State of Nevada
Governor's Finance Office
Division of Internal Audits

Draft Minutes

From the Executive Branch Audit Committee Meeting
January 19, 2016

STATE OF NEVADA
EXECUTIVE BRANCH AUDIT COMMITTEE MEETING

Draft Minutes
June 20, 2016

The Meeting of the Executive Branch Audit Committee was held on June 20, 2016 at the Laxalt Building, Second Floor, 401 N. Carson Street, Carson City, Nevada. The meeting was video conferenced between the Laxalt Building and the Grant Sawyer State Office Building, Governor's Office, 555 East Washington Avenue, Las Vegas, Nevada.

These minutes are in draft form and have not yet been approved and are subject to revision at the next scheduled meeting.

MEMBERS PRESENT:	Governor Brian Sandoval, Chairperson
	Lieutenant Governor Mark Hutchison
	Secretary of State Barbara Cegavske
	Treasurer Dan Schwartz (via Las Vegas location)
	Controller Ron Knecht
	Attorney General Adam Paul Laxalt
	Trudy L. Cross, CPA, Public Member
GOVERNOR'S FINANCE OFFICE DIVISION OF INTERNAL AUDITS STAFF PRESENT:	Director, Jim Wells, CPA Administrator, Steve Weinberger, CPA Executive Branch Audit Manager, Warren Lowman Executive Branch Audit Manager, Vita Ozoude, CPA Executive Branch Auditor, Lynnette Aaron, CPA Executive Branch Auditor, Ashwini Prasad, CPA Executive Branch Auditor, Dennis Stoddard Executive Branch Auditor, Catherine Brekken, CPA Financial Manager, Lori Hoover, CPA Deputy Attorney General Dennis Belcourt Administrative Assistant, Connie Boynton
OTHERS PRESENT:	Copy of sign-in sheet available, contact Connie Boynton, administrative assistant IV at cboynton@admin.nv.gov

The agenda for this meeting was posted in accordance with the Nevada Open Meeting Law and was mailed to groups and individuals as requested.

Call to Order
Chair, Governor Brian Sandoval, called the meeting to order and welcomed those present. Treasurer Swartz was at the Las Vegas location via videoconference.

1. **Public Comments**
Governor Sandoval addressed the public for comments in Carson City and Las Vegas.

There were none.

Secretary of State Cegavske wanted to observe a moment of silence in memory of Roger McClellan, who was tragically taken from us in a motorcycle accident. He was in the Research Division at the Legislative Counsel Bureau (LCB). She commented he was a wonderful person who worked tirelessly and very hard.

(moment of silence.)

2. **For Possible Action – Approval of the January 19, 2016 Executive Branch Audit Committee Meeting Minutes.**
Governor Sandoval asked for comments on or changes to the proposed minutes previously provided to the committee.

Controller Knecht commented the people that put the minutes together did such a good job that he found only two characters that he needed to correct. He said one was on page 17, the fifth paragraph, which says, "Controller Knecht said that 25 years ago." He said it was 45 years ago. Second on page 27 in the bottom paragraph, first line, "Controller Knecht assured them he held no grief for any of the special interests." He said he held no "brief" with a "b" for the special interests there, and requested those two corrections be made.

Motion: Move for approval of the minutes of the January 19, 2016.
By: Secretary of State Cegavske with the two changes on page 17, and 27
Second: Controller Knecht
Vote: Motion passed unanimously.

3. **Presentation of the Division's Audit Reports Pursuant to NRS 353A.085**

A. **<u>Office of the State Controller, Report No. 16-05</u> – Vita Ozoude, Executive Branch Audit Manager.**

Representing the Controller's Office was James Smack, Chief Deputy Controller, and Geoff Lawrence, Assistant Controller.

Mr. Ozoude explained they were requested by the Controller to review:

- ✓ The Efficiency and Effectiveness of the State's debt Collection Process, and
- ✓ Determine the Proper Agency to Handle the State's Debt Collection.

Mr. Ozoude said they reviewed the current process and interviewed state agencies to determine the efficiency and effectiveness of the state's debt collection efforts. He said for almost 20 years the state has had challenges with collecting debts owed to agencies. He said these challenges still exist today.

First, the debt assignment process from the agencies to the Controller or from the Controller to the private collection agencies is a difficult and time-consuming process. He said debt assignment is a manual process that requires completion of as many as 70 fields on an Excel spreadsheet. He said the Department of Taxation informed them it takes days to process and review debts before assignment.

Additionally, in 2015, agencies were told not to assign debts to the office because of a backlog due to the new CGI debt collection system implementation. He said they were recommending the process be automated. He estimates automating debt assignment can result in a one-time benefit of $30 million and annual benefits of approximately $5.3 million.

The second recommendation concerns the debt-offset process. The debt offset process is also a manual time consuming process. As a result, payments are sometimes made to individuals and businesses that owe money to the state. He said they recommend the process be automated. They estimate automating the debt-offset process can result in annual benefits of approximately $82,000.

Third, they are also recommending that the state automate the licensee list review process to collect debts owed by individuals licensed by professional licensing agencies.

He said the statute requiring submission of licensee lists went into effect in 2013 and no lists have been submitted. He said the Controller's Office represents it will be a manual and time-consuming process if it is not automated.

Fourth, NRS 353.195 requires transfer of debts 60 days past due to the Controller's Office unless an alternative date is agreed upon. He said some agencies are not complying with this statute and are attempting to collect their own debts.

Mr. Ozoude recommended the agencies obtain waivers from the Controller's Office to not transfer the debts in order to collect their own debts. He said this gives the Controller's Office the opportunity to determine if the agencies are effective at debt collection prior to issuing waivers.

Fifth, debts owed by current state employees are not being collected because of legal issues. He said they recommend the Controller's Office work with the office of the Attorney General to resolve these issues and allow the state to deduct debts from employee paychecks. He said they estimate deducting wages from employee paychecks could yield a one-time benefit of $25,000.

Sixth, the state's accounts receivable listing contains debts that may no longer be collectible because of age. He said they recommend that these accounts receivables be written off to allow the state to more accurately measure the effectiveness of the debt collection efforts.

Mr. Ozoude said the last recommendation is the transfer of the state's collection agent responsibilities to the Governor's Finance Office (GFO). The GFO falls under the Governor who has greater authority to enforce the state's debt collection statutes. Transferring the responsibilities of the collection agent would improve effectiveness of the state's debt collection.

Mr. Ozoude said implementation of these recommendations would improve the efficiency and effectiveness of the state's debt collection, and thanked the Controller and his staff for their cooperation and assistance throughout the audit.

Governor Sandoval wanted to confirm on the record, the Controller has accepted all the recommendations.

Mr. Ozoude said yes, that was correct.

Governor Sandoval asked the committee if they had any questions.

Lieutenant Governor Hutchison noted on page 10, it says "Debts Are Not Assigned Timely to Collection Agencies." In the report, it mentioned there are contracts with three private collection agencies to which debts are assigned.

Mr. Ozoude replied yes.

Lieutenant Governor Hutchison asked what constitutes a timely submission once that debt has been assigned to the Controller's Office to then assign it over to or delegate over to a private collection agency.

Mr. Weinberger replied it should be in the Controller's custody about 30 days before it goes to a private collection agency.

Lieutenant Governor Hutchison replied the report on page 10, noted the office has been holding these debts for an average of 359 days, and that would be ten times longer than the time that you would expect if these were being timely submitted to a private collection agency; is that accurate?

Mr. Weinberger replied that was correct.

Lieutenant Governor Hutchison said as a result, there was a lessening of collections because as everybody who is in business knows, accounts receivables and debt collection is simply a function of time. He said the closer in time that those debts are incurred; the more likely they are to be paid. He commented if they were a thousand days out, which was what the report said, we are down to a two percent collection rate. So the recommendation in terms of automating all this process, how does it solve the problem?

Mr. Weinberger said the problem is agencies are required to use Excel spreadsheets to transfer the debts to the Controller's Office. Information must be manually entered on the spreadsheets unless the agency has the technical resources and ability to load the debts from their internal debt tracking system. Only Taxation does this, but represents the process takes days. Additionally, the spreadsheets do not contain error checks and are often transferred to the controller's office with errors. Controller's staff must review spreadsheets to verify that everything is accurate, they have all the information they need, all the numbers are in the right fields, and are in the right field. He said the Controller's Office part takes quite a bit of time, and that is why it is taking them so long to get it out of their office.

Lieutenant Governor Hutchison asked if they had any idea what the cost of automation would be.

Mr. Weinberger replied the only thing they knew was the contract with CGI was going to be about $2.5 million, and there was an annual maintenance fee of $145,000 to $150,000. He said that was the contract that was in effect at the time of the audit.

Governor Sandoval explained to the Lieutenant Governor that the question was coming with regard to the CGI contract, the status and what has happened with it. There was a problem with full automation and, to borrow the paraphrase from the Controller's response, "the negotiation has gone sideways". He said they would get into details on that later.

Lieutenant Governor Hutchison said he would hold his CGI questions if they were going to get into that process later.

Staying with the report, they noted that for 2014, losses to the state for non-timely submissions to these private collection agencies was a $1.1 million in 2014 and $855,000 in 2015, and based on the audit, appears that was because the collection rate was so low, 2 percent or whatever it was. He said the state agencies have absolutely no confidence in the Controller's Office's ability to collect debts, and as a result, the agencies are not sending that debt over. He asked if that could be expanded on.

Mr. Weinberger replied that was one of the comments they received from the Department of Taxation. He said he received some comments from people working there now, and remember having a conversation with the ex-Director, who told him they would submit debts to the Controller's Office and a couple years later they would receive a call from a debtor saying a collection agency had just called them.

Taxation's resolution was it is not cost beneficial to transfer their debts to the Controller. He said it takes days to transfer the information to the Controller, and the Controller takes so long to transfer it to a collection agency. He said they only collect about 2 percent of the debt.

Lieutenant Governor Hutchison asked if that was one of the reasons for their final recommendation that we take this under the Governor's Office in his Finance Office, because there would be more ease and confidence working among agencies with the Governor's Finance Office than there would be between executive agencies and the Controller's Office.

Mr. Weinberger stated it definitely contributed to their conclusion. He also said the Governor has more authority to enforce collection statutes.

Additionally, Mr. Weinberger said due to agencies' past experiences with the Controller, we may have a better chance of having agencies submit debt to the Governor's Finance Office.

Lieutenant Governor Hutchison asked if the CGI system was going to automate various processes, such as the debt assignment process, the debt offset process and the automated licensee list review process.

Mr. Weinberger explained it was going to automate the debt assignment process. He said they were going to replace the Excel Spreadsheets with a database. It was also to help with the debt offset where they could reconcile the vendor listing to the debt records. They would still have to go into the vendor database and manually place a hold on everybody who owed them money. He said that part would not have been automated.

Mr. Weinberger said the system would not automate the licensee list review process.

Lieutenant Governor Hutchison replied there is a recommendation that they automate the licensee list and review process. He said if somebody owed the state money and needed to

obtain or renew a professional license from a state agency, the state is authorized not to give them their license unless they pay the state, and that has not happened at all?

Mr. Weinberger replied that is correct.

He said the Controller's Office has not received any listing of licensees from any of those agencies, and if they ever do, the lists would need to be manually compared to the list of debtors.

Lieutenant Governor Hutchison asked again, was that another reason that the whole process could be facilitated under the Governor's Finance Office, because those agencies would be more closely working with each other and could they get those licensee lists and understand who should or shouldn't be getting their license based on debts they owe the state.

Mr. Weinberger replied that is what they were hoping for. He said if you look at the statute, he thought it was 353C.1965, what it really does is initially gives the collection agent the opportunity to contact those licensees and say, you owe us some money, at least get into some kind of payment arrangement, and if worse came to worse, they tell the licensing agency not to renew their license.

Governor Sandoval asked for more questions from the committee.

Controller Knecht stated page 15 says, "Potential legal issues may prevent deduction of overpaid wages." Asked if Mr. Ozoude or Mr. Weinberger could amplify that a little for the record.

Mr. Weinberger replied when Payroll is either notified or they find out an employee has been overpaid, they send a form to the employee that says you agree that you have been overpaid and you are allowing us to deduct the overpayment from your next paycheck. He said, in the past, if the employee refused to sign the form, that debt information was transferred to the State Controller who by statute has the authority to deduct the overpayment from their paycheck. He said he has to give them a 10-day notice and the option for a hearing. He said that at least in the past they had a way to handle it.

Mr. Weinberger said they found out the Deputy Attorney General assigned to the Controller's office noted there's a problem because the Controller's Office is not supposed to receive any debt that is in dispute and this is considered debt that is in dispute. He stated Payroll was told they could no longer forward these debts to the Controller's Office and, consequently, nothing was happening with them.

He said they found $25,000 in overpayments that could not be collected. He commented it was not so much the amount of money, but the fact that they don't have a process for taking care of this. He said they knew there were some legal issues that need to resolved, and hoping they could do that so they would have an effective way of taking care of the debts from employee overpayments.

Controller Knecht said a year and a half ago during his first week in office; Mr. Weinberger told him the Governor had suggested he offer the new constitutional officers the opportunity for this kind of audit. They said yes enthusiastically. He thanked the auditors for their assistance. He told all his people to be forthcoming, as a helpful and accommodating, and hoped they were. He said the auditors worked in good faith

and very professional. They produced what he thought was a very good and useful report to help them do better going forward and thanked them again for the suggestion. He also thanked the Governor for his suggestion to offer audits to the newly elected constitutional officers.

Governor Sandoval asked if the committee had any more questions.

Ms. Cross had a question on the licensee list review process.

Ms. Cross asked if the Controller's Office or whoever does that collection has a searchable database like the Treasurer does for unclaimed property, was there any thought put to the licensing agency could search on their own instead of sending all those lists back and forth at the time they are renewing licenses. She said that would seem an easier way to get to the end of what is trying to be achieved.

Mr. Weinberger said the only thing he was aware of was what was passed in 2013, which is the process for licensing agencies to submit lists to the Controller's Office. He commented that the searchable database is a great idea.

Governor Sandoval asked for a response from the Controller's Office.

Deputy Controller Smack responded he was happy with the way the process went, maybe not necessarily the entire result of the process, but it is nice to know exactly where they stand and what they need to work on correcting. He said they are certainly going to be working on correcting these items, and looking at submitting the BDR to move this over to the GFO the next legislative session. He added they are considering working on the automation through some other avenue besides the contract.

Governor Sandoval said the original contract with CGI was approved in 2014, and he thought they talked this year about the amendment. He said the first one was $1.8 million, and then there was another $600,000 that was added on the CGI contract. He stated in his review of the minutes from the BOE meeting, you stated the implementation of the CGI system was 80 percent there, and the first time he learned that it wasn't working out with CGI was when he received his packet for this committee.

Governor Sandoval said he was curious as to what happened with the contract because there still is not a mechanism for agencies, other than that Excel spreadsheet process, to send over their debts to your office. He said we are at a fourteen-year low in collections, and the hope was when you were talking to CGI, we were going to collect $400,000 a month and proceeds from that were going to be used to pay the CGI contract.

Governor Sandoval said now they are doing a fraction of that. He said the difficulty here, at least in the materials that he had from the BOE, was that CGI had the accounting system contract with the state. Therefore, CGI is essentially the only one that could interface to allow for that electronic transfer of information for the automation that is necessary.

Governor Sandoval stated, you said in your own words, agencies are reluctant to turn their debts over to the Controller's Office because of this process.

Governor Sandoval asked what happened with CGI? We went from 80 percent there to zero

percent there. He said now you state that there might be some out-of-the-box solutions.

Governor Sandoval said he was curious what those out-of-the-box solutions are, and why those out-of-the-box solutions cannot be utilized until at least the end of this year. He wanted to know where they were and what was going on in terms of debt collection.

Mr. Smack explained he was going to work a little bit backwards in the line of questioning. He said as far as the out-of-the-box solution goes, they have investigated what Washoe County is using, which is a relatively straightforward software program for debt collection and the software solution itself was a fraction of the cost of this contract.

They were also going to investigate other solutions. The CGI issue is a relatively new development, and he apologized they didn't know about it sooner, but they just started down the road of termination with them in the last few weeks.

Mr. Smack said as far as what happened within the process of the contract with CGI, due to the ongoing termination negotiations, he has been advised by the Attorney General that he really can't get into to many particulars, but there was an IT circumstance that came up that could not be resolved.

Governor Sandoval asked if the state was liable for the $2.4 million of the contract with CGI.

Mr. Smack said it is part of the negotiation, as to how much we will be liable for and not liable for.

Governor Sandoval commented he knew it was sensitive because there was potential litigation.

Mr. Smack agreed.

Governor Sandoval said it sounded like there is substantial exposure for the state on this contract.

Mr. Smack commented that was a fair characterization.

Governor Sandoval asked how we do collections now, since we don't have an automated process. We have a spreadsheet process that takes a lot of time to prepare and then your staff has to review it. He asked if there had been meaningful debt collection going on right now.

Mr. Smack said presently there is, but previously most of the time was consumed with ongoing testing and development of the CGI product, which has taken up the better part of the time that he has been in his position. He said they spent a lot of with testing and development of this, anticipating to end up with an automated process.

Mr. Smack added they were going to end up with all the things outlined in the audit report, with the exception of the automated licensee review, but with a system to back it up as opposed to the Excel spreadsheet, it still would have likely been a quicker process that exists now.

He said as far as the ongoing collection efforts, the first thing that he immediately asked his team to do in debt collection was to move as much debt into the collection agencies as they possibly could. He added they were holding a lot of debt in-house. He said the theory was that

if they could collect it in-house more with the new system, they could keep more of the money themselves. They were holding a lot of debt for that purpose.

Mr. Smack explained since the project had hit an impasse, the plan at this point is to move as much debt as possible to collection agencies as quickly as possible, including what they had been holding and prioritizing anything new, that comes in the door. They want to reduce the time they hold on to the debt as quickly as possible.

Governor Sandoval commented he was just going through the minutes from the BOE. He thought there was a reluctance to turn it over to the collection agencies before in hopes that this automated process would come to fruition.

Governor Sandoval said in the meantime, that much more time has passed which makes the debt much more difficult to collect it, as the Lieutenant Governor had alluded to, because if you don't get them in the first year or two, you are likely not to at all.

Mr. Smack said he appreciated that, and his first priority, upon realizing they were going to have an impasse on the contract, was to start moving debt as quickly as they could to the collection agencies, and especially anything new coming in the door. He added they wanted to immediately move the debt so they could maximize the time period for collecting those debts.

Governor Sandoval asked if the BOE was going to see a request for a write-off of uncollectible debt in the very near future.

Mr. Smack replied yes, they would be seeing a request for a write-off most likely within the next three or four BOE meetings.

Governor Sandoval asked if he knew the exact amount of the request.

Mr. Smack replied not at this point and time, but they were going to focus on those debts that were still in-house and were eight years old and older. He said he could make the amount available to his office in short order.

Governor Sandoval asked how many figures would be in the write-off.

Mr. Smack replied probably an eight-figure write-off.

Governor Sandoval asked if the committee had any questions.

Lieutenant Governor Hutchison said based on the response of the Controller's Office where you noted the impasse and you were now working on a process of implementing, quotes, "an inexpensive, out-of-the-box solution for debt collection" was the solution that you were looking at confined to the Washoe County solution or were there other solutions you were looking at?

Mr. Smack explained they were going to look at other solutions as well, and Washoe County was a place to start.

Lieutenant Governor Hutchison asked if he knew how inexpensive Washoe County's system is and how it would work with the volume or quantity of debt that the state has.

Mr. Smack explained that all these things would be investigated in the process of finding the out-of-the-box solution. He said if Washoe County was not the right fit because it could not handle the volume, then they would go out and look for a product that was the right fit and could handle the type of volume the state had.

Lieutenant Governor Hutchison asked if he was confident in his estimation as to how long it would take. He confirmed that Mr. Smack said they would be able to research, complete the RFP and implement the solution by the end of the year, and expected the offset processes will be automated with the solution. He asked if Mr. Smack was standing by that end-of-year estimate.

Mr. Smack replied at this point and time they were.

Lieutenant Governor Hutchison asked Mr. Weinberger where the statement on page 11 "A new go-live date is scheduled for May 2016" came from.

Mr. Weinberger replied, obviously that did not happen. He said it came from discussions with the staff and some correspondence that they saw going back and forth between the Controller's Office and CGI. Originally, it was supposed to be that fall, which did not work. He said they ended up with the amendment to the original contract, and at the time of the amendment, the estimate was revised to May.

Lieutenant Governor Hutchison asked when they received the information that the "go-live" date was scheduled for May 2016. He wanted to get an idea in terms of when they learned that information from the Controller's Office.

Mr. Weinberger replied it was after completion of fieldwork and it was one of the last pieces of information that was exchanged with the office.

He said he learned things were not working out with the contractor since they finished their fieldwork.

Lieutenant Governor Hutchison commented, "So you haven't done anything to evaluate what changed from the date of your report when you made the statement that the "go-live" date would be May 2016 until today." You provided information, it is obvious it is past, it's not accurate, you've done nothing to determine why it was that there was no a "go-live" date as of May 2016.

Mr. Weinberger explained due events subsequent to May 2016 there are potential legal issues between the Controller's Office and CGI that they did not want to embellish on at this time. They just wanted to bring up the point that they tried to automate it but could not get the system to work appropriately.

Mr. Weinberger further explained he was told there was a potential problem with IT security issues. He thought the state IT group was involved and said they could not go forward with the system the way it was set up.

Lieutenant Governor Hutchison asked Mr. Weinberger, who would have provided the scope of work to CGI initially to tell them what work needed to be done on that contract.

Mr. Weinberger said initially it was the prior administration.

Mr. Weinberger said they have another audit, the contract audit, where he noted the state's IT department could be a little more involved in the scope writing part. He thought the way it works an IT person to signs off on the contract saying they have approved it, but what they found was IT was just making sure a Technical Investment Request (TIR) was submitted for the project. He said they were told, even though they (IT) verify there is a TIR, they don't actually reconcile the TIR to the actual scope of the contract.

Mr. Weinberger said although it is ultimately the agency's responsibility to okay the scope of work and all the technical details in it, we have an IT department with the state that should be a lot more involved.

Governor Sandoval said part of the issue might have been that this was a sole source contract, and therefore, it was within the exclusive control of the Controller's Office.

Lieutenant Governor Hutchison asked if it was a sole source contract, then the scope of work would still have come from the Controller's Office?

Mr. Weinberger replied that was correct, regardless of sole source or competitive bid.

Lieutenant Governor Hutchison asked how the amount of outstanding debt shown on page 5 of the report compared historically with prior fiscal years. He asked if this is a problem that has existed for a long time.

Mr. Weinberger stated we have had problems with collections ever since LCB brought this to everyone's attention about 20 years ago. He said as far as the actual dollar amounts, he did not have that information with him and he did not want to take a guess at it.

Lieutenant Governor Hutchison confirmed it had been no secret over the last 20 years the state has had a collection problem.

Mr. Weinberger confirmed that was correct.

Governor Sandoval asked if there had been a lot of progress regards to putting together a new system or a new request; such as the Washoe County solution, or any others.

Mr. Smack replied there had not been much progress on those at this point because it had only been about three or four weeks the notice of cancelation with the prior contractor. He added that the investigation is in its infancy.

Governor Sandoval said because the big recommendation was to shift debt collection from the Controller's Office to the Governor's Office, which he is fine with, there might be a different solution down the line than what was being investigated now. In addition, in the name of efficiency, would it not be better, if there were a process to do this, to administratively transfer those responsibilities over now, rather than six, months from now, or frankly, a year from now if this is to be proposed to the Legislature.

Mr. Smack asked the Governor if he was proposing that they turn over the administration of debt collection immediately to the GFO.

Governor Sandoval replied that is where he was going. He said if that was the recommendation and the Controller accepted it, then it was certainly a conversation to be had, why not do it now instead of later.

Mr. Smack said other than the way the statutes read; he saw no reason why it could not be done sooner than later. He said part of our response was we would want to actually partner with the GFO if this was the direction that we were going to move in to this out-of-the-box solution as far as on initial investigating.

Mr. Smack said they were looking at options, and had not done anything more than kick the tires at this point. He said certainly they would be happy to partner with the GFO in finding a proper solution for debt collection.

Mr. Wells said he was familiar with the recommendation since it came from the Division of Internal Audits. He said they obviously ran this past him before they brought it forward to this committee. He said he could not guarantee that they were going to be able to turn that ship around overnight.

Mr. Wells said the issues that had been brought forward today about the lack of automation and the complexity in getting information from the agencies to the debt collector, certainly will take some time to resolve. Obviously, we do not have that right now; we are kind of starting from scratch.

Mr. Wells said it was a surprise to him about pulling the debt collection contract. He thought they were getting closer to the contract being implemented.

Mr. Wells said they were certainly capable of taking the staff that the Controller's Office has and working with the contractors they have already entered into agreements with and making this the best operation possible.

Controller Knecht stated he and Mr. Smack have had discussions with Mr. Wells, and appreciated his assistance as they have gone down the path of having to terminate the contract and to find out what their options were, and will continue to have those discussions.

Controller Knecht said they reviewed the last recommendation and their position is this was not about bureaucratic empire building, if it is better to turn it over to the GFO, because the Governor's Office has authority over the other agencies and could make it work better, than that was fine by them.

Controller Knecht explained they would continue to work with Mr. Wells, and the auditors and everybody else to make the transition to have it go as efficiently and fast as it could.

Mr. Wells followed up on Miss Cross's question regarding putting the burden on the licensing agencies to make the debt list. He said that was the first version of this bill when it was put forth in 2013. He added it was to have the licensing agencies look at the Controller's Office debtor list and then not issue licenses to those that are on the list. He said it was determined that the cost associated with doing that would be overburdening to those licensing boards. Therefore, it was changed to have the licensing boards submit the information to the Controller's Office and do it the way it was stated in the statute now.

Lieutenant Governor Hutchison asked Mr. Smack if the role of the debt collection was removed from the Controller's Office, how many full-time employees (FTE's) would be impacted in their office.

Mr. Smack replied they currently had five FTE's under the debt collection division.

Lieutenant Governor Hutchison asked if they would expect that if this function was going to transfer to the GFO, those five FTE's could be eliminated in future considerations.

Mr. Smack said they would certainly be eliminated from their budget and he would expect they transfer to the GFO, because these people have some experience with the debt collection operation and would certainly be vital at least in the transition, if not permanently, to the Governor's Finance Office.

Assistant Controller, Geoffrey Lawrence noted the CGI contract was a completely custom design application, which he did not understand why the administration would have agreed to from the beginning. However, it was a contract they came in under and tried to make it work.

Mr. Lawrence said it was worth noting that debt collection for decades has been a problem with the state, and they did hope that this would help to ameliorate that process. Unfortunately, it was unable to.

Governor Sandoval asked if there were any questions.

There were none.

Governor Sandoval moved to agenda item 3-B

B. <u>Office of the Secretary of State, Commercial Recordings Division, Report No. 16-06</u> – Ashwini Prasad, Executive Branch Auditor

Representing the Secretary of State's Office was Chief Deputy Scott Anderson and Deputy of Operations was Cadence Matijivich.

Ms. Prasad said at the request of the Secretary of State (SOS), they reviewed the office's Commercial Recording Division's budget process, controls over cash receipts, complaint process, and performance efforts. They offered recommendations to improve the effectiveness of the division's operations and enhance accountability and responsiveness to the public.

First, they recommend the division improve controls over cash receipts to help ensure funds are accounted for properly.

Secondly, they recommend the division establish a centralized complaint tracking system to ensure constituent concerns are handled in a timely and effective manner and help management monitor issues of concern by the public.

Lastly, they recommend the division evaluate current performance standards and complete staff performance evaluations in a timely manner. Evaluating the performance standards will ensure they accurately measure staff productivity and help the division allocate resources more efficiently. Completing staff performance evaluations in a timely manner will ensure the division is in compliance with NRS and document staff is performing to standard.

Ms. Prasad appreciated the division's work throughout the audit and thanked them for their time and consideration.

Mr. Anderson appreciated all the work the Executive Branch audit group did for them. As stated, they recommended and suggested having the audit to go through and identify some areas where they could improve. He said they were in agreement with all of the findings and would comply. They expect to be compliant with the findings within six months.

Secretary of State Cegavske thanked the Governor, the Division of Internal Audits, and her staff for the recommendations. She said working with the audit staff was a pleasure and thanked them for the recommendations.

C. <u>Department of Administration, Fleet Services, Report No. 16-07</u> – Lynette Aaron, Executive Branch Auditor

Representing the Fleet Services Division was Mr. Keith Wells, Administrator.

Ms. Aaron said the audit focused on whether the statewide vehicle-leasing program effectively meets the needs of the state. She said the current state leasing program does not optimize leasing and procurement options. Additionally, the master service agreement (MSA) vendor was not being effectively monitored. They found the vendor was not performing optimally.

They also found there was no centralized state authority to review the appropriateness of agency vehicle requests. Consequently, the state may pay for vehicles beyond what agencies need.

Ms. Aaron found the division could be more effectively meeting the needs of the state by implementing the following three recommendations.

First, the division should develop a statewide leasing program that integrate short and long-term leasing and vehicle procurements. She said this would allow the division increased management flexibility to more efficiently and effectively support state agencies.

Second, the division should collect data from agencies using the MSA to monitor the performance of the vendor. This would ensure the vendor was performing in conformance with the contract.

Third, the division should collaborate with the Budget and Purchasing Divisions to establish the Fleet Services Division as a gatekeeper for all vehicle purchases and leases in the state. This would help centralize an oversight of vehicle acquisition.

Ms. Aaron appreciated the division's assistance and cooperation throughout their audit and thanked them for their time and consideration.

Lieutenant Governor Hutchison started with the first summary page of the report. He said their first conclusion and the paragraph that followed about midway down, "The current state vehicle fleet program does not take advantage of all leasing programs available to state governments". He asked for examples of that and expound on what was just stated.

Mr. Lowman explained for states they found there was a more comprehensive program where leasing was in fact used. There were other programs, such as the municipal lease program,

which is offered by American car manufacturers where you can get American-made vehicles for lease at certain times of the year. He said in general they found most states have a mixed bag of leasing programs, but were mostly trying to purchase vehicles. There is a mixed bag of what other states were doing.

Lieutenant Governor Hutchison asked about the best practices that they identified in terms of those other states, what would they suggest, and what we were not doing.

Mr. Lowman replied it was difficult to identify a best practice using leases because there was such a variety of programs states were using. He said as an example, Michigan was doing almost an exclusively leased fleet. He found in Oregon they had looked at this in some detail and decided that leasing was not a good option for them under any circumstance. Identifying a best practice was probably what sort of experience every state had.

Lieutenant Governor Hutchison said their recommendations did not include scrapping the lease program. Do they think they could continue to use the lease program, and could they optimize it to be much more efficient?

Mr. Lowman replied that was correct.

Lieutenant Governor Hutchison stated on page nine they noted in the final section the MSA vendor not performing optimally, and was curious with that comment that there was only a sole source vendor that was being awarded the contract, and apparently there were two and one was disqualified. He asked why there were so few vendors and why we ended up with a sole vendor.

Mr. Lowman thought the question could be better answered by Mr. Wells.

Lieutenant Governor Hutchison's final question is recommendation number two, where you recommend collect data from agencies using the MSA to monitor the performance of a vendor. He asked if they identified specifically what the standards would be as they were monitoring the performance of the vendor.

Mr. Lowman said the standard that we would identify at this point is what was in the contract. Specifically they noted delivery dates and locations for deliveries. He said the effort was to get a broader range of information from what was admittedly a limited use option right now, to begin to gather information to make more informed decisions in the future.

Lieutenant Governor Hutchison stated the contract was focused and asked if it was not extra contractual in any way.

Mr. Lowman replied that was correct

Secretary of State Ms. Cegavske asked if they had done an audit before this one for the agency.

Mr. Lowman replied they had done an audit several years ago, and looked primarily at mileage usage of the vehicles and how to optimize the number of vehicles the state was purchasing

Secretary of State Cegavske wanted to know how far back it was because she remembered in the late 1990's that there had always been discussion at the Legislature about leasing or going

out to bid. She asked if the LCB did audits or if they had a record of how many audits had been done about this particular area.

Mr. Lowman replied he could get that information to them.

Ms. Cross stated this was an issue that was near and dear to her heart from her days auditing the City of Reno. Leasing was a huge problem because people were not aware of how leases are put together and the imputed interest rate, and wondered if anybody had that expertise in their division for figuring that out, and when it was in excess of 25 percent, that was really not a good deal for a government agency to enter into a lease.

Governor Sandoval asked for that question to be held. He wanted to make sure the division was finished and then Mr. Keith Wells would make his presentation and respond to Ms. Cross's question.

Mr. Keith Wells said they did not have staff that had that expertise in their division. This leasing contract is the first experience they have had with leasing. He wanted to do leasing for many years for multiple reasons:

One, he wanted to have a contract in place they could use as a tool to acquire vehicles when they were not able to purchase one for reasons such as not having the funding or the manufacturers were not producing vehicles during that time.

Additionally, Mr. Keith Wells wanted to have contracted pricing available so he could do a cost benefit analysis to compare the lease versus a purchase. He said he had the same concerns that leasing is complicated. He said the state has the ability to utilize leases through manufacturers, they were currently not doing that, and that was something they should be doing in the future.

Mr. Keith Wells said the manufacturer leases were far more secure, they were focused on government entities, low interest rates, and the liability is minimal. In addition, he is hoping they go in that direction and confident they will be able to get there.

Governor Sandoval asked if he accepted wanted to modify, or rejected of any of the audit recommendations.

Mr. Keith Wells thanked the Division of Internal Audits and said they did a fantastic job, and was looking forward to the audit because it would provide them the opportunity to expand future opportunities in the purchasing and leasing of vehicles and working in cooperation with the Purchasing Division to build a strategic vehicle acquisition process. He said it would not just benefit the state. Cities and counties worked closely with them, and were excited about this because they purchase their vehicles off the state contracts as many government fleets do. He said it would have an impact on the state as a whole, not just the State of Nevada.

Mr. Keith Wells said Fleet services agreed to all the recommendations, and were looking forward to working with the Budget Office and the Purchasing Division.

Governor Sandoval addressed Mr. Wells and said there was a bit of a different statement that was made in his correspondence for recommendation number three and asked him to expand on that.

Mr. Keith Wells said as far as recommendation number three, he did not have the ability currently in his fleet to serve as a gatekeeper to monitor all vehicle acquisitions in the state, but was looking forward to working with the Budget Office to go down that path. He said they were currently reviewing the workload in their office, trying to move positions around, and build a long-term strategy so they can do this. He said they just could not commit today.

Governor Sandoval asked if they lease any vehicles at this time.

Mr. Keith Wells said they were currently leasing nine vehicles.

Governor Sandoval vaguely recalled during their multiple BOE conversations that he was going to explore that.

Mr. Keith Wells said they would and said the state has an opportunity to lease a significantly higher number of vehicles in the future. As Internal Audits alluded to in the audit report, he did have concerns with the current vendor. He did not have a lot of confidence in them and did not want to commit too many financial resources to them. They serve the purpose; they use them and they have learned what works and what does not work with this contract and need to move forward with a new contract and utilize the government municipal programs that were afforded to them that were not available to the private sector.

Governor Sandoval asked when that process was going to happen in terms of issuing a new RFP and such.

Mr. Keith Wells replied the contract expires in November of 2018, but was going to start working with the Purchasing Division immediately to create a solution to either put out a new RFP or work with the current vendor to find a solution that they could adhere to the contract requirements. He said they needed a year as a roadmap to build a foundation to make it work. With the budget process starting, they would need a year to work through a long-term leasing and vehicle acquisition strategy that would include short-term, long-term leases, and outright purchases. Therefore, when they move into the next biennium, they would have a good policy and a good foundation to move forward.

Governor Sandoval said now is the time.

Mr. Keith Wells replied correct.

Secretary of State Cegavske appreciated him for working with her office.

D. <u>Department of Health and Human Services, Report No. 16-08</u> – Division of Child and Family Services, Child Mental Health Services , Warren Lowman, Executive Branch Audit Manager

Representing the Division of Child and Family Services were Ryan Gustafson, Deputy Administrator for Children's Mental Health, and Danette Kleuver, Deputy Administrator for Administration.

Mr. Lowman said the division is one of five in the Department of Health and Human Services and is funded by the state general fund and federal revenues. They had previously audited the division's Juvenile Justice Services and Child Welfare Services.

Mr. Lowman said the audit focused on Child Mental Health Services, specifically the outcomes for children and youth placed in out-of-home residential treatment centers (RTC). He said they conducted the audit to provide the director of the Department of Health and Human Services with information and data to help provide a context in the broader policy question of how best to serve children and youth with severe emotional disorders. Our audit objective was to determine if the division could improve mental health services for children and youth by transforming treatment strategies.

They made two recommendations to help improve outcomes for children, youth, and families and potentially reduce state spending by over $19 million annually.

First, they recommended the division transition from residential treatment center placements to home and community-based service (HCBS) strategies because, federal data from demonstration programs in several states show better outcomes for children, youth and families when they are treated in home settings in their communities. These services are, in general, less expensive than costs for treatment in a secured hospital setting. State Medicaid claims data shows less than one percent of all members receiving behavior health services use 21 percent of all the behavioral health spending because of residential treatment center placements.

Secondly, they recommend the division work with the department to modify the Medicaid State Plan to develop new benefits and redesign existing benefits for children and youth with serious emotional disorders. They found there were state plan options that could be redesigned specifically for these children and youth. New and redesigned benefits could be developed that improve outcomes and are most cost effective by expanding the reimbursable services used in other states but not currently part of the Nevada state plan.

Mr. Lowman thanked Director Whitley, Administrator Wooldridge and all the staff for their help and cooperation during the audit. It was very clear everyone in the Division cared about what they do and work hard to do the very best job they can to help Nevada's children, youth, and families facing the issues associated with treating severe emotional disorders.

Lieutenant Governor Hutchison said page six of the audit report looked very thorough and was a thoughtful analysis that made all the sense in the world to him.

He had a couple of follow-up questions about the viability of actually proceeding the way they suggested in the audit. On page 6 of the report, the report notes after the heading "Transition from RTCs to HCBS Strategies", second paragraph of that, "Strategies to prevent RTC placements include more intensive treatments and an array of services within communities than are currently available in Nevada." Moreover, that got him thinking in general, do you see any particular impediments in the system that you have audited and evaluated to implementing the recommendation to have this transition from the RTC's to the HCBS.

Mr. Lowman said in general, the purpose of the audit was to show that transitioning to more home and community-based services is a winner for the first and foremost children and youth.

Secondly, there is a cost component to this and it may be done more inexpensively. He said in terms of what they saw to inhibit this is generally the same sort of issues they had seen on most of these audits, particularly in mental health, and it was a matter of building capacity in the state

to provide some services that do not currently exist. He said he would let the division speak to this, but the director of the department of Health and Human Services does have a vision, and a grant program to help move in that direction.

Lieutenant Governor Hutchison said there could be impediments just because of the lack of resources to be able to transition these youth to the home and community-based services, but while we are working on that, everybody sees this as the end goal. He said it just may take them a little time as we have to qualify some of these organizations or some of these locations to be able to accept the youth; is that right?

Mr. Lowman said that is correct.

Controller Ron Knecht said following up on the line of questioning, of course, RTC has been used for a minority, serious emotional disorders (SED), because it is so expensive and because people know that in general, you want the home and community-based services to the extent you can get it. He asked how we got to where we are right now, where we have an overhang of RTC-based services for some portion of the population here and we had not optimized this before. He added how we ended up with too many of the SED children going into RTC service centers.

Mr. Loman deferred that question to the agency.

Mr. Gustafson replied it was indicated in the report, a minority of population of kids end up taking a large chunk of money going into RTC's. It was certainly something they were working on.

He said the division had been able to obtain a grant just within the last year that was going to help address some of those questions. However, there has been a lack of HCBS available in the community, and really part of their response and really implementing this grant was to help build up the capacity or lack thereof at this point within the community.

He said they had some services in place that have shown some good outcomes, especially with their Wraparound in Nevada program they had been operating for just over the last decade. They had demonstrated some good measured outcomes, but there continues to be a certain percentage of kids winding up in RTC's, whether in state or out of state. One of the goals of this grant they obtained was to specifically address this population of kids and to develop and find some ways to help keep these kids on lower levels of care. Truly, the least restrictive environment was the ultimate goal for them.

Governor Sandoval asked if it was an issue of not enough providers for the types of services they described.

Mr. Gustafson replied yes, there was absolutely an issue with a lack of providers in the community at this time.

Governor Sandoval said in terms of the grants, what needs to be done, who needs to be trained, what resources need to be had in order to build that capacity.

Mr. Gustafson replied they obtained in October of last year a system of care grant through the Substance Abuse and Mental Health Services Administration (SAMHSA). He said they are looking at a few specific and key goals. One of these goals is for the state, who at this time

provides direct care services to children and adolescents in Nevada, to take a shifting role in the service provision, in that they we would do a little more of the front-end assessment and some more of the back-end crisis responses and move away from some of the in-between role of some of those direct services. They would take on a different role of develop, procure, obtain, frame, provide quality assurance, and technical assistance to providers in the community. He thought some of that has been lacking over the last several years.

Mr. Gustafson said with the new found role for the state, within the implementation of this grant, the state within DCFS could obtain some of those services and provide training, technical assistance, quality assurance, and policy development for providers in the Community that hasn't existed, really focusing on evidence based practices that show good outcomes in keeping children and adolescents within the community rather than sending them out of state into RTC's.

Secretary of State Cegavske thanked them for what they were doing and commented she knew how challenging it was. She said she was a long-time member on the Board of Opportunity Village; and noted there was also a problem for parents looking for homes and facilities for their children should something happen to them or if some parents could not provide the assistance and the medical care their children need. The Secretary asked if the grant program funding has anything to do with the struggle between those who want all children to be included and those who do not want to include their children.

Mr. Gustafson replied, at this point it was a difficult question to answer to see if that was truly part of the struggle. He thought as they start to do some of the grant implementation and start to recruit and train providers within the community, they might see some of that. At this point they are just starting the implementation phase of the grant and really doing some of the initial recruitment efforts for the community.

Secretary of State Cegavske stated there was a movement in Las Vegas to build a facility of homes, and it's what she might say was a complex where people that have disabilities could live. Some were struggling against it. She said that was something that she thought was an option if the families wanted the care. She asked if that was anything that this grant could help provide.

Mr. Gustafson thought that it certainly could. He said ultimately they do want a lot of choice and decision making to fall into the decision of the families and parents. He noted that they certainly know what is best for their children. He said they look what evidence shows is quality of care. Because of the lack of services, be it facilities or just providers of services in the community, they were certainly forthcoming about their commitment and willingness to work with any providers that were willing to be developed, come into the state, expand within the state, and they certainly will look at the different options to placing all of the children in RTC's.

He said you really see better outcomes when you have smaller settings of kids with well-trained staff that has proven systems in place to work with children rather than large congregate settings with dozens of kids. Ideally, they would rather have smaller settings with 12 kids or fewer.

He said certainly they were open to providing technical support, looking at what services they can provide, comparing them with what services that are out there and offering whatever they could to assist.

Secretary of State Cegavske asked if at the end of the meeting they could give her a number that they can call to find out how to participate.

Mr. Gustafson said he could give numbers to call as they start to implement the grant. He said they just hired grant managers and really started moving quickly.

Controller Knecht said like the Secretary of State he comes to this issue with the benefit of long-term service on a board that provides services to many of these children and families. In his case, it is Court Appointed Special Advocates (CASA) of Carson City, which he recently stepped down from after 12 years. He asked with population of SED children, has the Department interacted with CASA, and was that something they could use more.

Mr. Gustafson said they have partnered with CASA and would certainly be open to continuing. He said he had spent several years helping develop the Wraparound in Nevada, which is their targeted case management wraparound evidence based program or the Promising Practice Program, and have partnered very closely with CASA and have for many for years, and many children who have the designation of severely emotionally disturbed at some level or another. So absolutely.

Controller Knecht said to reach out to all the CASA organizations around the state. He said those who were volunteers, as well as those who were paid, were doing a great job, and they need to keep CASA active in this, enlarge their role rather than diminish it and move that role over to lawyers.

Lieutenant Governor Hutchison asked if the provider issue is just a lack of providers concerning HCBS's. Did they have any insights in terms of a demand for it? Why there isn't a supply and what was the reason for that? Is it because it is not profitable, and you can't do this in the private level, so the state has to cover it? He said usually there was a reason why you have this kind of demand and the private market is not responding.

Mr. Gustafson replied there is a lack of providers and didn't know if it was not financially beneficial necessarily. He didn't know if agencies in the community necessarily got rich off it, but certainly thought that there were agencies that really do good work in the community. He feels like it continues to grow and they had been able to re-engage the community in the past several months.

He said that with the rollout of the system of care implementation grant, there was going to be support from the state as far as their expertise, technical support, and their quality assurance. He said they have a lot more buy-in from community-based agencies that are looking to get established or to expand their operations.

Governor Sandoval asked if he would for the record, give his position on the audit and whether they accept, reject or wanted to modify the audit recommendations.

Mr. Gustafson said the division accepts both of the recommendations from the audits. The recommendations will be met at the conclusion of the system of care grant that began in October of last year.

It is a four-year $11 million grant to help reform children's mental health within the state through the work of the consortium, the community, and the stakeholders.

Mr. Gustafson stated they developed a strategic action plan to transform mental health from a system providing high-end, costly hospital and residential services to a small portion of kids across the state to providing comprehensive assessments, community-based services to all children who are severely emotionally disturbed. Therefore, they accepted both if their recommendations.

4. Presentation of the Division's Contract Audit Report
State Procurement Process I, Report number C16-01, Catherine Brekken, Executive Branch Auditor.

Representing the Department of Administration is Director Patrick Cates, representing the Purchasing Division Administrator Jeffery Haag, and representing the Office of the Attorney General is First Assistant Attorney General Nicholas Trutanich.

Ms. Brekken stated during the 2015 Nevada State Legislature, the Division of Internal Audits received two new executive branch auditor positions to audit state contracts and provide recommendations to improve the state's contract procurement and management processes. She explained it was their first audit, and they focused on how to improve the state's contract procurement process. She said in subsequent audits of the procurement process they plan to review the sole source approvals, master service agreements and provider agreements. She said they found a lack of consistent and effective reviews and approval requirements for Request for Proposals (RFP) and contracts. This has left the state open to undue risks, unforeseen liabilities and nonperformance by vendors. They made nine recommendations to improve the procurement process. She summarized the recommendations by the concerns that were noted.

Ms. Brekken recommended developing guidelines for reviews performed by the Office of the Attorney General and the Enterprise Information Technology Services Division. Guidelines will ensure reviews are consistent and adequately protect the state.

She recommended request for proposals be approved by appropriate agencies prior to solicitation. This may include the Office of the Attorney General, Purchasing Division, Risk Management division, and Enterprise Information Technology Services Division. This will ensure terms and conditions in the RFP will protect the state and ensure vendors were aware of all the requirements to be included in the contract, which may prevent costly negotiations. In addition, she recommended the Risk Management Division approve insurance coverages in the final contract.

Ms. Brekken recommended updating Risk Management's Insurance Manual to address evolving risks. She also recommended the Purchasing Division develop a checklist to help agencies reconcile contract summary forms to the contracts. This will help agencies ensure contracts include sufficient insurance coverages and the members of the Board of Examiner's are provided with pertinent contract information to make decisions. Additionally, she recommended replacing the contract section of the State Administrative Manual (SAM) with a comprehensive contract manual. Contract procurement guidelines are in statute, regulation, SAM, and other sources. Creating a comprehensive contact manual in SAM will provide agencies with a one-stop-shop manual for the contract procurement process.

Ms. Brekken recommended the state develop a multi-step award process which allows negotiations with multiple vendors, ensures the best value for the state, and reduces costs associated with the award process.

Lastly, she recommended the state create a central contract unit to review RFP's and Contracts meeting pre-established criteria. This would ensure reviews are consistent, protect the state and may expedite the contract procurement process.

Implementing all these recommendations will help ensure the contract procurement process is consistent and protects the state from undue risks, unforeseen liabilities and nonperformance by vendors.

Ms. Brekken thanked the agencies for their time and input in this process. She asked if there were any questions.

Governor Sandoval replied it was a great audit and well done. He thought it was extremely helpful and asked if any of the committee members had questions for the auditors before going to Mr. Cates.

Lieutenant Governor Hutchison thanked them for the excellent audit and wanted to follow-up on a couple points to see if there is a need for any additional recommendations or additional work. In particular, He was looking at page two of the audit, last sentence, "Agencies are Responsible for Ensuring the RFP Contains all Pertinent Information Required for the Scope of Work, Insurance, and Other Terms". He asked in addition to the contracts that were audited and different agencies that were audited, would other agencies such as Taxation, Secretary of State, or Controllers office be responsible for ensuring their RFP was correct in terms of the scope of work, insurance and other terms.

Mr. Weinberger replied that was correct, with the exception of contracts over $100,000, would be facilitated through the Purchasing Division. However, the responsibility for ensuring all that information is there lies with the agency.

Lieutenant Governor Hutchison asked if they evaluate whether the agencies were doing a good job, was it within there the scope of work, and if not, did they need to do that.

Mr. Weinberger thought the problem with the agencies is they might not have the expertise in specific areas, such as the legal end. That was why we need the involvement of other experts in the process. If they can come up with a specific group of contracts based on dollar amounts or maybe risks associated with the contract based on their nature, maybe it is hazardous material, something to that effect, to qualify agencies to be entitled to more help.

Lieutenant Governor Hutchison asked how much that would cost to get those agencies more resources they needed.

Mr. Weinberger thought it would be difficult for every agency to get those types of resources, which is why they were leaning towards centralizing it. He said he did not know if they had to go to the extent of what the state of Colorado did. However, he thought there could be, for specific types of contracts, some type of central group that could review the contract, and that central group should be attorneys, IT experts, that type. However, no they cannot expect every agency to have that type of knowledge internally.

Lieutenant Governor Hutchison said the way the process works now, agencies are responsible for their RFPs.

Mr. Weinberger replied that was correct. Except for IT related contracts, where there is a system in place to where EITS has to give an okay to a contract that has an IT element in it. However, the EITS involvement did not seem to be working the way they need it to.

Lieutenant Governor Hutchison said it looks like it may require changes in the law to implement some of the recommendations. He asked if that was accurate, or was it at a more administrative level.

Mr. Weinberger didn't think any of these required a change in statute. He said they could confirm that with Director Cates and Administrator Haag. He said the Office of the Attorney General does have a specific section in statute, or regulation they may want to clarify, if they want to expand on their role. He said for the most part, he did not think this would require bill drafts or legislative action.

Lieutenant Governor Hutchison said the one he was thinking of and would like to get the benefit of their analysis was the second recommendation, developing a multistep award process. He asked if it could be handled administratively.

Mr. Weinberger replied yes as far as we knew. We did look into it and did not find any requirements for either regulation change or statute change.

Lieutenant Governor Hutchison wanted to tell them why he was thinking that this might require a regulation change in the law just by the wording of the audit. It says on page 6 of the audit report under the heading "Nevada only negotiates with the selected vendor". In Nevada, negotiations occur when the evaluation committee selects a vendor. Therefore, that it is not required by statute, which is simply the process that we use; is that correct.

Mr. Weinberger said as far as he knew it was just an administrative procedure.

Lieutenant Governor Hutchison said that was something we could confirm, but that is what their overall view was.

Controller Knecht thanked Mr. Weinberger and Ms. Brekken and asked their opinion on whether the OAG should be reviewing just for form in the contracts that were proposed, or should they give them a deeper, substantive review on anything particular. He was thinking at least a breakdown and termination clauses and that sort of thing and other standards.

Mr. Weinberger replied he thought the review of the Office of the Attorney General should go further than just to form. When you consider some of these bigger contracts, we are dealing with may be with multimillion-dollar private companies who have a team of attorneys looking at their contract, and we may just have one DAG on our side. Sometimes we could find ourselves under matched. As noted in the response from Mr. Kandt, the OAG started forming a virtual contract group before we even contacted them. He said they formed a group who should be able to focus on contracts, and any independent or any particular DAG can go into this group and bounce ideas off them. He thought they were moving in the right direction as far as that goes. He definitely thought they needed to do a little more than just a form.

Controller Knecht stated as an agency that has already benefitted from the initiative by the OAG, He had to agree completely, that was a great step forward. He understood from the recommendation, the role of EITS would be from just a review form to a substantive IT type review. He asked if that was their view.

Mr. Weinberger definitely thought they should review the agency's analysis of what kind of technical needs they were going to require. They need to look at the Technology Investment Request (TIR) they approved, and reconcile that to the contract. Additionally, EITS might need to clarify some of the procedures as far as when a TIR is required. He thought the specific example is the controller contract.

Addressing Controller Knecht, Mr. Weinberger said initially the controller contract was for a $250,000 system, and eventually became the multi-million dollar CGI contract, and no additional TIR was created. He thought that requiring a new TIR for the more expensive and complex system might have helped. .

Controller Knecht said that is what he has heard, and that transpired before he arrived, but agreed with them from his knowledge of the situation. We need legal review, IT review, we need other agencies in the process to have a more substantive, more active, perhaps more aggressive in a certain sense of involvement, and agreed when they formulate the contract and procurement management system, they need to make sure that those things happen in parallel and not in series so they don't extend the time from proposing a contract to getting it approved and in effect.

Mr. Weinberger thought that would be helpful and said they talked to numerous agencies throughout the state, and a common concern was the whole process takes a long time.

Controller Knecht added one final aspect of that, and this comes out of discussions that we have heard all about this, but to get it on record, I believe it's your view also that essentially agencies need to begin anticipating earlier in the session what they are going to do contracting wise and not just wait until it is time to get an RFP out there. They need to reach out and deal with the other agencies they will be coordinating with earlier and have a plan ahead of time for their contract and know what things to do to schedule the review by the other agencies and make that all the faster so that, indeed, they can get the RFP issued, get the bids in, processed, and make an award and get it to the Board of Examiners timely. He asked it was their view to.

Mr. Weinberger said could not disagree with anything Controller Knecht just said. However, as far as the audit, they started with the RFP. He said they did not get into any planning for the RFP. He added right now they did not have a requirement for the RFP's is to be approved. If they did, they would have IT people and OAG people reviewing the RFP's. He said they could get a head start on ensuring what is going to end up in the contract is what they need to protect the state.

Attorney General Laxalt said they inherited the notion the DAG was working on an island and represents an agency, whatever it may be, without enough of a collaborative approach. He said they experienced this with appellate work, major litigation, and over the last year and-a-half, they have created teams and tried to make sure that they have multiple lawyers reviewing all the very difficult things. His concern with this contract process was, from day one, they were always told the AG's Office reviews for form and not substance. Reviewing a contract for form is a very short process. Engaging the OAG to be involved for this entire contract process including negotiating with another party, is massively more legal work than we do in contracts

currently and we couldn't even begin to estimate how much more work the OAG may be taking on as a result of this new mission. He said this is certainly a conversation we would have to continue. He said they need to be responsible to ensure contracts are not only legal but also substantially good contracts. He said there are entire business law firms that do this every single day, and we have only a few lawyers in our office that are actually contract lawyers. Even creating this virtual unit, which we are doing to try to add a few extra eyes and ears on these, the majority of the lawyers are not contract lawyers.

Treasurer Schwartz wanted to second the motion from the Attorney General in that they use the OAG to review the form of their contracts, but thinks it was really incumbent upon the particular agency to review the substance, and suggested they stay with that process, that the AG looks at the form but not the substance of these contracts.

Secretary of State Cegavske asked if there was anything now that prohibited them from asking anybody, besides the AG, into the RFP review, and could they ask for it now.

Mr. Weinberger said the question might be better answered by representatives of the Department of Administration and Purchasing. He mentioned that was something they looked into. The Attorney General is correct, their statute, he believed says to review to form. He said it was not as if we were asking them to do less, we were asking them to do more and understood their concerns too. He added with the larger contracts, the more professionals that are involved in the review process, the better off they would be.

Secretary of State Cegavske said what she was hearing was that if we want to have the review, and she knew they pay a certain amount out of their budget to the OAG, but if they did require more work, that would require the agencies to pay more if they wanted something like that; correct?

Governor Sandoval said first that he did not want to get this into a debate on what the definition of substance is. We all agree on form, but we could spend a week talking about what substance means. Number 2 the answer to the Secretary's question is yes, if there more time is required, then the agencies need more budgeted funding. The OAG needs more attorneys, and the budget needs more money. It kind of flows that way. If it is a massive undertaking, it means it is a massive amount of money. And right now,we are preparing the budget, and if this is something that is needs to be discussed, this isn't the forum for it. If there is going to be an increased workload, there also has to be the ability to pay for that within each of the respective offices, not only within the constitutional offices but also within the entire state government. I do not know what the price point on this is, but there are always two sides of the equation, including how much we are going to pay for.

Governor Sandoval explained he thought the budget requests have to be pretty much locked in by August, somewhere in there and this is June. He said we have already had budget requests that far exceed what the projections are in terms of what the economic forum is saying, and I welcome those submissions, but also welcome the other side of the equation in terms of how that is going to be paid for. Governor Sandoval explained I don't know what substance means, and I think there needs to be more review because this has happened since I was the Attorney General, this is not new, and it's always been a function of resources. However, there have been issues with the terms of some of these contracts, and what is happening with some of the ones we discussed today, is a product of that. Governor Sandoval explained I am sympathetic to the OAG when it comes to knowing about resource issues and the ability to have the individuals review these contracts. That is why I complimented the audit because it brings to

light an issue that we have had for a very long time, and we have the lead-time for Mr. Cates to comment on it. However, I do want to remind the committee that it is a little bit after 3:00, and we are barely halfway through our agenda.

Governor Sandoval asked the members to be a little more efficient in terms of their questions so we can move forward. He stated this is a thought-provoking audit, and it brings many issues to air, but they are not issues we are going to resolve today.

Controller Knecht said he would start by being efficient. I am not going to any budget questions, not even in particular to the location of responsibilities between the agencies and the OAG. I'll just say that my reaction to this audit is that we do indeed need more thorough and extensive review, and I would just highlight about two or three areas, one of which is the agencies and/or the DAGS or somebody needs to look very closely at the termination and failure provisions. What happens if things do not go as expected? That is something we learned that people tend to gloss over when they make a contract, they focus on what it is they want to do, what they are hoping for, what their aspirations are, and focus on what the preferred outcome should be. You need to focus on the possibilities when things go wrong, what you do and what protections you have for the state.

Controller Knecht said his other statement is illustrated by the experience with having to sign off and approval on IT matters by others, there are proliferations across the spectrum of federal requirements, financial, health care, HIPAA, et cetera. People need to be aware of how the end product, how the service that is delivered, how the product that is delivered will have to meet somebody's specifications, and they need to take that into account and put that into the contracting and procurement and acceptance process. I will just leave it at that.

Lieutenant Governor Hutchison did not want the audit to be suggestive of shifting accountability, though. He stated under your report, it says all contracts must be signed by the agency head. That is correct, isn't it?

Mr. Weinberger replied yes.

Lieutenant Governor Hutchison replied if the agency head believes more IT is required or more legal review is required, it is up to the agency head to initiate that process. Would you agree that is the process currently?

Mr. Weinberger replied that currently it was.

Mr. Cates said they welcomed the audit and did accept all of the audit findings, and did make mention in their response of where additional resources would be needed, for instance, for Risk Management and EITS.

Mr. Cates said it was worth mentioning that once upon a time EITS had a planning unit, and they had a more active role in the development of IT projects and the development of scopes of work and RFP's. He said that had been lost through the years, mostly through budget cuts, and now the process was a very passive process. He said it was a matter of accumulating information, and they thought there was a role that they should be playing in that process. He said they did make some mention to possible NRS changes. In their reviews, they had not found any NRS that would need to be changes, simply some regulations and administrative manual changes. However, they certainly were in continuing discussions with the Office of the

Attorney General and the Governor's Finance Office in how they structure implementing these changes.

Governor Sandoval asked for either Mr. Cates or Mr. Haag to answer a question. There is a process by which if a Department head of feels as if they do not have the resources within their respective department to seek out additional help, is there not?

Mr. Haag said the Purchasing Division certainly tries to make themselves available as a resource to all state agencies. By statute, they are required to handle procurements over $100,000 dollars, but if any agency reaches out to them on a solicitation of a lower dollar amount, they always make an offer of assistance. Whether it is internal staff resources or looking for other subject matter experts that they have worked with in other state agencies and connecting them to provide the level of insight and engagement that they need to be successful.

Governor Sandoval said there were instances, and he would not say these are widespread, but said part of the difficulty is this is a disjointed process. In addition, some of these agencies are seeking waivers from working with the division, and when they seek waivers, they had very little regard to that process. Is that right?

Mr. Haag said as far as sole source waivers were concerned, he sees, approves, and disapproves all of them. He said he takes a hard line approach to sole sources. He was not a big proponent of them, He thought if anything is open for competitive source, then they need to find a way to do that and give everybody the option to participate in that state's business.

Mr. Haag said any other waivers that were being done or issued by State Purchasing would also come across his desk, and again, that was something that he was not a proponent of.

Governor Sandoval commented that Mr. Haag is new on the job.

Mr. Haag replied yes and said his perspective was hopefully healthy for the state. He thought the audit had been wildly helpful. He said he was very appreciative of the Division of Internal Audits and the committee.

Governor Sandoval asked Mr. Trutanich if he had a presentation he wanted to make.

Mr. Trutanich said he was here to technically accept the recommendation on number three and answer any questions that were not answered by the Attorney General's comments.

Lieutenant Governor Hutchison said he sits on the Board of Transportation, and when there is complex litigation, at times we go to outside counsel. What role do you see, if any, if an agency would come to you on a complex contract and potentially engage in that process as part of a solution?

Attorney General Laxalt said they need to go to the table and figure the best way forward, and that certainly can be a limited option, it could be part of the way they respond to these situations.

Ms. Cross said after the RFP is developed and solicited, was the contract usually attached to the RFP. She said the effort should be put into the RFP so that the contract process becomes very streamlined. She asked if that is what happens now.

Mr. Cates said that is the way it happens now. He said the RFP and the vendor's response become attachments to the contract and essentially become the scope of work. He said in RFP's, if they are under a $100,000 dollars, they are developed by the agency themselves; and they rarely, if ever, have any OAG input. If they are over $100,000 dollars, the Purchasing Division does facilitate those RFP's and works with the agency to develop them. He said generally the OAG is not involved in that. They (OAG) review the contract after the fact.

Ms. Cross asked if there is a state consortium of purchasing entities to western states or some statewide association that you could go to for clauses that are generally like our clauses, I guess, if there needs to be a termination. She asked if there was somebody, they could go to for best practices on contracting RFP language.

Mr. Haag said they did not have an organized in-state purchasing cooperative. He said there are organizations in the south that they have begun to participate in, and there are organizations in the north. He said they work to collaborate at every opportunity and they do resource each other very well on contract language and contracting opportunities. He said they also participate in the Western States Contracting Alliance, which was acquired two years ago by the National Association of State Purchasing Officers ,NASPO, and in that acquisition NASPO developed a cooperative contracting arm called NASPO Value Point. The state is a very active participant in that organization, and they were a great outlet for best practices and contract language being used by other states. He commented they did use that often.

He said they were using it as it relates to a review and overhaul of the RFP document, because it is timely, it needs to be done, and they certainly need to resource those folks. This was also an opportunity for their Deputy Attorney General to engage with legal counsel from other states as it relates to the procurement process and contacts.

Governor Sandoval asked if there were any questions. There were none.

5. Presentation of the Division's Six-Month Follow-Up Status Reports Pursuant to NRS 353A.090.

A. Department of Business and Industry, Report No. 16-01 – Taxicab Authority. Warren Lowman, Executive Branch Audit Manager

Representing the Department of Business and Industry was Bruce Breslow, Director and representing the Taxicab Authority was Ron Grogan, Administrator.

Mr. Lowman explained they made six recommendations in the audit. He said the authority has fully implemented to adhere to statutory roles and responsibilities. The Authority is moving forward their recommendation to clarify enforcement policy and procedures and organize and equip accordingly, and expects to fully implement the recommendation within 60 days. Three recommendations dealing with the fuel surcharge, mileage rate increase, and credit card fee will be addressed at the Board's annual rate review meeting scheduled in the fall and will include the results of the contracted rate analysis study for the Board.

Mr. Lowman said their recommendation for the Department to submit a BDR to eliminate the Taxicab Authority as a separate state regulatory agency and transition statutory responsibilities to Clark County or the Nevada Transportation Authority is under review and working through the budgetary process. On June 16, 2016, the Legislative Commission Sunset Subcommittee voted to consolidate the Taxicab Authority and the Nevada Transportation Authority into one

department-level agency. The Sunset Subcommittee's recommendation goes to the full Legislative Commission for review, and if approved, will become part of the Legislative Commission's BDR.

Governor Sandoval asked the auditors if they had any comments regarding the industry prepared or commissioned audit of the audit that we presented to the Sunset Subcommittee.

Mr. Weinberger said he issued a written response to the Sunset Committee. He said they stand by their recommendations. The only exception was with the fuel surcharge that Administrator Grogan removed it after we left the field. He said their audit said it was in existence for 12 months; it was actually only effectively three months. He said they stood behind the dollars in all other recommendations. The more important message was the fact the decisions were made in a nontransparent manner and did not actually have supporting documentation supporting why they decided what they did. He said he never wanted to stress the actual dollar amounts, but stands hundred percent behind them.

Lieutenant Governor Hutchison noted in recommendation numbers 2, 3 and 4, on page 4 of the report, that the Board will be holding work programs and other forums to involve stakeholders in the various issues identified in those recommendations. He asked who was defining stakeholders and who will notify those stakeholders.

Mr. Loman replied that might be a better question for Mr. Grogan.

Mr. Grogan replied it was the Board, and one of the big positives in his mind that has come out of the audit is the reconstitution of the Board. He said he has been working very closely with the Board Chair and the Board members. They have talked about addressing the issues identified in the audit, but doing it in a way that is transparent. He said the riding public are stakeholders, along with the Taxicab industry and their employees, and there are a number of different constituents. He said they want to hear from all because he agreed with one of the statements the auditors made in that Board decisions have not been as transparent as they needed to be

He said the on the issue of the eight cents that was added to the meter, he was not there when that decision was made. He said he has gone through every recording, every written word about deliberation, and he cannot find any robust discussion in terms of how they arrived at that decision.

Lieutenant Governor Hutchison concerned that the process that they engage in is not only transparent but also fair by the stakeholders. We have many suggestions that the audit may have been less than fair to certain stakeholders. He said I am sure you are committed to the process of making sure we identify the right stakeholders, involve them fully in the process, and make sure they feel like they have been treated fairly.

Mr. Grogan agreed that was the target they were trying to hit, to get the right people involved, the right level of information, and then move forward with a smart decision.

Governor Sandoval asked what the annual meeting was.

Mr. Grogan explained traditionally every fall they review rates, fees, number of cabs on the street. The term "annual" was a little bit of a misnomer because that meeting has moved

around in the time frame. The annual meeting was in July or August last year. As a tradition, it has always been in October.

Governor Sandoval asked if that was the red-letter day. He said it sounded like an important meeting where you take on everything that has to do with fiscal issues with the Taxicab industry.

Mr. Grogan replied this was true. However, it was also true that at other times during the year, at least from his research that he had seen, there have been decisions made on rates and other points during the year, like the fuel surcharge. He said they deliberate on that when the price of fuel goes up. He said they don't wait until a fall meeting to make that kind of decision.

Governor Sandoval said he had never seen that nomenclature used for any other Board or Commission, specifically there is an annual meeting when for a Board that meets regularly throughout the year. He was just trying to understand what the distinction was between the other meetings and the annual meeting. Perhaps some of the business that is considered in other meetings is also considered in the annual meeting.

Mr. Grogan said there is in statute a requirement for an annual rates and fees meeting. Although I am not sure it has to be in the fall.

Governor Sandoval asked for any other questions. There were none.

B. Department of Agriculture, Food and Nutrition Divison, Report No. 16-02. Warren Lowman, Executive Branch Audit Manager

Representing the Department of Agriculture is the Administrator of the Food and Nutrition Division, Donnell Barton.

Mr. Lowman said they made one recommendation in the audit to submit a new fee plan to the U.S. Department of Agriculture for school districts participating in the federal school lunch program. The department reports the recommendation is partially implemented and is in the process of reviewing cost information and determining cost allocations in order to develop an equitable fee structure for school districts.

Mr. Lowman said the department anticipates fully implementing the recommendation by December 31, 2016.

Governor Sandoval asked if there were any questions. There were none.

C. Department of Health and Human Services, Division of Child and Family Services, Report No. 16-03. Warren Lowman, Executive Branch Audit Manager

Representing the Department of Health and Human Services was Deputy Administrators Ryan Gustafson and Danette Kleuver.

Mr. Lowman said they made two recommendations in the audit. He said the division had fully implemented their recommendation to modify the formula for the federal adoption incentive allocation to consider cost and will apply the new formula in the October 2016 allocation to the

urban and rural counties. The division had partially implemented the recommendation to establish criteria on how funds are spent and collect data to monitor and assess the results of

the Court Jurisdiction program. The division's new draft policy is to be presented to the county directors and assistants in June 2016, this month, and the division anticipates fully implementing the recommendation in August 2016.

Governor Sandoval asked if there were any questions. There were none

D. Office of the Attorney General, Report No. 16-04. Vita Ozoude, Executive Branch Audit Manager

Mr. Ozoude said the OAG implemented one of the two recommendations. The remaining recommendation could not be fully implemented, as the office needs time to evaluate the effects of new personnel changes to determine if additional personnel resources will be needed to fully implement this recommendation. Mr. Ozoude thanked the OAG for their cooperation and assistance during the review.

Representing the Office of The Attorney General was First Assistant Attorney General Nicholas Trutanich.

Governor Sandoval asked if there were any questions. There were none.

6. Presentation of the Division's Ongoing Follow-Ups Requested by the Committee.

A. Department of Health and Human Services, Division of Public and Behavioral Health, Doctor Attendance, Report No. 10-06. Warren Lowman, Executive Branch Audit Manager.

Governor Sandoval verified Mr. Lowman had both of the follow-ups that involved the physician attendance for the Department of Health and Human Services and the Department of Corrections.

Representing the Division of Public and Behavior Health was Administrator Phinney.

Mr. Lowman explained this was the ninth report for doctor attendance at the Rawson-Neal Hospital. Their review shows the division had sustained, in general, improved doctor attendance since the initial report. However, they were concerned this improvement may not be sustained because the monitoring actions initiated by the division to assure doctors work a full day have been discontinued; specifically producing a gap analysis report. He said the gap analysis report reconciled doctor absences from the hospital with authorized and documented meetings, trainings, and other events. As a result of discontinuing monitoring efforts, hospital management cannot confirm doctors are working a full day.

Equally concerning was the number of instances when doctor attendance information was not consistently reported, and that they found in their testing one doctor with 25 percent of his time not accounted for. By improving monitoring efforts and re-implementing the gap analysis report, the division will be able to ensure doctors work a full day and time sheets are accurate.

Governor Sandoval asked if Ms. Phinney had a response.

Ms. Phinney replied they were pleased with the progress that had been made, and they had significantly sustained the progress that has been made. She did want to report that the key card tracking system was in place, as it was after the 2012 audit. She said it was not perfect but it was providing significant information about attendance.

She said the report pointed out one physician in particular who had attendance issues, and that physician is no longer employed by the division as of September 2015. In fact, the medical supervisors do address time issues with medical staff on a regular basis, and they have had at least one other physician that decided not to continue on after being questioned about those attendance issues.

Ms. Phinney said they were following-up on those even though the gap analysis report had actually fallen off. They re-implemented that report and she received the report for May of this year. The supervising staff, the medical physicians, the administrator, who is new to this role since the original report was done, have all been re-educated on the process that is expected and so we are in a better position to make sure that continues. There were some alternative processes being followed during the time the report was not being produced. The alternative processes were not documented as well as the report provides us documentation. Staff was able to follow up with that particular physician in particular. The auditor position that is responsible for this had been vacant for a significant period. That position has been filled and is in place, allowing us again to have those reports.

She said all of the medical staff at Rawson-Neal have received secondary training on the process that they are using to track attendance so they could maximize the effectiveness of the key card tracking system.

Governor Sandoval asked if the procedures they had in place are the ones that were implemented as a result of the first audit.

Ms. Phinney said the procedure that had fallen off the completion of the written report on a monthly basis, has been reinstituted so they would have the written report on a monthly basis.

Governor Sandoval asked Mr. Lowman if that satisfied the audit requirements, If all of that is implemented.

Mr. Lowman wanted to relook at that to make sure what Miss Phinney re-implemented is in fact working.

Governor Sandoval asked how long it would take to accomplish that. I am trying to be efficient, rather than wait until the next meeting, if there was an interim way to advise the members of this board that in fact what we are hearing now complies with the audit findings and requirements that were done in 2012.

Mr. Lowman replied the next meeting was roughly six months from now. He said they would want to look at least three to four months if not a full six months' worth of data to show consistency in the effectiveness of the processes.

Governor Sandoval said this is a sensitive issue for him because he was there when the bars on the graph were way down. He said it was not just a money issue, it was a care issue and that somebody should be there to provide the services for the patients. It sounds to him the

record that was made today is they need to be in terms of physician attendance above the red line that is in the audit report.

Governor Sandoval asked that she get together with Mr. Lowman and the Audit Division because they will need the back up to prepare that for a follow-up at the next meeting.

Ms. Phinney replied they would do.

Lieutenant Governor Laxalt commented they did do a May report and asked by their initial impression if it looked like it matched where they were before it fell off.

Ms. Phinney said it appeared the attendance is being significantly sustained and that the places where there were gaps are being addressed and monitored and taken off the time sheets when necessary.

Governor Sandoval asked if there were any questions. There were none.

B. Department of Health and Human Services, Department of Corrections, Medical Division, Doctor Attendance, Report No. 13-03. Warren Lowman, Executive Branch Audit Manager.

Representing the Department of Corrections is Deputy Director Scott Sisco and Medical Administrator Chuck Schardin.

Mr. Lowman said this was their fourth report on doctor attendance at the Department of Corrections. Their review shows the division has sustained, in general, improved doctor attendance since the initial audit report. However, there may be additional measures the department can implement at the facility level to better monitor doctor attendance. These measures include reconciling the Medical Professional Report information and documenting follow-up on doctor attendance issues.

The Medical Profession report is used by the Department Director, Wardens, and Directors of Nursing to manage medical staff. Often the information the department receives from each facility is incomplete or incorrect because the wardens are not ensuring information provided to the department is accurate. They specifically noted absences that should have been reported on doctor timesheets.

He said almost 25 percent of doctors they sampled submitted time sheets that did not reflect leave time indicated on the Medical Professional Report. Moreover, they learned that when variances in doctor attendance and time sheets do occur, there is no documentation of follow-ups with doctors which would be necessary to address attendance and time sheet issues and would also produce documentation to support performance evaluations and other staff considerations.

Lieutenant Governor Hutchison asked just by looking at the chart on page two, why were they seeing a drop-off between 2014 and 2015 with part-time physicians.

Mr. Lowman said that question might be better answered by the agency. He said they simply validated the data in the drop-off.

Mr. Sisco replied they had a very limited number of part-time physicians, and one had cancer during that particular time. He missed a fair amount of work. He said a state employee on

FSLA, non-overtime eligible, does not document their leaves of less than eight-hour periods or less than full day periods on their time sheets. That particular case was caused by one single employee.

Lieutenant Governor Hutchison said page three of the report says that, "Almost 25 percent of doctors we sampled submitted timesheets that did not reflect leave indicated on the MPR." He asked why that was the case.

Mr. Sisco replied an FSLA non-overtime eligible employee by federal law does not document time that they are out of the office for less than a full work shift increment. So again, if a doctor himself has a doctor's appointment, he is gone for an hour, hour and-a-half, it does not go on the time sheet.

Governor Sandoval asked Mr. Sisco if there was any other presentation he wanted to make.

Mr. Sisco said they actually sat down and did some brainstorming with Mr. Weinberger and Mr. Lowman in regards to the follow-up because that seemed to be part of the issue. They have added wardens back into the picture. Again, what they are doing to track this, because they do not put those time periods on their time sheet, they match the sign-in log at the gates to their actual time sheets, and then they get a biweekly report that shows anybody that is less than either their 40 or 80 hours or whatever their scheduled hours are. He said they highlight the ones that they are very concerned about because they exceed a certain amount. What they have now asked the Wardens to do and brought them into the picture, if you will, is the wardens are now required to pull those physicians in or medical providers in, they sit down and talk to them. He said many of the times it is just a matter that they were sent over to another institution because there were vacancies, He said they need coverage and that type of coverage. That was now being documented. They will have a file of why those are either acceptable, or if they were not acceptable, then the warden is being asked to follow up with that medical provider and to find out what they are going to do about bringing those hours back to where they should be.

Governor Sandoval asked if there was any more questions and thanked Mr. Sisco and Mr. Schardin for attending.

7. **Approval of the Division's Annual Audit Plan Pursuant To NRS 353A.045.**

Mr. Weinberger explained the Annual audit Plan requires approval from the committee. He said he was proposing two additional audits and they have some ongoing.

Mr. Weinberger asked for approval of this action item.

Governor Sandoval asked for approval of the Division's Annual Audit Plan.

Motion: Move for approval of the division's audit plan of the June 20, 2016.
By: Attorney General Laxalt
Second: Lieutenant Governor Hutchison.
Vote: Motion passed unanimously.

8. Approval and Discussion of Proposed Regulation Changes to Nevada Administrative Code 353A.100, LCB File No. R101-15.

Mr. Weinberger emphasized that this was a repeat of what they did last January. He said they submitted the wording to LCB in September and received a few comments back. They thought they were good to go and presented it for approval in January 2016. Subsequently they found out they did not have written approval from LCB. He said he spoke with Ms. Erdoes and she was very helpful and actually just said she would feel better if they did it over again.

Mr. Weinberger said one of the attachments is the actual written approval from LCB. Again, this is an adoption hearing that requires public comment before and after.

Governor Sandoval asked if that completed their presentation.

Ms. Hoover, Financial Manager for the Division of Internal Audits stated this was an adoption hearing to receive comments on an amendment to NAC 353A regarding requirements of internal control training for state employees. The current regulation requires agencies to notify the Division of Internal Audits of any new fiscal staff and to ensure agency heads and employees who administer budgetary accounts attend internal controls training at least every five years. She said they would like to remove the five year requirement and request that agency heads and employees who administer budgetary accounts attend internal controls training within 90 days of being hired or transferred into their positions unless they have already attended training previously, or upon recommendation of the Division of Internal Audits following review or audit, or upon request by an agency head.

She said they held a workshop on October 29, 2015. The only concern was that all required employees would not be able to make the 90-day training requirement. However, no matter what time frame they put on there, there are employees who would not be able to attend based on various circumstances. Therefore, they would like to keep the wording of the "within 90-day training" and the employees would attend the earliest class that fits their schedule. Page 3 of section 8 contains the approved LCB wording for this requested amendment.

That concluded Ms. Hoover's presentation and asked if there were any questions.

There were none.

Governor Sandoval opened the public hearing on the agenda item. He asked for comments from the public. There were none. Governor Sandoval closed the hearing.

Motion: Move for Approval of the Proposed Regulation Changes to the Nevada Administrative Code 353A.100, LCB File No. R101-15
By: Secretary of State Cegavske
Second: Controller Knecht
Vote: Motion passed unanimously.

9. Presentation of the Follow-up Status for Legislative Council Bureau's Audit Report recommendation issued on October 6, 2014, December 2, 2014, and May 4, 2015.

Mr. Weinberger stated by statute they are required to follow up on audit recommendations issued by the legislative auditor. These are the audits with recommendations they followed up on throughout fiscal year 2016. He said they did not have any significant concerns at this time

regarding these responses. What happens now is the LCB auditors will report back to their legislative audit committee.

Governor Sandoval asked if there were any questions.

Ms. Cross noticed the first Department of Health and Human Services, and asked if that was the same audit, they were going to start. She asked if the Health Care Finance and Policy was a duplicate audit or something different, they were looking at.

Mr. Weinberger replied it was something different.

10. Committee Member's Comments/Public Comments

Governor Sandoval asked the committee if they had any public comments

There were no public comments.

Treasurer Schwartz thanked his fellow committee members for their diligence in the questions they asked. He commented on items 6-A and B, and said there seemed to be some glaring deficiencies there; he said he could only assume that those will be corrected by the time they meet again. He had nothing else to add.

11. Adjournment

Motion: Move for approval of motion of adjournment.
By: Attorney General Laxalt
Second: Secretary of State Cegavske
Vote: Motion passed unanimously for those present.

The meeting adjourned at 3:57 p.m.

Respectfully submitted by,

_____

Steve Weinberger, CPA
Administrator
Governor's Finance Office
Division of Internal Audits