measuring activity for their programs. In addition, the two indicators are not outcome related and statistics are reported biennially versus annually. Thus, no actual fiscal year 2003 statistics were available for our review.

The three performance indicators for UNLV’s budget account measure activity for only three of its five programs. UNLV also reports its statistics biennially, but it did collect fiscal year 2003 statistics for us. The statewide programs at UNLV had some information to back up the fiscal year 2003 statistics; however, we found UNLV needs to ensure it verifies the data. For example, UNLV reported a calendar year projection for

one of the three indicators and the statewide programs indicated they would have to recreate the statistics for the other two indicators.

NRS 353.205 requires proposed budgets in the state's Executive Budget to include performance indicators for each program. The budget instructions for the 2005 – 2007 biennium state performance indicators are crucial to the overall management of programs since they are tools of self assessment, goal-setting, and progress monitoring. In addition, reported data must be reliable and computed the same way every year. For each budget account, agencies are allowed to enter up to six measurements. Therefore, it would not be feasible to include a performance indicator for each of the 22 programs, but the institutions may be able to combine indicators for programs with similar missions. They could also present additional performance indicators with their budget request as a separate attachment or handout during legislative hearings. Good performance indicators that include outcomes for the statewide programs, along with accurate annual statistics, would give decision makers quality information to help manage the statewide programs.

Outcome-Related Performance Measures Not Always Established

Most programs have established missions and goals, but few have established performance measures to determine if they are meeting their missions and goals. Many of the programs have established activity or output measures, which are important in evaluating the programs' workloads. However, these measures do not always provide an assessment of the programs' achievements.

Outcome measurements are a quantifiable indicator of public and customer benefits from program actions and should relate to the statewide programs' missions, purposes, or goals. Output measurements are quantifiable indicators of goods or services produced. One example of an outcome measure for a mental health program would be the percentage of discharged mental health patients who are successful in independent living. The comparable output measure for this program goal would be the number of mental health patients who are treated and discharged. Most of the programs only had information showing program-related activities which were output in nature.

Along with establishing outcome measurements for the statewide programs, it is important that statistics are consistently obtained and periodically reported. This would provide decision makers with quality information to help manage the statewide programs. UCCSN's System Administration can help statewide programs develop outcome measures by providing guidance and periodically reviewing reported statistics.

Recommendations

4. Establish useful performance indicators for the Executive Budget that include program outcomes, and ensure the reported statistics are accurate.
5. Develop outcome measures for the statewide programs and periodically report on the outcomes.

Appendices

Appendix A Audit Methodology

To gain an understanding of the 22 statewide programs located at UNR and UNLV, we reviewed laws, budget information, legislative committee minutes, and informational reports related to the programs. We also reviewed UCCSN's websites for information on the statewide programs. In addition, we interviewed officials at UCCSN's System Administration, UNR, and UNLV responsible for statewide programs on the responsibilities and duties they perform.

To assess the process UCCSN used to identify and select programs for inclusion in the two statewide program General Fund budget accounts, we first determined if written guidance was in place to provide criteria on identifying new programs and reviewing currently funded statewide programs. Second, we discussed the history of each statewide program with the programs' directors and staff. We also requested the universities provide us with the dates each program was selected, the reasons why, and to define the characteristics of a statewide program. This included a review of any new statewide programs selected for state funding during the 2003 Legislative Session. Then we compared the selection processes for these programs to determine any common traits. In addition, we reviewed the Statutes of Nevada for the years the statewide program budget accounts were established. Our assessment also included an analysis of the statewide programs to see the types of characteristics they share. We reviewed similar programs that do not receive specific state money to operate, and compared the attributes of these programs with the currently funded statewide programs.

To determine how the statewide programs are funded, we obtained financial information from UNR and UNLV on total funding and expenditures for each statewide program during fiscal year 2003. This included all sources of funding and beginning balances for the programs. Then, we compared total statewide program funding with total expenditures for fiscal year 2003, giving us the total amount of unused funding for

the year. We also analyzed the amount of statewide program General Fund money the programs received over the past 5 years.

To evaluate statewide program outcomes, including performance measures and financial information, we determined if each statewide program at UNR and UNLV had outcome measurements in place. This was done by requesting information from UCCSN, interviewing the programs' directors, and reviewing statewide program strategic plans and other program information. We also reviewed performance indicators in the Executive Budget to determine if they were outcome related, they covered activity for all statewide programs, statistics were collected annually, and reported statistics were reliable. To evaluate financial information, we obtained a listing of all transactions made with statewide program General Fund money during fiscal year 2003. We then judgmentally selected 10 programs at UNR and 3 programs at UNLV and judgmentally selected five transactions for each program to determine if the money was spent on statewide program purposes. As part of this review, we requested any written guidance for how the programs should spend state money. We also reviewed information on the courses taught by statewide program staff paid 100% with state money specifically appropriated for statewide programs.

Our audit work was conducted from August 2003 to March 2004, in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Chancellor of the University and Community College System of Nevada. On May 11, 2004, we met with UCCSN officials to discuss the results of our audit and requested a written response to the preliminary report. That response is contained in Appendix F which begins on page 28.

Contributors to this report include:

Michael E. Noel
Deputy Legislative Auditor

Jane Bailey
Audit Supervisor

Appendix B

Prior Audit Recommendations

Our 1996 audit of the University and Community College System of Nevada (UCCSN) contained 10 recommendations. None of the recommendations specifically relate to our current audit of statewide programs. Therefore, we did not assess UCCSN's implementation of the prior audit's recommendations.

Appendix C
Assembly Bill 148

Assembly Bill No. 148—Assemblymen Perkins, Leslie, Parks, Gibbons, Knecht, Anderson, Andonov, Angle, Arberry, Atkinson, Beers, Brown, Buckley, Carpenter, Chowning, Christensen, Claborn, Collins, Conklin, Geddes, Giunchigliani, Goicoechea, Goldwater, Grady, Griffin, Hardy, Hettrick, Horne, Koivisto, Mabey, Manendo, Marvel, McClain, McCleary, Mortenson, Ocegüera, Ohrenschall, Pierce, Sherer, Weber and Williams

Joint Sponsors: Senators Care, Carlton, O’Connell, Amodei, Cegavske, Hardy, McGinness, Neal, Nolan, Rhoads, Schneider, Shaffer, Townsend, Washington and Wiener

CHAPTER.. 442

AN ACT relating to higher education; requiring the Legislative Auditor to conduct an audit of the University and Community College System of Nevada and the Board of Regents of the University of Nevada; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. 1. The Legislative Auditor shall conduct an audit of the University and Community College System of Nevada and the Board of Regents of the University of Nevada.

2. The audit must include, without limitation, an analysis of:
- (a) Capital construction projects;
 - (b) The cost of athletic programs, including, without limitation, the sources and uses of money for such programs;
 - (c) The cost of administration, including, without limitation, personnel, travel and other associated costs;
 - (d) The utilization of host accounts;
 - (e) The validity and reliability of enrollment data;
 - (f) Policies and procedures for the generation and distribution of investment income;
 - (g) Contracting and bidding procedures, including, without limitation, construction, retrofit and repair projects and the use of “shared savings” programs to pay for utility costs and energy conservation projects; and
 - (h) Statewide programs, including, without limitation, program selection, funding and outcomes.

3. The Legislative Auditor shall present a final written report of the audit to the Audit Subcommittee of the Legislative Commission not later than February 7, 2005.

4. The provisions of NRS 218.737 to 218.890, inclusive, apply to the audit conducted pursuant to this section.

Sec. 2. 1. Upon the request of the Legislative Auditor, the University and Community College System of Nevada shall transfer from its budget to the Audit Division of the Legislative Counsel Bureau the sum of \$90,000 to carry out the provisions of section 1 of this act.

2. Any remaining balance of the sum transferred pursuant to subsection 1 must not be committed for expenditure after February 7, 2005, and reverts to the University and Community College System of Nevada as soon as all payments of money committed have been made.

Sec. 3. This act becomes effective on July 1, 2003.

Appendix D
Statewide Program Services

Statewide Program	Program Services
UNR	
Research and Education Planning Center	Provides leadership to the university, college, and educational community in the identification, development, submission, and implementation of externally funded projects that benefit Nevadan's through the provision of training for educators and other human-service professionals; provides technical assistance, information, research and evaluation.
Bureau of Business and Economic Research	Performs applied research projects for businesses, non-profit agencies, and government entities. These may be original studies, where new data is gathered and analyzed, or secondary studies, with searches for existing studies and data. Most services are provided on a fee basis.
Center for Applied Research	Provides the most valid and reliable data possible across a broad spectrum of data collection protocols and analysis activities. Research projects are aimed at solving problems and providing data and information to state and federal agencies for use in program planning and resource allocation. Also provides in-house support to faculty, students, and community-based groups.
Cancer Research Laboratory	Advances research on the basic biology of cancer with emphasis on developing new treatments for cancer and developing strategies for cancer prevention. Disseminates new knowledge, produces future scientists, and enriches undergraduate educational opportunities at UNR.
Seismology Laboratory	Operates a network of seismic stations in the Nevada region; analyzes the data on historic and current earthquake activity in and around Nevada; serves as a repository and exchange point for information on earthquake activity in Nevada and adjoining states; provides for education of the public in matters related to seismicity and earthquake risk in the Nevada region; and carries out grant and contract supported research on earthquakes.
Oral History Project	Produces primary-source oral histories that have enduring value as documentation of the history and culture of Nevada and the Intermountain West.
Center for Basque Studies	Researches, debates, publishes, teaches, and disseminates knowledge about the Basques. Offers a Basque Studies minor and tutorial Ph.D. in Basque Studies.

Statewide Program Services
(continued)

Statewide Program	Program Services
UNR	
Engineering Research and Development Center	Coordinates the research conducted in all departments of UNR's College of Engineering; renders public service to industries, utilities, professional engineers, and public agencies; provides opportunities for cooperation in research among the College and with other UNR departments and UCCSN; publishes and distributes technical articles; and provides research projects for graduate students and maintains professional development for faculty.
Nevada Bureau of Mines and Geology	Serves the state's needs for geological and mineral-resource information and research; conducts research and publishes reports that focus on the economic development, public safety, and quality of life in urban areas of Nevada.
Energy and Environmental Physics	Provides research, development, classroom teaching, and direction of graduate studies in fundamental physics related to advanced energy sources and concepts.
Extended Studies	Helps improve people's lives by providing innovative, high quality education at any time; offers professional development certificate programs and university credit courses across Nevada.
Fleishmann Planetarium	Provides informal education and public understanding of science; specializes in astronomy, space, and planetary sciences and related disciplines.
Gerontology/Geriatrics	Provides needed information for a career in health care and many other professions; offers a 24-credit gerontology certificate program and 18-credit minor. Courses provide students with knowledge of a dynamic aging society, an understanding of the aging processes, and an appreciation for service delivery within the aging network.
Nevada Small Business Development Center	Operates a network of offices located throughout Nevada to provide general business consulting, professional development training, geographic information services, environmental assistance, and technical research and economic information.
Nevada Center for Ethics and Health Policy	Provides a statewide collaboration for the promotion of ethical and appropriate health care for all Nevadans; offers a minor in health care ethics.
Film and Video Library	Collects, inspects, cleans, and repairs films, videos, and DVDs. Multi-media center for UNR's library.

Statewide Program Services
(continued)

Statewide Program	Program Services
UNR	
Northern Nevada Writing Project	Improves student writing by promoting the teaching of writing, recognizing teacher expertise and leadership, building on a foundation of research, and encouraging teachers as writers.
UNLV	
Center for Business and Economic Research	Collects, analyzes, and disseminates information on the economy and businesses of Nevada; provides research and analysis services on a contractual basis.
Marjorie Barrick Museum of Natural History / Harry Reid Center	Collects, preserves, and exhibits objects that illustrate the natural history of the southwest United States and its surrounding regions; collects birds from throughout the world for research. The Harry Reid Center is the Museum's research arm and helps solve complex environmental problems.
Continuing Education	Assists and supports the development of community programming and professional development, credit courses for partner units; and pursues continuous improvement.
KUNV Radio Station	Offers jazz programming over the radio during the week, and variety of diverse, culturally rich "world music" broadcasting on the weekends.
Southern Nevada Writing Project	Promotes excitement among teachers about writing, helps teachers find or rediscover their voices as writers and develops techniques for using writing across the curriculum and across grade levels.

Source: Statewide Programs.

Appendix E Statewide Program Funding and Expenditures Fiscal Year 2003

Statewide Program Appropriation
as a Percentage of Total

Statewide Program Name	Statewide Program Appropriation	Other General Fund Appropriation	Beginning Balance	Other Funding (1)	Transfers In (2)	Total Funding	Expenditures Made With Funding From			Total Expenditures	Ending Balance	Statewide Program Appropriation as a Percentage of Total	
							Appropriations for the Statewide Programs	All Other Sources	Transfers Out (2)			Funding	Expenditures
UNR													
1 Research and Education Planning Center	\$ 99,552	\$ 0	\$ 83,442	\$ 1,722,479	\$ 19,484	\$ 1,924,957	\$ 99,552	\$ 1,645,384	\$ (28,505)	\$ 1,716,431	\$ 208,526	5.17%	5.80%
2 Bureau of Business and Economic Research	267,495	0	78,782	427,807	48	774,132	267,495	446,648	0	714,143	59,989	34.55%	37.46%
3 Center for Applied Research	292,749	4,885	(33,634)	539,902	59,185	863,087	292,749	550,795	7	843,551	19,536	33.92%	34.70%
4 Cancer Research Laboratory	55,430	0	70,037	23,248	0	148,715	55,430	42,124	224	97,778	50,937	37.27%	56.69%
5 Seismology Laboratory	407,697	0	245,910	2,598,735	25,878	3,278,220	407,697	2,533,110	1,787	2,942,594	335,626	12.44%	13.86%
6 Oral History Project	243,496	0	44,586	144,762	19	432,863	243,496	140,933	0	384,429	48,434	56.25%	63.34%
7 Center for Basque Studies	517,630	15,750	9,517	163,786	3,500	710,183	517,630	192,913	91	710,634	(451)	72.89%	72.84%
8 Engineering Research and Development Center	31,589	0	2,325	27,889	0	61,803	31,589	31,324	596	63,509	(1,706)	51.11%	49.74%
9 Nevada Bureau of Mines and Geology	1,740,807	0	350,659	1,749,791	54,607	3,895,864	1,740,807	1,746,470	54,919	3,542,196	353,668	44.68%	49.14%
10 Energy and Environmental Physics	142,690	0	0	0	0	142,690	142,690	0	0	142,690	0	100.00%	100.00%
11 Extended Studies (3)	509,196	705,535	2,584,506	2,002,304	3,314,670	9,116,211	509,196	3,505,552	2,596,035	6,610,783	2,505,428	5.59%	7.70%
12 Fleishmann Planetarium	151,581	0	28,148	383,069	423	563,221	151,581	364,283	30,000	545,864	17,357	26.91%	27.77%
13 Gerontology/Geriatrics	91,483	47,784	5,754	341,196	0	486,217	91,483	201,679	2	293,164	193,053	18.82%	31.21%
14 Nevada Small Business Development Center	240,540	0	17,347	1,671,162	0	1,929,049	240,540	2,065,375	10,048	2,315,963	(386,914)	12.47%	10.39%
15 Nevada Center for Ethics and Health Policy	431,011	0	78	33,705	0	464,794	431,011	24,891	0	455,902	8,892	92.73%	94.54%
16 Film and Video Library	153,279	0	5,205	8,867	0	167,351	153,279	6,677	0	159,956	7,395	91.59%	95.83%
17 Northern Nevada Writing Project	37,007	0	13,495	80,110	7,247	137,859	37,007	42,495	0	79,502	58,357	26.84%	46.55%
Program Totals	\$ 5,413,232	\$ 773,954	\$3,506,157	\$11,918,812	\$ 3,485,061	\$ 25,097,216	\$ 5,413,232	\$ 13,540,653	\$ 2,665,204	\$ 21,619,089	\$ 3,478,127	21.57%	25.04%
Operation and Maintenance	695,735	0	0	0	0	695,735	695,735	0	0	695,735	0	100.00%	100.00%
Personnel Assessment and Salary Savings	275,525	0	0	0	0	275,525	275,525	0	0	275,525	0	100.00%	100.00%
UNR Totals	\$ 6,384,492	\$ 773,954	\$3,506,157	\$11,918,812	\$ 3,485,061	\$ 26,068,476	\$ 6,384,492	\$ 13,540,653	\$ 2,665,204	\$ 22,590,349	\$ 3,478,127	24.49%	28.26%
UNLV													
1 Center for Business and Economic Research	\$ 271,485	0	\$ 98,353	\$ 298,756	\$ 339,253	\$ 1,007,847	\$ 271,485	\$ 378,852	\$ 253,221	\$ 903,558	\$ 104,289	26.94%	30.05%
2 Marjorie Barrick Museum of Natural History/Harry Reid Center	249,802	0	1,964,708	14,195,490	147,247	16,557,247	249,802	14,389,191	147,246	14,786,239	1,771,008	1.51%	1.69%
3 Continuing Education	167,939	315,477	1,123,682	9,564,890	341,137	11,513,125	167,939	7,478,179	2,354,127	10,000,245	1,512,880	1.46%	1.68%
4 KUNV Radio	96,710	0	74,214	239,389	164,000	574,313	96,710	335,203	134,800	566,713	7,600	16.84%	17.07%
5 Southern Nevada Writing Project	48,242	0	30,916	54,657	4,423	138,238	48,242	104,555	9,828	162,625	(24,387)	34.90%	29.66%
Program Totals	\$ 834,178	\$ 315,477	\$3,291,873	\$24,353,182	\$ 996,060	\$ 29,790,770	\$ 834,178	\$ 22,685,980	\$ 2,899,222	\$ 26,419,380	\$ 3,371,390	2.80%	3.16%
Personnel Assessment and Salary Savings	38,037	0	0	0	0	38,037	38,037	0	0	38,037	0	100.00%	100.00%
UNLV Totals	\$ 872,215	\$ 315,477	\$3,291,873	\$24,353,182	\$ 996,060	\$ 29,828,807	\$ 872,215	\$ 22,685,980	\$ 2,899,222	\$ 26,457,417	\$ 3,371,390	2.92%	3.30%
UNR and UNLV Totals	\$ 7,256,707	\$1,089,431	\$6,798,030	\$36,271,994	\$ 4,481,121	\$ 55,897,283	\$ 7,256,707	\$ 36,226,633	\$ 5,564,426	\$ 49,047,766	\$ 6,849,517	12.98%	14.80%

Sources: UNR, UNLV, State's Accounting Records, and legislatively approved budget.

(1) Other funding includes estate tax, gifts, grants, contracts, and self supporting money from sources such as sales.

(2) Transfers in and out include money transferred between university budget accounts within a statewide program or between a statewide program and another program. Transfers are made for several reasons, including payment for shared staff or shared grants and contracts. Transfers were not made from budget accounts containing General Fund appropriations.

(3) Does not include funding or expenditures for Summer School as UNR does not consider this function statewide program related.

Appendix F

University and Community College System of Nevada's Response

University and Community College System of Nevada

5550 West Flamingo Road, Suite C-1
Las Vegas, Nevada 89103
Tel: (702) 889-8426
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2601 Enterprise Road
Reno, Nevada 89512
Tel: (775) 784-4901
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May 21, 2004

State of Nevada
Legislative Counsel Bureau
Paul Townsend, Legislative Auditor
401 S. Carson St.
Carson City, Nevada 89701-4747

Dear Mr. Townsend:

Attached is the University and Community College System of Nevada response to the Statewide Programs Audit Report prepared by the Legislative Counsel Bureau audit staff.

We would like to thank the LCB staff for the courtesy extended to all UCCSN employees during this review.

Please contact me if you have any questions on the items provided

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Harry E. Neel, Jr.', is written over a horizontal line.

Harry E. Neel, Jr.
Vice Chancellor for Finance and Administration

Attachment

Below is the UCCSN response to the Legislative Counsel Bureau (LCB) draft audit report of Statewide Programs.

Recommendation 1: Document a definition and develop criteria for statewide programs to assist with determining the programs that are appropriate to include in General Fund budget accounts.

We concur with the recommendation and will work with institution personnel to develop a consistent definition and criteria to be used to determine which programs are appropriate for new or continued General Fund support. We will conduct an annual review to identify programs satisfying the criteria for designation as statewide programs. Programs so identified, but not currently funded, may be submitted to the Board for inclusion in the biennial budget request.

Recommendation 2: Periodically review each statewide program included in the Executive Budget to determine if it still meets the definition and established criteria for statewide programs, if the need still exists for receiving General Fund money, and the appropriate funding amount to request.

We concur that UCCSN develop a standard definition and review of statewide programs. This standard needs to be applied to both current programs and future program considerations as noted above.

UCCSN will conduct annual evaluations as indicated above. As part of its review, UCCSN shall assess the unrestricted cash balances of all statewide programs

Recommendation 3: Develop written guidance of the types of expenditures the statewide programs can make using General Fund appropriation.

UCCSN follows the expenditure guidelines stated in the State Administrative Manual (SAM) for all state appropriated funds. We will develop written guidance on what types of expenditures can be made with statewide General Fund money. Currently statewide General Fund appropriations can be expended for salaries, operating, travel, and equipment directly related to the program funded. Faculty paid from Statewide Programs who teach classes producing student credit hours must off-load a proportionate share of their salary to the appropriate instructional account. No statewide program appropriations may be expended to support the instructional mission of the institution.

Recommendation 4: Establish useful performance indicators for the Executive Budget that include program outcomes and ensure the reported statistics are accurate.

UCCSN will develop appropriate performance indicators for the Executive Budget. Institutions will develop an annual process to collect data relating to performance indicators for each statewide program. In keeping with findings from the Legislative Committee on Higher Education, however, additional attention should be directed at the success of UCCSN in leveraging state funds to increase the overall institutional funding with substantial return on investment of these state dollars.

Recommendation 5: Develop outcome measures for the statewide programs and periodically report on the outcome.

In addition to performance indicators, all statewide programs will develop outcome measures appropriate to their mission. The outcome measures will be reported to the Board of Regents annually and submitted to the Governor's Budget Office and Legislative Counsel Bureau as part of the biennial budget justification. The success of these programs will be further analyzed during periodic program review.

UCCSN Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Document a definition and develop criteria for statewide programs to assist with determining the programs that are appropriate to include in General Fund budget accounts	<u> X </u>	<u> </u>
2	Periodically review each statewide program included in the Executive Budget to determine if it still meets the definition and established criteria for statewide programs, if the need still exists for receiving General Fund money, and the appropriate funding amount to request	<u> X </u>	<u> </u>
3	Develop written guidance on the types of expenditures the statewide programs can make using General Fund appropriations	<u> X </u>	<u> </u>
4	Establish useful performance indicators for the Executive Budget that include program outcomes, and ensure the reported statistics are accurate	<u> X </u>	<u> </u>
5	Develop outcome measures for the statewide programs and periodically report on the outcomes	<u> X </u>	<u> </u>
	TOTALS	<u> 5 </u>	<u> 0 </u>