

Steve Sisolak
Governor
Chairman

Warren Lowman
Administrator
Division of Internal Audits
Governor's Finance Office



STATE OF NEVADA EXECUTIVE BRANCH AUDIT COMMITTEE

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Members
Kate Marshall
Lieutenant Governor
Barbara K. Cegavske
Secretary of State
Zach Conine
State Treasurer
Catherine Byrne
State Controller
Aaron D. Ford
Attorney General
Trudy Dulong
Public Member

MEETING MINUTES

Date and Time: November 7, 2019, 1:00 PM

Location: Old Assembly Chambers of the Capitol Building
101 N. Carson Street,
Carson City, Nevada 89701

Video Conference Location: Grant Sawyer State Office Building
555 E. Washington Avenue, Ste. 5100
Las Vegas, Nevada 89101

1. Call Meeting To Order/ Roll Call/ Remarks

Governor Sisolak called the Executive Branch Audit Committee meeting to order. He explained that the Agenda items would be taken slightly out of order: Items 1, 2 and 3 would go first, followed by discussion on Item 4A, the Presentation of the Six-Month Follow-up Status Reports for the Board of Dental Examiners with comments followed by a hearing on that item. They then will move to Item 6A, 18-05 Occupational Professional Licensing Boards. And then they will return to the remaining items on the Agenda as they appear in that order.

Members Present:

Governor Steve Sisolak
Lieutenant Governor Kate Marshall
Secretary of State Barbara Cegavske
State Treasurer Zach Conine
Attorney General Aaron Ford
Controller Catherine Byrne
Member Trudy Dulong

2. Public Comment

Governor Sisolak explained the ground rules for public comments and asked that everyone be respectful of their fellow citizens, of the Board's time constraints and the institutions and processes being discussed. The Governor reminded everyone that changing government never happens immediately, but is subject to rules, processes and procedures that each of them who took an oath to uphold the law must follow. He then opened the meeting for public comments. There was one speaker.

2. Public Comment (continued)

Mr. David Moore stated he would like to create a full-time oversight system for all of the state licensing boards. He would like to create a pilot program for the Dental Board utilizing an online learning management system that will ensure all practitioners are kept up to date on ever-evolving standards. His vision includes: a top-down financial budgeting and oversight system that takes the fluctuation of both hard and soft money into account as well as an anonymous online written committee system that removes personality and politics from the governing system, while insuring accountability and transparency. To execute this solution, the Board of Examiners will need to appoint an attorney who is also a CPA for the financial oversight. They will need cyber security and HIPAA consultants to insure the public safety is the primary concern. This will entail creating an online complaint process along with a standardized investigative process for both licensees and licensing boards. Mr. Moore said he is asking to be appointed as the Executive Director of this new board oversight initiative, and also be appointed as the new interim Executive Director of the Nevada State of Board of Dental Examiners where he will re-hire Attorney John P. Kelleher and appoint Dr. James Polley to be the new President of the Dental Board.

3. Approval of the June 25, 2019 Minutes (For Possible Action)

Governor Sisolak asked if there were any changes or corrections for the minutes, and there were none.

Motion: Approve June 25, 2019 EBAC Meeting Minutes

By: Secretary of State Barbara Cegavske

Vote: Passed unanimously (with one unidentified abstention)

4. Presentation of Audit Six-Month Follow – Up Status Reports Pursuant to NRS 353A.090. (Information Only)

A. Nevada State Board of Dental Examiners – Board Operations (DIA 19-04)

Governor Sisolak had some comments to make prior to the audit presentation. He said:

“In the 11 months that I have had the honor to serve as Governor of the State of Nevada, one thing has become very clear. There’s a pattern displaying a lack of oversight and accountability when it comes to our state licensing boards. As I’ve attempted to get more historical context and background on this issue, I realize that these problems are not new. They’ve existed for decades and many of my most recent predecessors have all dealt with the storm of controversies surrounding state licensing boards as well, including but not limited to issues involving the Nevada State Dental Board of Examiners. As a reminder, former Governor Brian Sandoval initiated this audit of the Dental Board due to his own concerns while he was still in office.”

4. Presentation of Audit Six-Month Follow – Up Status Reports Pursuant to NRS 353A.090. (Information Only) **(continued)**

A. Nevada State Board of Dental Examiners – Board Operations (DIA 19-04)

The Governor continued: “I was warned by many that there have been attempts to address this lack of oversight of licensing boards in the past that have failed. Some have even gone so far as to warn me that this may not be a fight I want to take on as Governor. But those people must not know me very well because if there’s one thing that I hope I’ve proven to Nevadans over the last 11 months, it’s that I am not afraid to tackle a problem head-on no matter who’s on the other side, be it a major industry or state licensing boards if I think it’s in the best interest in the health and safety of Nevadans that I took an oath of office to protect.

In the last 48 hours alone, a staff member of the Dental Board attempted to push salacious and false accusations to the media to undermine myself and my office before this meeting, going so far as to urge an investigation into those false allegations. This has gotten totally out of control. The timing of this concerted effort to attack my integrity and the integrity of my office does not appear coincidental. I have thick skin and have been in public space for a long time. False allegations are par for the course for any public official.

My disappointment is because I view this public charade as an embarrassment to the State of Nevada. It is an attempt to distract from the long list of problems and allegations facing the Dental Board and to discredit my motivation for increased oversight and accountability of this Board and all licensing boards in the state.

These efforts will not work. I will not be deterred. I know who I am and what I fight for, and that’s the citizens of this state. One thing I want to make clear on the record. I am not interested in picking winners or losers or taking sides in a decades-long dispute that has existed in this industry. My job is to serve Nevada citizens, and my efforts to address any issues, including the ones related to this Board, has been and will always be with the sole interest in doing what’s best for Nevadans, period.

Going forward, I am only interested in discussing how we fix these problems. The critical first step is to acknowledge that these issues related to some of the state licensing boards span many years over many multiple administrations. Any problem that is this big that has lasted this long is going to require serious and thoughtful problem solving. I am not interested in any more Band-Aid solutions for the State of Nevada. It’s time to get serious.

I haven’t been shy about expressing my concern around this Board or other licensing boards, but I also want to make it clear that while there are major issues that deserve and need to be addressed, there are plenty of good actors in this space as well. This effort is as much to incentivize good behavior of some groups as it is to discourage the bad behavior of others.”

4. Presentation of Audit Six-Month Follow – Up Status Reports Pursuant to NRS 353A.090. (Information Only) **(continued)**

A. Nevada State Board of Dental Examiners – Board Operations (DIA 19-04)

The Governor closed by saying, “Any board that operates responsibly and with integrity should have no concerns with any attempt to provide much needed accountability. If they are concerned, that is a clear demonstration of the overall problem and why it must be addressed. While there will be specific instances that will have to be addressed involving individual boards, the problem is long-standing, systemic and structural, and the problem will only be resolved through a fundamental overhaul of how licensing boards are regulated and overseen.

I’m incredibly grateful for the work done by the Executive Branch Audit Committee to assess this Board, provide recommendations and follow-up with progress made of recommendations that have yet to be completed.”

With that, the Governor turned the discussion over to Attorney General Ford.

Attorney General Ford said he agreed with everything the Governor said. He said it was “utterly reprehensible” of people to attack the Governor’s integrity and the integrity of his staff in this particular arena. The Attorney General said he stands with the Governor 100 percent. And as Attorney General, he likewise wants to ensure that they have the best opportunities for the state to proceed.

Governor Sisolak broke into the discussion with an announcement. He said he was just informed that entire Dental Board resigned.

Secretary of State Cegavske asked if the resigning Executive Board members, have they communicated their resignation in writing, and can they get that ASAP and ASAP to the Governor?

The Governor said he knew for sure that three appointments expired on October 31st. Those three people were not reappointed or replaced. They remained as vacancies.

Mr. Michael McDonald, representing the Dental Board, said he was given this information only a few minutes prior. The board members have resigned. Board members, Dr. Pisani, Dr. Champagne and Dr. Blasco have elected to resign the board effectively immediately but will “continue to serve dental needs in Nevada moving forward.” Three members had terms that expired October 31st, 2019. Two of those members elected not to seek reappointment; the third heard yesterday they would not be reappointed. Thus, the Board has three vacant positions. In addition, Executive Director Debra Shaffer-Kugel and also counsel Melanie Bernstein Chapman were advised by the Board Employment Committee this morning that their last day of employment with the Board will be December 5th, 2019. The Employment Committee wished to stress that this parting of ways was not due to any fault of the individuals. The Board feels these women have been placed in an impossible and intolerable position by the unscrupulous actions by others.

4. Presentation of Audit Six-Month Follow – Up Status Reports Pursuant to NRS 353A.090. (Information Only) **(continued)**

A. Nevada State Board of Dental Examiners – Board Operations (DIA 19-04)

Governor Sisolak said he could assure Mr. McDonald that his staff would work diligently to replace the entire board as was said. And while the Governor may have thick skin, he would defend the integrity of his staff to his last breath. When they are attacked, he takes that personally.

With that, the meeting moved forward to the **Audit 19-04 report.**

Mr. Warren Lowman, Administrator, gave the six-month follow-up status report of Audit 19-04 Nevada State Board of Dental Examiners – Board Operations, which was presented to the Committee in June. Of the **four recommendations**, they've assessed that all four are partially implemented.

The **first recommendation**, to strengthen oversight of investigative and enforcement activities, had three components. Two of those three are fully implemented to the extent that they have made decisions. The one component to increase the Board's pool of general dentistry DSOs, investigators in southern Nevada is no longer applicable. The actions of the Board took approximately 30 DSOs and they hired one part-time investigator to conduct those activities. Those numbers in and of themselves suggest that further work needs to be done in that area, and given review of the minutes and the process that the Board went through to make that appointment, that would be another area that they would suggest they need to work with the Ethics Commission on to ensure that that process meets full ethics law.

The **second recommendation** was to consult with the Commission on Ethics to avoid conflicts of interest. While the Board believed they had fully implemented it, the auditors believe that it is only partially implemented. Again, there's more extensive and deeper work that needs to be done with the Commission to assess processes, to assess some outcomes of how they conduct their hiring process and they would look forward to seeing that completed within the next six months.

The **remaining two recommendations**, complying with state contracting requirements and Nevada Administrative Procedure Act, there are draft regulations that the Board had been working through, and that work at the Board level has not yet been completed. They agree with their assessment that that is only partially implemented.

Secretary of State Cegavske said she had high praise for the auditors; they did a great job in her office and she's very happy with what they've done.

Governor Sisolak agreed. He said he was "thrilled" with the job the auditors did. He said he wanted his staff to work with the newly constituted Board to make sure that everyone gets ethics training up front and refresher on the Open Meeting Law and those sort of things. And if they can work with Attorney General Ford to make sure that that happens for all the new people coming on, they might be able to avoid some problems moving forward with the newly constituted Board.

4. Presentation of Audit Six-Month Follow – Up Status Reports Pursuant to NRS 353A.090. (Information Only) **(continued)**

A. Nevada State Board of Dental Examiners – Board Operations (DIA 19-04)

Treasurer Conine asked Mr. Lowman, how do they ensure that this information gets passed on to the new Board and that they continue to follow-up? How can they make sure that they've got that continuity?

Mr. Lowman replied that he believes "there's going to be sufficient oversight and guidance going forward." He does not think there will be a problem.

An unidentified speaker asked the Governor if there was an estimated time when the Board would be filled and operational?

Governor Sisolak replied they had applicants for the three positions that he did not reappoint. Several of the positions are categorical which means they need specific requirements in order to fill the slot. He promised that he and his staff will fill those positions as expeditiously yet thoughtfully and diligently as possible.

The meeting moved on to Agenda Item 6.

6. Presentation of Annual Follow – Up Status Reports. (Information Only)

A. Nevada's Independent Occupational and Professional Licensing Boards – Oversight of Salaries, Legal Framework, and Financial & Administrative Operations (DIA 18-05)

Mr. Mark Richards, Executive Branch Auditor, said **Item 6A** was a follow-up to their Boards and Commissions Audit that focused on the oversight of salaries and legal framework and financial and administrative operations of the independent licensing boards.

There was **one outstanding recommendation** to comply with statute and guidelines for salaries. The boards had no implementation pending an opinion from the Attorney General as to whether the boards were subject to the statute that limits the salary of a person employed by a state agency to 95 percent of the Governor's salary. The opinion issued by the Attorney General in December 2018 concluded the boards were subject to the statutory limit.

Accordingly, the boards have since fully implemented the recommendation and are now in compliance with statute. There were accompanying exhibits to supplement the report.

Governor Sisolak asked what the recommendations were to the EBET [phonetic] Committee regarding the original audit on the Independent Occupational Licensing Safety Board?

Mr. Richards replied the first recommendation was to comply with the statute and guidelines for salaries. The second recommendation was to use the OAG or the Office of the Attorney General for a baseline level of legal support. Recommendation 3 was to evaluate the cost benefit of using in-house salaried attorneys in conjunction with the OAG for legal support.

6. Presentation of Annual Follow – Up Status Reports. (Information Only) (continued)

A. Nevada’s Independent Occupational and Professional Licensing Boards – Oversight of Salaries, Legal Framework, and Financial & Administrative Operations (DIA 18-05)

And recommendation 4 was to establish standards for the financial and administrative operations of the boards. Recommendation 4 was directed at the Department of Administration, not the boards themselves.

Governor Sisolak noted as previously stated, they were attempting to find a long-term solution to these boards that have longstanding issues related to them. The Governor said he believed the recommendation was worthy of being reviewed and explored.

Mr. Michael Brown, Executive Director of the Office of Economic Development, said when he was Director of Business and Industry, they were approached by the Audit Division to discuss options as to how to strategically manage occupational licensing boards in Nevada. Then he and Director Reynolds did research and found that the practice that Nevada had was really not mirrored in other states. They found that most states had professionalized this within their Chief Regulatory Agency.

Mr. Brown detailed a visit and meeting with Francine Giani, the Director of the Department of Commerce in the State of Utah. He had a tour of their consolidated campus system and was briefed on details. They have a Division Administrator hired with the approval of the Governor, and this person has eight bureaus under them and within those eight bureaus are clusters by occupational licensing type. And then they have subject matter expert boards that are assigned to each of the various occupational areas. The Attorney General provides all the legal support. This is all within the State Budget Act so it’s all within the Executive Branch underneath the Governor of Utah. It’s all within the existing Utah Civil Service System. They also have an Investigations Division that runs in parallel, which is largely staffed by retired Utah Police Officers, Highway Patrolmen and then subject matter experts. Within one division are both the Licensing Division and the Investigations Division. They’re doing what they can to lower the barriers to facilitate the transfer of Occupational Licenses across state lines. All information is cloud based so that you have this “horizontal” level of communication.

Mr. Brown said he was quite impressed with what he saw in Utah. It validated the best research. The Director offered her support and assistance if Nevada wants to take a closer look at their system.

Mr. Terry Reynolds, Director for Business and Industry, said there were some central themes when they looked at Colorado and Utah with Director Brown. The common themes were central administration, internal controls, legal provided by the Attorney General’s Office for regulatory issues, updates and hearing support and also consumer protection. Those were evident in both states in terms of how they conduct the oversight of their licensing and occupational and professional agencies that work with that. The boards were made up of subject experts that were paired with the Division in these states as well as private citizens who worked with the Division. Policy matters were left up to the overview of the occupational boards, but they worked closely with the Division and in Utah, with their Bureau Managers.

6. Presentation of Annual Follow – Up Status Reports. (Information Only) (continued)

A. Nevada’s Independent Occupational and Professional Licensing Boards – Oversight of Salaries, Legal Framework, and Financial & Administrative Operations (DIA 18-05)

The websites of the two occupational divisions in both Colorado and Utah are informative, they’re transparent and provide excellent consumer and occupational information, i.e. disciplinary actions. It’s very easy to find board minutes and regulatory actions for each occupational area. The websites also promote occupational career information in context of that so if somebody is interested in one of those occupational careers, they can get information there too.

Mr. Reynolds said the Occupational Licensing structure in those two states is very similar to the structure that Nevada has with centralized administration and support with the Department of Business and Industry. The Department consolidated Nevada’s fiscal, IT, and HR with legal support provided by the AG’s Office within all of the state’s agencies. The balance of the Nevada licenses are handled internally with centralized budget functions, oversight control, and compliance auditing of those boards and commissions. Mr. Reynolds thinks the central administration and consistency of regulation for the Occupational and Professional Licensing in Nevada is a step in the right direction for effective government and consumer protection.

Lieutenant Governor Marshall said before she would be able to make a decision on this, she would really need to see what kind of budget effects it would have to do this kind of upgrade. She would also like to see a cyber security analysis, which she thinks is a necessary component of any analysis before they would move forward with such a recommendation.

Mr. Reynolds said he wholeheartedly agreed with the Lieutenant Governor. They have started to do an analysis of the cost per licenses in both Colorado and Utah and compare that to what they have in Nevada and what they do within the Department of Business and Industry. That’s an essential component to make sure that they can be effective and also provide centralized administration and control.

Mr. Reynolds said on the IT side, that is a state concern and a concern within their department that they are consistently talking about. They get audited by the FBI to make sure that they have sufficient controls within the licensing functions that they do for the different industries that they serve, but that is very much an important and critical component of this.

The Attorney General said he would be interested in knowing how the comparable states do the staffing relative to the assistance from the Attorney General’s Office. In Nevada, some boards have their own in-house counsel or captive counsel and some other boards have the AG’s Office do everything. There’s also the monetary component of all of this, and to the extent the AG’s Office is going to have to increase its services to boards and commissions, he would like to know what the money looks like on that point as well.

Mr. Reynolds said they are probably going to have a staff member visit both states and do the analysis and get specific, correct information in regard to numbers. They intend to do that with the authorization by the Governor’s Office.

6. Presentation of Annual Follow – Up Status Reports. (Information Only) (continued)

A. Nevada’s Independent Occupational and Professional Licensing Boards – Oversight of Salaries, Legal Framework, and Financial & Administrative Operations (DIA 18-05)

Treasurer Conine asked two things: One, could they include in the cost benefit analysis some earnings information (i.e. they know that currently for the commissions that are not state agencies they aren’t able to invest through the rest of the state through things like the LGIP, the Local Government Investment Pool) so there’s probably some earnings there they could calculate when they’re looking at it. And the second one is could they analyze the savings associated with not having independent lobbying efforts to the extent that if it was part of BNI they wouldn’t all need to hire lobbyists?

Mr. Reynolds replied that he thinks by consolidating the administrative controls and working with their existing division heads and their staff who actually are knowledgeable and conduct their own fact presenting to the Legislature that they could save a considerable amount of money in that area. And as far as legal costs, there are times when outside counsel is needed, but the general hearings, administrative work, and regulatory work that has to be done through the Attorney General’s Office and their assigned deputies that would also be very cost effective.

Governor Sisolak said he appreciated all the information and he believes that this is a potentially great long-term solution. They’ll focus on structural changes that they’re going to need to move forward for the benefit of everybody involved.

The Governor said he would like to go back to Item 4. He had some new information. He said he was just informed that the representative of the Dental Board may have been incorrect in some of the information that he provided. And three of the Board members are in Southern Nevada and would like to come to the table and make a statement.

Secretary of State Cegavske said that the gentleman did represent the people that were going off the Board and they called him and told him. He knew that there were still three members there, and Dr. Lee wanted to make sure that he was on the record that he is still on the Board. So, the three of them that are here want to represent themselves.

Dr. David Lee said he did not resign.

Dr. Kevin Moore said he did not resign and neither did Gabrielle Cioffi.

Governor Sisolak confirmed those three new appointees (Lee, Moore, & Cioffi) were not resigning; their appointments are still intact. They will wait to receive the written resignations of the other individuals before people are appointed for those slots.

Ms. Joan Shadler said she was the Hygienist on the Board from the northern division, and she did not resign either. She began in February of 2019 and wants to continue to help the Board and help the Governor with the needs of the community and patients.

The Governor said there were many hurdles and difficulties dealing with Item 4, but they would not revisit it any more during the course of the rest of the meeting. The meeting moved on Agenda Item 6B.

6. Presentation of Annual Follow – Up Status Reports. (Information Only)

B. Department of Education – 2015 Education Initiatives, Recipient Monitoring (DIA18-06)

Mr. Richards stated **Item 6B** was a follow-up to their Department of Education Audit of Recipient Monitoring. There were **three outstanding recommendations**. The Department has fully implemented **the first recommendation** to develop a Department-wide risk assessment for grant management. In collaboration with the state's external audit firm and a nonprofit education research agency, the Department developed and implemented a process for assessing the risk level for all sub recipients. The Department further developed and implemented a monitoring schedule whereby sub recipients are monitored according to their assessed risk.

The Department reports it has partially implemented **the second recommendation** to develop a Department wide monitoring policy. The Department has finalized a written sub recipient monitoring policy, developed monitoring tools and selected sub recipients for initial testing of the monitoring process.

The Department also reports it has partially implemented **the third recommendation** to improve fiscal monitoring for all grants by implementing checkbook controls that reconcile expenditures between the state's reporting system and internal grant requests. The reconciliations provide the current status and spend down for each sub recipient, allowing the Department to monitoring unused funds, revise award programs and reallocate unused funding.

The Department expects full implementation of the two recommendations by January 2021 upon attaining certain milestones that include the hiring and training of a newly authorized auditor and completing the initial testing and refinement of the re-monitoring process.

6. Presentation of Annual Follow – Up Status Reports. (Information Only)

C. Department of Corrections – Off-Site Medical Care (DIA 18-06A)

Mr. Richards proceeded to **Item 6C**. He said Item 6C was a follow-up to their Department of Corrections Audit of Offsite Medical Care. There was **one outstanding recommendation** to ensure in-network providers are utilized for offsite medical services. The Department reports and has partially implemented the recommendation by continuing to utilize in-network providers whenever available. State purchasing requested that the Department extend its preferred provider contracts to the end of fiscal year 2021 to allow the coordinated renewal of the state's contracts. The Department intends to emphasize the importance of having enough in-network providers in the renewed contracts. The Department represents it has taken all possible action to date and expects full implementation in fiscal year 2022 subject to the renewal terms negotiated by state purchasing.

6. Presentation of Annual Follow – Up Status Reports. (Information Only)
D. Department of Administration, Enterprise Information Technology Services – Information Technology Governance (DIA 18-08)

Mr. Richards went on to **Item 6D**. He said Item 6D was a follow-up to their Enterprise Information Technology Services or EITS, Audit of Information Technology Governance. There were **five outstanding recommendations**.

EITS reports and has partially implemented **the first four recommendations**. However, EITS determined that further implementation of those recommendations requires additional resources that were not funded for the current biennium. EITS represents it will request funding for the resources required to fully implement the first four recommendations during the next Legislative Session.

EITS also reports and has partially implemented the **fifth recommendation** to develop guidelines to comply with statute and assist agencies with strategic IT plans by developing a strategy document to require collaboration with agencies as they develop their plans. EITS notes that guidelines for the submitting IT plans will be included in upcoming budget instructions and codified in regulation. EITS expects full implementation of the fifth recommendation by December 2020.

Treasurer Conine inquired about the incremental costs of updating IT verses a shift in focus such as using a unified networking structure.

Mr. Dave Haws, Administrator with EITS and the Department of Administration, said they pursue update efforts with the resources that they have, keeping in mind that the Division is an interim service fund division, and so they're typically funded for those activities and those tasks that have been specifically funded for them to complete, and so they pursue those. In the unified networking structure example, it would be a "significant effort" to bring Nevada's 27 data centers online into a consolidated data center. They don't have that expertise just on hand to go pursue that type of activity because they're pursuing those things that they've been funded for, such as Office 365, upgrade in Windows 10, those types of activities.

Treasurer Conine asked what's the useful life of the technology that would be in one of those data centers?

Mr. Haws replied the technology itself has a shelf life of five to seven years if you're talking about infrastructure types of devices and so on. Their standard for desktop technology is three to five years, and so it's constantly turning over.

Treasurer Conine asked was this going to continue to be an audit item for the next five to seven years?

Mr. Haws answered that without the extra funding to bring the necessary resources together to go look at all those 25 plus different data centers and to do a thorough evaluation, there's a lot of risk involved. You can't just pull the switch on something and move it over. You stop business from happening.

6. Presentation of Annual Follow – Up Status Reports. (Information Only) (continued)
D. Department of Administration, Enterprise Information Technology Services – Information Technology Governance (DIA 18-08)

Treasurer Conine asked if they would make sure that those costs are in the next budget before they go to legislature and ask for them?

Mr. Haws responded in the affirmative. They are planning to bring that funding request to the legislature again in the next biennium. They took a run at it the last biennium and for various reasons it didn't make the priority cut, but going forward, they are looking to bring these items back to the table and see if they can get those funded.

Treasurer Conine said in the meantime, he would recommend that they take a look at their existing budget and prioritize items that might start saving them money right away. Mr. Haws said yes, they would do that.

Lieutenant Governor Marshall said at the same time that they're seeking to consolidate data centers, they need to keep in mind that redundancy is critical for disaster recovery and for cyber security.

Mr. Haws said if they look at the infrastructure and the design that they have and the architecture that they're putting in place and is in place from an EITS perspective, they actually have locations in Las Vegas and north in Nevada, and so they have that redundancy and an understanding that that need is there. What they're looking to do is to kind of consolidate more on the infrastructure side where there might be some good cost savings that could occur.

5.Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
A. Department of Taxation – Marijuana Licensing (DIA 20-01)

Saranjeet Bains, Executive Branch Auditor, presented the audit report pursuant to NRS 353A.085, Department of Taxation – Marijuana Licensing (DIA 20-01). At the request of the Department of Taxation, they performed an audit on the Marijuana Enforcement Division. The audit focused on one objective, ensure that the Marijuana Enforcement Division's recreational dispensary licensing process was impartial and objective. They concluded that this process, while not perfect, was adequate, and conditional licenses were granted to the most qualified applicants.

The scope of this audit was narrow and defined. They examined the application scoring and ranking process which included the use of external reviewers hired through state contractor, Manpower. They made **three recommendations**.

The **first recommendation** was that the Division enhance the transparency of the licensing process. While the Marijuana Enforcement Division used existing job descriptions for accountants, fire & safety inspectors, marijuana programming inspectors, personnel officers, and administrative assistants as guidelines for hiring, there were no explicit processes that outlined the hiring, training, and oversight of these reviewers.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
A. Department of Taxation – Marijuana Licensing (DIA 20-01) (continued)

Additionally, the Marijuana Enforcement Division does not hold public forums or a question and answer period prior to the solicitation of applications. As it currently stands, applicants do not have an opportunity to ask questions and receive real time answers prior to submitting applications.

While the State of Nevada and the Marijuana Enforcement Division have taken measures to promote transparency, the Division can further enhance this goal by developing a written process for hiring reviewers, organizing public forums, and holding a question and answer period. These measures will help improve public confidence, encourage cooperation, and help develop a strong relationship between the state and its applicants.

The second recommendation was that the Division automate the application scoring process. The Marijuana Enforcement Divisions scoring process requires manual entry of data by application reviewers. Manually entering scores on several different scoring sheets increases the risk of transposing data. While they found no material errors in the examination of the scoring process, pursuing a software solution to report scores would limit manual data entry, improve efficiency, and reduce the risk of data entry errors.

The third recommendation was that the Marijuana Enforcement Division work closely with the Legislature to revise statute and reallocate recreational marijuana licenses from non-participating jurisdictions. License quotas, in addition to moratoriums, are preventing the Marijuana Enforcement Division from optimizing the licensing process. Assembly Bill 533 allows the Marijuana Enforcement Division to reallocate licenses to other counties within two months after the end of the licensing period if there are no qualified applicants in a particular county. However, this provision does not address counties that have moratoriums. Revising statute to reallocate recreational marijuana licenses from non-participating jurisdictions could benefit the state up to \$2.3 million per month or approximately \$27.6 million annually, all while promoting a more competitive industry.

Governor Sisolak thanked the auditors for their time and information. He said one of the main tenets of his administration was to try to be as open and transparent as possible with everything in state government, and this was one area that presented some issues. The Governor said he was troubled about there not being a public platform for questions, and he thought the recommendations would take care of this matter.

Treasurer Conine asked if anywhere within that process did they see an opportunity for outside influence on that process?

Ms. Michelle Isherwood, Division of Internal Audit, replied they did not observe that within the scope of the audit.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
A. Department of Taxation – Marijuana Licensing (DIA 20-01) (continued)

Secretary of State Cegavske said she had some questions that were outside of the scope of this audit but that were ones she thought should be included and wondered if there would be a time that she and Mr. Lowman could discuss those points?

Mr. Lowman said yes, he would be happy to discuss the Secretary's specific concerns and then work with Director Young, Executive Director Young, to the extent that they can get her the appropriate information as quickly as possible, which may or may not involve additional audit work.

Governor Sisolak said he wanted to thank Director Melanie Young and also the leader of the Cannabis Compliance Board, Tyler Klimas, for their efforts in terms of getting up to speed in this area. He said he sincerely appreciated them and he's confident that there will be an open, fair, transparent system moving forward.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
B. Department of Administration, State Public Works Division, Buildings and Grounds, Leasing Services – Commercial Leases (DIA 20-02)

Mr. Jeff Landerfelt, Executive Branch Auditor, presented the audit report pursuant to NRS 353A.085, State Public Works Division, Buildings and Grounds, Leasing Services – Commercial Leases (DIA20-02). He said this audit focused on Leasing Services' processes with the objective of developing recommendations to minimize the costs of commercially leased office space. Leasing Services must improve to avoid binding state agencies to office space contracts that are either overpriced or unnecessary. Commercially leased office space costs can be reduced by maximizing negotiating leverage and avoiding commercial leases when state office space options are available. To that end, **there are two recommendations.**

The **first recommendation** is that Leasing Services ensures the negotiated rates for commercially leased office space reflect the strength of the state's bargaining position. The state's negotiating position is bolstered by attributes that offer certain assurances to lessors such as a strong credit standing, ability to occupy large blocks of office space, tenants that are screened, trained, and closely managed, quarterly prepayments of rent and a dedicated staff for dispute resolution. Maximizing the state's negotiating leverage would yield an estimated \$2.8 million in reduced leasing costs. Leasing Services can ensure negotiated rates reflect the strength of the state's negotiating position by taking the following action:

- Extending the timeline requirement for space requests will allow adequate time to pursue other locations without compromising bargaining leverage. The current criteria of 3 months is inadequate.
- Consulting the GFO Budget Division when agencies are reluctant to consider cost-effective alternatives, will provide objective third-party input to resolve issues in favor of the state's interest.
- Enhancing staff qualifications will provide needed oversight and day-to-day operational assurance.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

B. Department of Administration, State Public Works Division, Buildings and Grounds, Leasing Services – Commercial Leases (DIA 20-02) (continued)

- Accessing dynamic market data through the Multiple Listing Service will provide more accurate information to determine fair rates during the negotiating process.
- Publicizing office space needs will generate competitive interests and broaden opportunities for building owners while increasing options for alternative locations.
- Monitoring interim term increases will help ensure rates stay within the desired market range throughout the lease term. And, finally,
- Disclosing the rate effect of tenant-requested improvement costs will provide transparency during the review and approval process to ensure requested improvements are not over-recovered by the lessor during the lease term.

The **second recommendation** is that Leasing Services develop a method to consider all available state office space to avoid engaging in unnecessary commercial office leases. Statute requires two inventories be reported annually to assist the Administrator with this task. The first inventory pertains to state-leased space, applies to all agencies, and requires each agency to identify the location, size, and current use of leased real property. This inventory is not being reported as required. The second inventory pertains to state-owned real property and applies to three agencies, Nevada Department of Transportation, the Division of State Lands, and the State Public Works Division. Like the leased property inventory, this inventory requires each agency to identify the location, size, and current use of state-owned real property. This inventory is reported, but the information provided does not identify available office space; it is not helpful to the Administrator in identifying available state-owned office space options. Because these inventories provide the basis of information needed for the statutorily required website posting by the Administrator, it is imperative that agencies understand what information needs to be reported. The State Public Works Division should clarify, in regulation, the information and format needed to identify office space opportunities. Fully utilizing available state office space resources will help ensure commercial office lease costs are minimized.

Governor Sisolak commented that landlords are not going to find better tenants than county or city or state government. Those government employees always pay their rent and they always pay on time. That means a steady cash flow without a lot of problems. It's something that the state doesn't take full advantage of sometimes, using that as a bargaining tool.

Attorney General Ford asked if there was any analysis given to the size of the agency or entities looking for space?

Mr. Landerfelt said he inspected 31 of the largest leases in the state and they accounted for about 46 percent of the leasing costs. The second part of the leasing audit will look at whether the state has a mechanism in place to take advantage of consolidation efforts or assessing office space needs throughout the state and finding consolidation opportunities and then looking at the financing mechanisms on whether the build or buy and renovate or lease options are the most advantageous to the state.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

B. Department of Administration, State Public Works Division, Buildings and Grounds, Leasing Services – Commercial Leases (DIA 20-02) (continued)

Member Dulong asked if there was a commercial real estate person employed by the Department?

Mr. Ward Patrick, State Public Works Division Administrator, responded that they do have some employees with the credits necessary to get the lower level licenses and they're pursuing that as part of the audit findings.

Member Dulong said she would highly encourage that because there would be a lot of benefit to running this particular agency more like a business because it is real estate. Member Dulong then asked on the rates that are listed for the average square footage, are those typically fully loaded rates or just per square foot?

Mr. Patrick said the Division looks to get leases fully loaded, full-service.

Member Dulong asked in line with using a commercial real estate type approach, if there are vacancies in state offices is there any ability to market those to other say local governments, nonprofits, something? Because if you could get \$1.76 a square foot versus \$1.07 internally, that would be an avenue to proceed as well.

Mr. Patrick said that's part of the audit; that's one activity that hasn't really been pursued to a great extent. So, that finding or sub-finding will be one of the most challenging areas cause it just hasn't really been pursued or been done before, but they're accepting the audit finding and pursuing it.

Governor Sisolak said some of his staff are taking Continuing Education in the real estate field to negotiate these leases, get a better feel of comps and so forth and so on, so the Department's taking those steps; it's just a little slower than sometimes you might like in the private sector.

Controller Byrne asked if they were talking about efficiencies to a more centralized service?

Mr. Landerfelt responded that this audit didn't really look at any benefit to including currently exempt agencies from the leasing process into the existing leasing services program at Building and Grounds. There are two agencies, Corrections and Higher Ed, that are excluded from having to go through leasing services to acquire their lease space as well as some boards. Some boards have that option as well.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

B. Department of Administration, State Public Works Division, Buildings and Grounds, Leasing Services – Commercial Leases (DIA 20-02) (continued)

Controller Byrne asked if people were negotiating their own leases? Mr. Landerfelt said only the state Public Works Division Administrator has the authority to bind the state for non-exempt agencies to a leasing contract. So, while agencies may have ideas or locations they are interested in, it still must go through the process at the leasing services office. Ultimately, the agency is best suited to determine the suitability for their agency because of the specific mission that they're involved in, but that is a collaboration between leasing services and the client agency always.

Treasurer Conine asked if they had any information about times that leasing has ever said "no" in these situations to an agency? Mr. Landerfelt said he was not aware of any.

Mr. Ron Cothran, Deputy Administrator of State Public Works Buildings and Grounds, said they actually consult with the agency. They make sure that staff knows where the cheaper space is and the space that would meet their needs.

Treasurer Conine asked does it end up on the plate of the Board of Examiners to make determinations as to whether or not that lease proceeds or IFC or where does that end up? Mr. Cothran said fortunately, within their audit findings they have been informed that that would be the direction that they would head in the future. They would consult with the GFO and make sure that they are on board with the potential higher dollar amount per square foot.

Treasurer Conine said to confirm, if there is a concern in the future that perhaps the agency may be making a mistake, the groups that are making the determination will have that information just like they have? Mr. Cothran said yes.

Treasurer Conine said if Nevada government employees were good tenants a week ago, they are better tenants now because both Moody's and Standard and Poor's have increased the state's credit rating.

Treasurer Conine asked if for that second phase of the audit they could look at what would be needed in order to make sure that the Nevada Real Property Corporation which was an entity that was originally set up in order to effectively build new buildings like the Bryan [phonetic] Building for state action, if they could include that, that could be a tool that hasn't been used in quite some time.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

C. Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA 20-03)

Mr. Craig Stevenson, representing the State Public Works Division, presented the audit report pursuant to NRS 353A.085, Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA20-03). He stated this audit focused on one objective, improving B&G's project management. Based on current practices, the State Public Works Division Administrator has authority to approve projects that would properly be approved through the BOE process, which may limit transparency. Additionally, changes to legislatively authorized Category 14 projects are not reported to the Governor or the Legislature, which limits oversight of these projects, and may lead to projects being neglected. To enhance transparency, accountability, and contract valuation accuracy, they made **three recommendations**.

The **first recommendation** was that B&G use historical data to estimate the value of open-ended contracts. Open-ended contracts are used to procure routine maintenance and repair services such as janitorial, HVAC, and electrical. Many of these contracts are not accurately valued and require frequent amendments. The auditors reviewed a sample of open-ended contracts awarded over the last seven years and noted that 26 percent were amended at least once prior to contract expiration. Amending contracts requires staff resources. Approximately two weeks per year of combined staff time was expended amending these contracts. Using historical cost data to estimate the value of open-ended contracts will reduce the frequency of contract amendments and create a more efficient staff process.

The **second recommendation** was that B&G formally define construction contracts in the State Administrative Manual and establish policies and procedures to clarify the use of owner contractor agreements, or OCAs. B&G has no formal definition of what constitutes a construction contract. This has caused OCAs under NRS 338 to be used for routine maintenance and repair projects instead of using NRS 333 which requires approval from the Board of Examiners or the Clerk of the Board. This was a result of the consolidation of B&G into the State Public Works Division in 2011, when the Administrator at the time determined that B&G would use the State Public Works Division's contracting guidelines for B&G's construction projects.

The Governor's Finance Office Budget Division represents that an agreement was subsequently reached with the State Public Works Division that OCAs would only be used for construction contracts that required a building permit. However, the State Public Works Division has deviated from this agreement and defines construction to be any project for which a building permit or contractor's license is required. Requiring a contractor's license does not necessarily qualify a project as construction. Using OCAs for routine maintenance and repair projects circumvents the BOE review process.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

C. Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA 20-03) (continued)

Mr. Craig Stevenson said they reviewed a sample of OCAs awarded over the last three fiscal years and noted that 70 percent were for routine maintenance and repair projects and not construction or major maintenance projects. These contracts should have been approved through the BOE process and not by the State Public Works Division Administrator. Based on our sample, approximately \$187,000's worth of contracts were approved without the visibility of the BOE process.

Other states, such as Utah, Colorado, and Arizona formally define construction contracts as contracts for the construction, alteration, or improvement of a public facility, and specifically exclude routine maintenance and repair projects. Formally defining construction contracts in the State Administrative Manual and establishing policies and procedures to clarify the use of OCAs would ensure that OCAs are properly used, comply with statute, and provide transparency of these contracts to the BOE.

The **third recommendation** was that B&G report changes to legislatively authorized Category 14 building renovation projects to the Governor and to the Legislature. B&G does not report changes to these projects because the state does not require it. Reporting changes to these projects would allow the Governor and the Legislature to have better oversight of these projects. B&G received legislative authorization and funding for specifically identified building renovation projects based on the budgetary justification that these projects required immediate action. However, for fiscal years 2015 through 2019, only 39 percent of building improvements made were to buildings associated with legislatively authorized building renovation projects. B&G did not report the remaining 61 percent of building improvements to the Governor's Finance Office Budget Division or the Legislative Counsel Bureau's Fiscal Analysis Division.

Using an existing reporting mechanism such as the reporting requirements for the capital improvement program or developing a new mechanism to report changes to legislatively authorized building renovation projects will allow the Legislature and the Governor to have oversight of spending and be able to monitor progress on these projects. This will enhance visibility on approximately \$626,000 of projects not originally authorized and prevent inaction on previously approved projects.

Governor Sisolak asked what was the total dollar amount between the maintenance part and these renovation projects?

Mr. Vita Ozoude, Executive Branch Audit Manager, said the two items that they looked at, the OCAs and the other one was about eight hundred and something thousand. However, the Category 14 projects are about \$700,000 a year, around there for those categories or projects that are under the Category 410 which are CIP type projects.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

C. Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA 20-03) (continued)

Governor Sisolak asked if these are all paying prevailing wage? Mr. Ozoude said prevailing rate does not apply because the ones that the Administrator is approving are less than \$100,000. Prior to 2019 AP 136 was enacted and the prevailing rate used to be anything over \$250,000 and they lowered it to \$100,000, and all the approvals that Mr. Patrick is approving, under his authority is within that \$100,000 or below the \$100,000. So, the prevailing rate doesn't apply to that. And the other side of it is the service contracts.

Governor Sisolak asked how are the contractors being selected? Mr. Patrick responded this is largely agency services when it comes into Category 12 and so those ones are selected based on having multiple vendors available for each discipline. In the Category 14 area it's not publicly bid. It's three bids. But those under \$25,000 using the OCA, the Owner Contractor Agreement, those are direct selected per statute.

The Governor asked who does the "direct selection"? Mr. Patrick said for under \$25,000, that's often done by a project manager that is familiar with the facility and the contractors in that locality.

The Governor asked what about between \$25,000 and \$100,000? Mr. Patrick said in that case, the Project Manager or their Administrative Services area within Public Works would issue a bid to three candidates that they think would be successful at the project, and that's per NRS 338.

Governor Sisolak asked how does one get on the list to be requested for solicitation? Mr. Patrick said they don't have a standard list, but they are familiar with the services needed and they have what's called the "qualification of bidders list" which is a list required by law in NRS 338 where vendors are qualified per dollar value of their license and per their license category. So, if there's some work in the mechanical area or electrical area, you look at the various C licenses and then pick people off of that list.

Governor Sisolak asked how does a new person gets on the list? The Governor wants to encourage new businesses, small businesses, to have the opportunity to participate in state contracts. Do they make them aware of the opening of those lists and open up the lists to get on the list so that they can be selected?

Attorney General Ford asked how is the list developed? Mr. Patrick said there's a "qualification of bidders list" that's developed per statute, NRS 338.1379. It's on their website, and any contractor can apply. There are various levels that people apply for, \$30 million and over, \$5 million and over, \$1 million down to \$100,000. So, that list doesn't directly apply, but it's reviewed. Those categories don't go that low, but all those would be candidates for these projects in Category 14. They solicit for bids to those that are on this list.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

C. Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA 20-03) (continued)

Attorney General Ford asked do they solicit from the general public to get on the list in the first place? Mr. Patrick replied that's correct. It's on their website and it was a public hearing process and their Board regulates the application.

Governor Sisolak said he wants them to be a little more proactive. Interested in doing business? Put a banner up or something and doing business with the state, click here, get their names so they can go on the list if they choose to go on the list. That's what the Governor would prefer – to encourage them.

Lieutenant Governor Marshall asked if Mr. Stevenson could get with his DAG and then they can go over 338.1379 and figure out a process that might be more open and transparent to encourage new businesses. The Secretary of State can put some information on the website for new businesses so that then they know the process. This work might end up being a recommendation for future legislation, but if they want to come back and work through a process that they can do now and a process that they can do with legislation with the DAG, that will probably go a long way for this.

Mr. Patrick said they have in-house construction law counsel through the Attorney General's Office and they will do just that.

Controller Byrne asked if they do outreach to new businesses, small businesses and participate in job fairs or labor fairs or small business workshops to get the exposure, the word out there? Mr. Patrick said they do not attend job fairs, but there are emerging small business reports that are provided to various parts of state government that could be accessed.

Treasurer Conine said he thought it was very important for them to be doing this outreach and also recommend that either directly or through BNI they reach out to their friends in the labor community who might have new members moving to town who could take on some of these smaller projects. And also what about contractors' boards? Most of those individuals would be licensed in some way, shape or form, so perhaps using those boards as outreach tools could be effective.

Secretary of State Cegavske noted that \$2.8 million of \$7 million was spent on building improvements in unauthorized buildings. She asked is there a system in place for responses or unnecessary errors of maintenance, something that you're working on to put in place, something that's a little better for repairs and maintenance when that building is going to be renovated?

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

C. Department of Administration, State Public Works Division, Buildings and Grounds – Project Management (DIA 20-03) (continued)

Mr. Patrick responded they also have a letter of intent from the Legislature that has this information requested to both the Governor's Office as well as the Legislature and so they've got a draft report that they've been providing on that, and it's referenced in their response. Although it's not their intent to go through the rigors of how reporting is done for a \$100M CIP project, they're looking at using an alternative method regarding reporting. The plan is to list all the various projects and be completely transparent, showing the original budgeted items and the cost to date and changes to budgets. Periodically sometimes projects are no longer needed or are done some other way, or there's savings in a project so there's savings and then they would add new projects onto that list to continue to maintain our buildings.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

D. Department of Corrections – Mental Health Services (DIA 20-04)

Mr. Ashwini Prasad, representing the Department of Corrections, presented the audit report pursuant to NRS 353A.085, Department of Corrections – Mental Health Services (DIA20-04). He stated this audit objective was to evaluate if NDOC could improve oversight of its mental health services. Treatment for inmates with mental health diagnoses continues to develop as NDOC moves to a framework of reviewing and assessing results of its evidenced-based programs initiative and reach out to the Department of Health and Human Services and community partners to enhance success of mental health inmates as they reintegrate into the communities.

They made **two recommendations** which could help ensure compliance with national standards and promote reintegration for inmates with mental illness into the community upon release, reduce recidivism, and work with other state agencies and community partners to benefit the state by approximately \$4.3 million.

The **first recommendation** was that NDOC establish performance measures for Mental Health Services. A Pew Charitable Trust study reported recidivism rates dropped by 23 percent in states that had implemented evidence-based programs. When NDOC's evidence-based programs are functioning as designed, NDOC should see a reduction in recidivism rates similar to those attained by other states and could benefit the state by \$2.7 million with targeted programs for mental health inmates.

The **second recommendation** was that NDOC establish a coordinated relationship with other state agencies and community partners. 90 days prior to an inmate's release, NDOC creates a Primary Release Plan, however, NDOC does not measure the effectiveness of its release plans. They found, on average, 17 release plans per week were not submitted by NDOC as required per their administrative regulations. Additionally, on average, 65 release plans per week were deemed nonviable and denied by the Division of Parole and Probation and new plans had to be created. These 65 inmates were waiting for release an average of 125 days past their parole eligibility date due to nonviable release plans.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
D. Department of Corrections – Mental Health Services (DIA 20-04) (continued)

In addition, inmates with mental health diagnoses require continuity of care as they reintegrate into the community. They found many inmates with mental health diagnoses are released into the community without any support other than their initial release plan. For the period January 2018 through August 2019, more than 31 percent of all inmates released from prison receive no post release supervision or case management in the community. Of this total, approximately 7 percent were inmates with mental illness.

NDOC should partner with state resources such as Northern Nevada and Southern Nevada Mental Health Services and other community partners to provide mental health treatment which could help bridge the gap from incarceration to reintegration into the community. A coordinated relationship with other state agencies and community partners such as consulting with the Division of Parole and Probation before finalizing any proposed release plans would reduce time inmates wait to be released, benefiting the state by approximately \$1.6 million annually, and working with the Department of Health and Human Services to help bridge the gap from incarceration to reintegration into the community to provide continuity of care for inmates with mental health illnesses.

Lieutenant Governor Marshall said Nevada has nonviolent offenders who are put in prison and incarcerated when the real driver is a mental health issue. It strikes her that they are using the corrections institutions and agencies to correct wrongs that they're not meant to correct. They should be trying to work with the courts on other programs because the state corrections institutions are becoming mental health facilities. Incarcerating people with mental health issues is not the answer to society's issues or the community's issues or the prisoners' issues.

Secretary of State Cegavske asked about programs in place for the release of nonviolent offenders with mental health issues.

Mr. Harold Wickham, Acting Department Director, responded their agency is looking and working hard to meet the needs of their mental health communities. And he thinks with this audit they will be able to move further forward in accomplishing their goals. They have plans to follow the audit recommendations and to create further steps to accomplish their goals because they believe this culture has to change. They have to start recognizing the necessity of treatment for mental health offenders and they have to have a smoother hand off with P&P and other agencies and that data stream continues to flow, the continuum of care, rather than just pass this person off to the next person or the information stops at one point and doesn't proceed to the next. They are working with their IT managers, executives and clinicians as well as program staff to create a better hand off. When they do that 90 day patient evaluation it needs to be a more comprehensive plan with more follow-through. They will use the data that they extrapolated on their plan so parole and probation can take a more active role in influencing the mental health offenders to continue programming, continue follow-up care and outreach programs.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
D. Department of Corrections – Mental Health Services (DIA 20-04) (continued)

Secretary of State Cegavske said she still had concerns about inmates being released and running into problems because they were unable to access records and files. It was preventing them from getting jobs, getting housing, etc.

Kim Thomas, Deputy Director of Programs, said they are moving towards transparency and they totally embrace this recommendation. It gives them tremendous ability to sustain many of the things they've done through the federal Recidivism Reduction Grant, which actually ties in with the two recommendations here. With respect to AB-10, with the help of a couple very phenomenal staff members and cooperation with DMV and all counties, they now have an unvalidated ID card just like the AB-10 says and it's fully accepted across the state. And as discharges go, they prefer to have mental health agents in the discharge role where there is actually supervision, but sometimes they must rely on community partners to do it.

Attorney General Ford said at the last pardon's meeting he attended, an inmate was applying for pardon who acknowledged he needed counseling, but didn't want to do it in prison, and there's nothing that they can do about that. The Attorney General said he is fully aware of the limitations of NDOC institutions. He said he wouldn't be surprised if they saw these same type of things crop up in audits again, but he's happy to hear that everyone is going to be working hard to try to make things happen.

Attorney General Ford said he is concerned that the primary release plans are being rejected as nonviable and inmates are being retained in prison for months beyond their parole eligibility date. What's the main reason for the rejection of these PRPs?

Mr. Ozoude replied that one of the main reasons is that some of the inmates are very hard to place in housing, so most of the reasons that those inmates are being detained is because of housing. NDOC cannot find housing for some of them, so they should be working with PRP to make sure that there is housing available, the community partners are there to make sure that there is housing available, and there is somebody who can take these hard to place inmates into their own communities.

Attorney General Ford said that's why he said he wouldn't be surprised to see this on another Audit Committee coming forward. There are restrictions and leases that don't have to let ex-offenders live in their facilities or in their apartment complexes.

Mr. Thomas said this issue stands out in the audit. They need to know if they can work with P&P to understand the criteria for an acceptable plan and impose that same criteria at the first try of developing a plan. P&P also approves transitional housing that is acceptable, and transitional housing in Las Vegas is very challenging. Mr. Thomas said he wants to create a probation report that extracts information from notes and adds certain mental health information that can be distributed to the supervising officer. So the very day that offender is released, the supervising officer knows everything.

5. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)
D. Department of Corrections – Mental Health Services (DIA 20-04) (continued)

Attorney General Ford said he thought it was imperative to do exactly that. They need to do everything they can to address the issues that are needed for a viable primary release plan. The Attorney General said he has “grave concern” about people who should be released who are not being released because of a non-viable plan. On a going forward basis, the only reason why that should be the case should be things that are external to their ability to address, for example, like housing.

7. Status of Outstanding Audit Recommendations. (Information Only)

Mr. Lowman stated Item 7 is the status of outstanding audit recommendations to include those with a dollar value and those that do not have a dollar value.

Controller Byrne asked if there was a time frame for recommendations in general? Mr. Lowman said in general, no. They work with agencies sometimes over many, many years, based on all sorts of constraints that they have until final implementation or they agree that the recommendation is no longer applicable.

Controller Byrne asked if they do not see any completion of these recommendations or some movement to correct these problems, what’s the penalty? Mr. Lowman said for the most part, agencies are trying to do the very best they can, trying to implement the recommendations, and it’s not a question of dragging their feet or they just don’t want to do it. If they see a particular recommendation where they can turn to leadership in the Governor’s Finance Office or they can turn to the Governor and ask for assistance, they certainly do that. And that would be the mechanism by which they would pursue outstanding recommendations that they believe could have been more a work in progress.

8. Estimated Benefits to Nevadans from Audit Recommendations. (Information Only)

Mr. Lowman stated Item 8 is their compilation of the estimated benefits to Nevada, which leads into our principal performance measure where for every dollar the state invests into internal audit, we return \$89, and that’s over a nine-year period.

Controller Byrne asked several questions about 1601, the Taxicab Authority and how the benefits amounts were derived. Mr. Lowman explained the particulars: the \$27 million was identified from rescinding the fuel surcharge and that was identified in the audit. The Administrator of the Taxicab Authority did rescind the fuel surcharge and he did that four months into the fiscal year. They should have taken a benefit for eight months in that first year and then the full benefit for the amount thereafter. They didn’t do that. This was an accounting error on the audit in that they took a smaller benefit than they should have and then they adjusted based on the actual benefit and took the correct benefit then beginning in 2019, which was a little over \$16 million. It is not going to be \$27 million as identified in the original audit. It’s going to be what they determined was the actual benefit thereafter when the recommendation was fully implemented, about \$16 million.

9. Approval of the Division's Annual Report Pursuant to NRS 353A.065. (For Action)

Mr. Lowman said Item 9 was their annual report and they would ask the Committee to approve the annual report per statute.

Governor Sisolak asked if there were any questions on Item 9, and there were none. The Governor said he would entertain a motion.

Motion: Approve the Division's Annual Report Pursuant to NRS 353A.065

By: Unidentified speaker

Second: Unidentified speaker

Vote: Passed Unanimously

After the vote, Controller Byrne asked what was the difference between this audit and the LCB audit? Mr. Lowman explained the LCB Audit is like Legislative Oversight Audits of the Executive Branch. Internal Auditing are the internal auditors for the Governor, and they report to the Governor although functionally they are reporting our results to an Executive Branch Audit Committee. LCB follows the *Yellow Book* that's promulgated by GAO and Internal Auditing by statute follows the *Red Book* from the International Institute of Internal Auditing.

Controller Byrne asked what was the process? Mr. Lowman explained in general, they work independently. They do not share work papers. Because of the collegial nature of the two organizations, they do share thoughts, concepts, talk to each other, that sort of thing. By statute Internal Audit follows up where the Director of the Governor's Finance Office is responsible to follow up on the six-month follow-up report on LCB Audits. That function is delegated to the Division of Internal Audits, so to the extent that they conduct the follow-up and report our results to LCB, that would be the only real work together.

Controller Byrne asked when somebody comes to them with an issue, how do they determine if it's a full internal audit or a compliance review or financial management issue? How do they determine what level they are when they say they need to be audited? Mr. Lowman said as they indicated in the annual report for internal audits themselves, they take requests from agency directors and from the Governor's Office. They have the hotline that they review, and they also conduct a risk assessment biennially to determine what agency should, ought to be or would like to be audited. Compliance reviews are required by statute to go out and look at transactions and agencies, and they've been able to develop the sophistication level of what they do based on a very talented staff and are able to take a more systemic view of agency actions, transactions, et cetera, et cetera.

Controller Byrne asked if they were having any difficulties hiring and retaining quality staff? Mr. Lowman said no, they have no problems in that area. They have a "robust" internal training program and many talented senior managers.

10. Revision of the Annual Audit Plan Pursuant to NRS 353A.038.
(For Action / Possible Action)

Mr. Lowman said Item 10 was looking at revision to the Division's audit plan that the Committee approved last time. They've had a risk assessment and they would like to add a statewide audit of cell phone stipends. They are working towards some sort of state policy for the state administrative manual to guide how agencies are using cell phone stipends.

Secretary Cegavske asked if she could get some background on what were some of the questions that led them to add this to the audit. Mr. Lowman said information came to them on variances in the stipend that agencies are giving to state employees to use their personal phones for state work and for their state positions. And those variances were from \$15 to \$95 a month to these individuals to use their own phone. And so they want to take a look at all of that, how much agencies are paying, if they're paying, what's the criteria for how they determine the amount that they paid and is there a better way to do that statewide, and if it is, what would be the appropriate policy for giving someone a stipend to use their personal phone.

Motion: Include the addition of the cell phone stipend to the statewide audit
By: Unidentified speaker
Second: Unidentified speaker
Vote: Passed Unanimously

11. Committee Members' Comments

None.

12. Public Comments

Lieutenant Governor Marshall said she wanted to thank Ms. Isherwood for her service.

Governor Sisolak said he wanted to thank Ms. Isherwood as well. He also thanked Mr. Lowman and his team. He said they had a couple of tough audits this time around and Mr. Lowman and his team were "consummate professionals" and their hard work was greatly appreciated.

13. Adjournment (For Action)

After thanking everyone one last time, Governor Sisolak adjourned the meeting at 3:50 PM.