

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

Lisa Cano Burkhead
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

Date and Time:

June 30, 2022, 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

MEETING MINUTES

1. Meeting CALL To Order/ Roll Call/ Remarks

Governor Sisolak, Chairman, called the Executive Branch Audit Committee meeting to order at 1:00 p.m. Roll call established a quorum was present.

Members Present:

Governor Steve Sisolak, Chairman
Lieutenant Governor Lisa Cano Burkhead
Secretary of State Barbara Cegavske
State Treasurer Zach Conine
State Controller Catherine Byrne

- 2. Public Comment** (The first public comment is limited to comments on items on the agenda. No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The Chair of the Executive Branch Audit Committee will impose a time limit of three minutes. Public comment may be provided in person or via telephone. To provide public comment on an item on the agenda via telephone, dial 775-321-6111. When prompted to provide the meeting ID, please enter 830 889 859#. When the Chair opens the public comment period, dial *5 to request to be unmuted. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-0222.)

There were no requests to make public comment.

3. Approval of the February 22, 2022 Minutes. (For Action)

Motion: Approve the February 22, 2022 EBAC Meeting Minutes
By: State Treasurer Zach Conine
Vote: Passed unanimously.

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

- A. (DIA 22-06) Department of Public Safety, Investigation Division – Task Force Operations; Saranjeet Bains, Executive Branch Auditor; Warren Lowman, Administrator.

Saranjeet Bains, Executive Branch Auditor noted Chief Ryan Miller was representing the Investigation Division. The audit focused on improving the efficiency and effectiveness of NDI's task force operations. NDI's task forces play a critical role in NDI accomplishing its law enforcement and public safety missions. The audit found that requesting collaboration from non-participating counties in narcotics task forces and collecting investigative data to optimize decision making will help ensure more efficient and effective operations.

The audit made two recommendations: First, to request collaboration from non-participating counties in NDI narcotics enforcement operations and, second, to collect investigation data to optimize decision making. Regarding the first recommendation, Mr. Baines noted that although NDI successfully conducts day-to-day activities given their current staffing levels, NDI can increase public safety by requesting local law enforcement collaboration from counties that are not participating in one of the drug enforcement task forces. Collaboration from non-participating counties will help support law enforcement activities across the state, free up limited overtime funds, and increase public safety for Nevada families.

NDI is comprised of four operational units: auto theft, homeland security, major crimes, and narcotics enforcement. Just under a third of sworn investigators are assigned to major crimes and a third are assigned to narcotics enforcement. As part of its narcotics enforcement efforts, NDI oversees five multi-jurisdictional task forces aimed at preventing the use, sales, and distribution of illegal drugs. These task forces operate in 12 of Nevada's 17 counties. Local law enforcement agencies do not provide resources to assist these task forces in Nye, Esmeralda, Mineral, Lyon and Storey Counties. Additionally, Washoe and Clark Counties have their own narcotics investigation units and do not provide direct support to NDI's task forces.

Review of the narcotics enforcement investigative caseload revealed that nearly 10 percent of investigations were conducted in jurisdictions without local commitment. Washoe County in particular accounted for 78 percent of investigations that incurred in the counties without local law enforcement support in fiscal years 2020 through 2022. Among the five rural counties that do not provide local assistance, only 16 investigations were reported over a three-year period.

NDI believes that it may be inefficient to operate a narcotics task force on a full-time basis in a county or city with a small population base. DIA does not disagree. However, population

and growth figures in non-participating counties suggest the need for more collaboration from local law enforcement as growth will inevitably increase the prevalence of narcotics.

Equitable participation from counties would enhance public safety. There are several options that would allow non-participating counties to participate equitably in NDI's narcotics enforcement task forces, including: assigning a full-time or part-time officer to support an existing task force; establishing a rotating officer support schedule between non-participating rural counties; and/or assessing a monetary fee to non-participating counties for drug enforcement operations conducted by NDI. Improving efficiency and effectiveness of operations through heightened state support from some non-participating counties would free up overtime funds for other public safety needs and reduce General Fund compensatory time payments.

Second, the audit recommended NDI collect more comprehensive data to manage task force operations more efficiently and effectively. NDI currently does not track quantitative data such as costs accrued per jurisdiction, the overall cost of an investigation, or time spent on an investigation. Gathering more comprehensive data on NDI task forces' support would help NDI optimize the way resources are allocated, determine how grant money is distributed, and prioritize needs for local law enforcement assistance.

- B. (DIA 22-07) Department of Administration, State Public Works Division, Building and Grounds – Extra Services Charges; Beatriz Mena-Ortiz, Audit Manager; Warren Lowman, Administrator.

Beatriz Mena-Ortiz, Audit Manager, noted Matt Tuma, Department of Administration Deputy Director and David Dutra, State Public Works Division Deputy Administrator, were representing the agency. The audit's objective was to develop recommendations to enhance the transparency and accuracy of charges to agencies for extra services.

NRS 331 allows the State Public Works Division to charge for the cost of labor and materials for extra services provided to other agencies by B&G. B&G assesses a 15% contingency fee to service estimates as an allowance for overages that may occur. Review of work orders and service request estimates showed that almost 90% in Fiscal Year 2020 and over 92% of work orders in Fiscal Year 2021 were below the original estimate. Work order estimates had a variance between 11 – 75%. Although there was a large variance in contingency estimates, review of data showed only actual costs incurred were charged to agencies.

B&G also charges a 15% overhead fee to cover the cost of administrative expenses incurred with providing extra services. These charges too need to comply with the statute to cover the cost of labor and materials. Additionally, the B&G budget authorizes a 10% charge for overhead, not to exceed \$635. DIA found B&G does not have a methodology or justification for how the overhead rate is set. The lack of a methodology makes it difficult for B&G to assess whether the overhead fee rate is appropriate. DIA does not disagree that a 15% overhead rate may be necessary to cover administrative expenses; however, B&G should develop and document a methodology for calculating overhead to ensure an allowable amount per statute is charged.

The audit made three recommendations for State Public Works and B&G to improve extra services. The division should: first, define and document overhead charges and rates; second, breakout charges for labor materials and overhead for extra services and; third, adjust charges for inmate labor.

DIA found labor rates are of particular concern. B&G charges flat labor rates for extra services regardless of the workforce used to provide the service. Rates range between \$19 and \$32 an hour, depending on the type of service. Review of data for Fiscal Year 2020 and 2021 showed that extra services generates both overages and undercharges. However, on average, B&G work orders charged a higher labor rate than the actual cost of labor.

Most of the overcharges come from the use of inmate labor. The more inmate labor used, the greater the over charge. In instances in which B&G charged less than the cost of labor, state employees were primarily used. State employees are paid approximately between \$17 and \$39 an hour with an average wage of \$28.

The average inmate wage for the fiscal year reviewed was \$1.06. B&G forwards inmate pay to the Department of Corrections and deposits any overage into its operating fund. DIA estimates B&G charged almost \$13,500 for inmate labor over the two fiscal years reviewed and paid approximately \$745 to the Department of Corrections, overcharging by 94%.

Additionally, the audit found B&G does not maintain proper records. B&G maintains a spreadsheet to track extra services per fiscal year, including overhead, materials, and labor. Tracking spreadsheet categories are inaccurate. Materials and overhead are combined into a single line item and no distinction is made between types of materials used.

In summary, improving transparency and accuracy of extra services will ensure B&G is complying with regulation and only charging agencies for the cost of labor and materials associated with providing extra services.

State Treasurer Zach Conine stated that in both this instance and in past conversations around the rental rates, common fee spaces, and the rest, there seems to be a trend of profit being generated. The Treasurer noted profit may be the wrong word but a delta between what is charged to the agencies and the actual cost of providing the services. He asked if the agency could help the committee understand where that profit goes.

Matthew Tuma, Deputy Director of the Department of Administration stated the bulk of B&G's operating funding comes from the normal rental rates paid by the agencies who occupy state-owned buildings. These are rates that had been charged when those agencies request specific activities and improvements. The rates are reevaluated once every biennium when going through the budget cycle; any additional cash that is received affects the overall B&G rates for the following biennium. If there is an over-collection or if there is a lot of savings, for example there are a lot of vacancies right now, we are going to end this fiscal year with a lot of savings. That savings will be extra cash that will balance forward into the next biennium and impact rates accordingly with having that extra cash. The division is limited on the number of days of reserve cash it is allowed to hold, there is no profit that goes into and

grows the reserve. The cash simply goes and cycles into the next biennium and affects the rates, up or down, depending on where the cash balance of that reserve is.

State Treasurer Zach Conine stated he would love to see just the spreadsheet that shows how those rates have changed over years as that reserve amount has been larger going into the year and at least on our end, it has always gone up. He stated he was curious to see how that's affected. He stated it would be easier on a spreadsheet but they can take that offline if that is better.

Matthew Tuma stated they would be happy to forward that information.

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

- A. (DIA 22-01) Department of Administration, State Public Works Division, Building and Grounds Section – Rents; Craig Stevenson, Audit Manager.

Craig Stevenson, Audit Manager, noted this is the six-month follow-up to the Department of Administration, State Public Works Division audit, DIA report number 22-01, that focused on state-owned building rental rates. There is one recommendation that has been partially implemented to enhance the transparency and accuracy of rental rate calculations for state-owned buildings.

The division contracted with third-party professionals to measure the occupied and public space in state-owned buildings available for rent and created a rental agreement that is provided to tenants when leasing space in state-owned buildings. The division anticipates full implementation of this recommendation by October 2022.

- B. (DIA 22-02) Department of Public Safety, Investigation Division – Administrative Functions; Warren Lowman, Administrator.

Warren Lowman, Administrator noted this is the six-month follow-up of DIA report number 22-02. He stated there has been a lot of progress and congratulated the division on the progress made on the audit recommendations. NDI fully implemented the recommendation to improve grants management and is working on developing the performance measures improvements recommended in the audit. Lowman pointed out for the committee's reference that no action has been taken on the recommendation to promote workforce diversity. NDI commented in its response that responsibility for workforce diversity is held at the department level and is not something NDI would necessarily take the lead on.

Curtis Palmer, ASO 4 for the Department of Public Safety in the Director's Office stated the standard policy on any of their recruiting efforts is certainly tailored towards inclusion of all people and walks of life but there are marketing campaigns that target ethnicity and gender. He stated there is always room for improvement but certainly they are addressing workforce diversity as in the past.

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

- A. (DIA 20-10) Department of Administration, State Public Works Division – Long-Term Office Space Planning Mechanism; Craig Stevenson, Audit Manager.

Craig Stevenson, Audit Manager, noted this is the annual follow-up to the Department of Administration, State Public Works Division audit, DIA report number 20-10, that focused on the state's long-term office space planning mechanism. There are five outstanding audit recommendations, all are partially implemented. To implement the recommendations, the division is pursuing a BDR for consideration during the 2023 legislative session and conducting a survey of state agencies to develop a financial model that analyzes the benefits and disadvantages of leasing state office space. The division also identified a vacant staff position to develop lease purchase models and is conducting a survey of state agencies through the CIP application process to identify long-term office space needs.

- B. (DIA 20-11) Department of Administration, Purchasing Division – Master Service Agreements for Direct Client Services; Craig Stevenson, Audit Manager.

Craig Stevenson, Audit Manager, noted this is the annual follow-up to the Department of Administration, Purchasing Division audit, DIA report number 20-11. The audit focused on MSAs for direct client services and the BOE contract approval process. The audit made three recommendations. The recommendation to allow the clerk of the BOE to approve contracts for services valued up to \$100,000 was fully implemented with the passage of SB 445 effective July 1, 2021. The other recommendations are no longer applicable as the BDR to delegate procurement authority for direct client services was unsuccessful.

7. Review of the Annual Audit Plan Pursuant to NRS 353A.038. (For Possible Action)

Warren Lowman, Administrator, noted the audits DIA has planned as they currently exist. DIA is working the two audits for the meeting scheduled for November 30th. That meeting is also an administrative meeting. DIA will have an audit plan for the committee's review and approval. The annual report will be available for the committee's review and approval and also several six-month follow-ups and annual follow-ups. While only two audits, it will be a full agenda. Lowman noted the way the audit work has been progressing, DIA would not anticipate having another committee meeting prior to the legislative session in 2023. In June after the session, DIA will come back with five, perhaps six other audits for the committee's review. Unless there are any changes to this plan as shown or any requests for additional audits from committee members, there would be no action necessary at this time. DIA will be coming back for action for the Fiscal Year 2023 audit plan in November.

8. Committee Members' Comments

Secretary of State Barbara Cegavske stated she would like to thank Warren Lowman for answering their questions. She stated Scott Anderson, her Chief of Staff, asked some really good questions and he got back to them right away. She stated she can't say enough about the staff. Governor Sisolak thanked the Secretary for acknowledging the work of staff.

9. Public Comment (This public comment period is for any matter that is within the jurisdiction of the public body. No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The Chair of the Executive Branch Audit Committee will impose a time limit of three minutes. Public comment may be provided in person or via telephone. To provide public comment via telephone, dial 830 889 859#. When the Chair opens the public comment period, dial *5 to request to be unmuted. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-0222.)

There were no requests to make public comment.

10. Adjournment

Governor Sisolak adjourned the meeting.