

**STATE OF NEVADA  
EXECUTIVE BRANCH AUDIT COMMITTEE MEETING**

**MINUTES  
March 18, 2009**

The Executive Branch Audit Committee and the Division of Internal Audits met on March 18, 2009, at the Capitol Building Annex, Second Floor, 101 N. Carson Street, Carson City, Nevada. The meeting was videoconferenced between the Capitol Building Annex and the Grant Sawyer State Office Building, Governor's Office, 555 East Washington Avenue, Las Vegas, Nevada.

**These minutes were approved by the September 29, 2009, Executive Branch Audit Committee Meeting.**

**MEMBERS PRESENT:**

Governor Jim Gibbons, Chairman  
Secretary of State Ross Miller  
Treasurer Kate Marshall  
Controller Kim Wallin  
Attorney General, Catherine Cortez Masto  
Dana L. Bridgman, CPA, Public Member

**MEMBERS NOT PRESENT**

Lieutenant Governor Brian Krolicki – conflict with schedule attending another meeting.

**DIVISION OF INTERNAL AUDITS**

**STAFF PRESENT:**

William Chisel, Chief  
Steve Weinberger, Financial Manager  
Mike Colburn, Executive Branch Auditor IV  
Warren Lowman, Executive Branch Auditor IV  
Vita Ozoude, Executive Branch Auditor IV  
Connie Boynton, Administrative Assistant IV

**OTHERS PRESENT:**

Copy of sign-in sheet available, contact Connie Boynton, Administrative Assistant IV at [cboynton@iaudits.nv.gov](mailto:cboynton@iaudits.nv.gov).

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

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**A. Call to Order**

Governor Gibbons, Chairman, called the meeting to order at 1:40 p.m. Governor Gibbons welcomed those present and apologized for problems with double booking and he said the Lieutenant Governor was having a meeting at the same time but in a different location. The Governor then asked William Chisel, Chief of the Division of Internal Audits to call roll. A quorum was noted. Governor Gibbons said that one of the most important tasks is to provide efficient government and to meet the expectations of the people of Nevada. He said the first order of business would be Agenda item B, a discussion of possible action, regarding the minutes from November 6, 2008.

**B. Discussion and possible action regarding the minutes from the November 6, 2008 meeting.**

Mr. Chisel asked the Committee to refer to Tab 2 in the packet book and asked if there were any questions regarding the draft minutes from the November 6, 2008 Executive Branch Audit Committee meeting. There were none.

**Motion:** Move for approval of the minutes of the November 6, 2008, meeting.

**By:** Attorney General Catherine Cortez Masto

**Second:** Secretary of State Ross Miller

**Vote:** Motion approved 6-0

**C. Discussion and possible action regarding revisions to Division's policy and procedures for operations. (NRS 353.038)**

Governor Gibbons moved to Agenda item C, discussion and possible action regarding revisions to the Division's policy and procedures for operation under (NRS 353A.038).

Mr. Chisel addressed the Committee and asked them to look at Tab 3 of the packet. He explained there was a breakout of the Division of Internal Audits (Division) policy and procedures for operation. He said the three sections were:

- **Internal Audits Section**
- **Financial Management Section**
- **Post Review Section**

Mr. Chisel said the Division made amendments and had taken out the Time Tracking sections and moved them to the Administrative policies and procedures. Mr. Chisel said he was presenting them to the Committee for approval.

Governor Gibbons asked the Committee if they had any comments, questions or concerns regarding the Agenda Item C, revisions to the Division's Administrative policies and procedures. There were none.

**Motion:** Move for approval regarding revisions to Division's policy and procedures for operations.

**By:** Controller Kim Wallin

**Second:** Secretary of State Ross Miller

**Nay** Treasurer Kate Marshall

**Vote:** Motion approved 5-1

Governor Gibbons wanted the record to reflect there were five ayes and one nay.

**D. Discussion and possible action regarding revisions to Division's Annual Report. (NRS 353A.038)**

Mr. Chisel addressed the Committee asking them to look at Tab 4 in the packet, as he wanted to point out page 7 of the 2008 Annual Report. He said that was the Internal Audit Section and showed how eighty-eight percent of the Division's recommendations had been fully implemented. He also asked the Committee to look at page 10. He indicated how the Division had a performance measure showing every dollar spent on the Internal Audit section, Nevadans had benefitted by \$32.

Additionally Mr. Chisel explained how the Annual Report outlined what each section had done. He further explained how the Financial Management section helps other agencies insure they have good internal controls. He said the Post Review section looks at other agencies transactions and insures they are actually processed and compliant with state guidelines. Mr. Chisel concluded by saying how the Division helps approximately one third of Nevada's agencies each year. He asked the Committee if there were any questions.

Governor Gibbons asked how the cost benefit ratio is calculated before being presented to the Committee.

Mr. Chisel replied how the \$32 was based on the Division's audits, and he explained when the Division completes an audit the Division will come up with an estimated benefit. He said these benefits are based on the recommendations and associated dollar amounts. Mr. Chisel said the Division seeks agency acceptance of the amounts. He said that based off that amount, when the recommendation is fully implemented, the division will use that as a dollar amount. He said the Division will go back to the agency every six months after the audit is released and every year thereafter. He also said once the Division deems the audit is fully implemented that is used as a dollar benefit. Mr. Chisel also said when there is a significant change in the division's recommendation or the potential for change in the dollar benefit, it is amended accordingly.

Governor Gibbons asked if the \$32.72 for every dollar was a single year projection.

Mr. Chisel said it was for 2008.

Governor Gibbons asked if that included any savings outside of efficiencies, and asked if it included staffing positions that weren't filled.

Mr. Chisel said that if it was part of a recommendation then it would be.

Governor Gibbons inquired if there was a consolidation required, would that effort be taken from one or more jobs and placed in another. And would those savings be incorporated in the Division's recommendation.

Mr. Chisel said that was correct.

Governor Gibbons said he understood how it was just not all resources, but personnel savings as well.

Mr. Chisel affirmed.

Governor Gibbons asked if there were any questions.

Controller Wallin stated she had a question.

Controller Wallin said to Mr. Chisel she had some questions concerning Risk Assessments. She inquired how, besides looking at audit reports, the Division looks at single audit findings. And she asked if that was used as part of the Division's risk assessment. She said she wondered if it was utilized because she did not see it in the report. She also said there were a lot of findings that continue to go on year after year that don't seem to get cleaned up.

Mr. Chisel answered the Division does look at them.

Controller Wallin asked Mr. Chisel about the performance indicators. She asked if the Division knew who would respond back on the blind surveys.

Mr. Chisel responded that the surveys can only be so blind he stated the Committee meeting has two audits and the surveys were sent out.

Controller Wallin asked if there could be a mechanism to find someplace where people could send surveys to an impartial source, then tally the surveys and give them to the Division on a quarterly or annual basis.

Mr. Chisel said he thought the Department of Administration was implementing something similar.

Controller Wallin commented on the Financial Management Section. More specifically she mentioned the training percentage of recommendations fully implemented. The range she saw was actual FY07, seventy-six percent, FY08, seventy percent, and then FY09, seventy-seven percent. She went on to mention the test scores and stated to Mr. Chisel that in FY07 the test scores were at twenty-five percent and the projected was forty-five percent. She also said in FY08, eighteen percent and thirty-three percent was projected. She then asked Mr. Chisel if the Division was trying to improve.

Mr. Chisel replied affirmatively.

Controller Wallin said that instead of going back to what happened in 2007 she would like to see the Division stretch to get better. She said she would like the Division to explain what happened and what the Division was doing to improve more.

Mr. Chisel thanked Controller Wallin, for her observations and concerns.

Governor Gibbons asked if the Committee had any other questions or comments. There were none.

**Motion:** Move for approval regarding revisions to the Annual Report.

**By:** Treasurer Kate Marshall

**Second:** Controller Kim Wallin

**Vote:** Motion approved 6-0

Governor Gibbons said to let the record reflect it passed with six members voting for it and one abstention. He asked if there was a requirement to notice the numbers for approval of measures as long as they make a majority.

Deputy Attorney General Katie Armstrong replied how there was no requirement.

#### **E. Discussion and possible action on the status of the Audit Plan.**

Mr. Chisel prompted the Committee to go to Tab 1, page 1 in the packets and he explained the progress of the audits and estimated completion dates. He explained there was a table showing the outstanding audits the Division had not started. Mr. Chisel referred to Tab 5 in the packet and said how that was where the Committee could see how audits are selected. Mr. Chisel said the primary method in the past had been to seek suggestions from department administrators and from the Committee. Mr. Chisel said that when there are not enough suggestions, his Division will do what is called a Risk Analysis. He explained how the risk analysis takes each agency and assigns a point value to them, and the point value is based on things like funding source, revenue size, when they were last audited. Then the Division will weigh those factors to determine which audit to select.

Mr. Chisel asked the Committee if they would like to suggest any audits.

Treasurer Marshall wanted to know which audits the Division currently had in progress. She also wanted to know which audits outstanding were requested versus risk-based.

Mr. Chisel said he could verbally go over it now, and began doing so.

Mr. Chisel explained how the Mental Health and Developmental Services (MHDS) were risk based. He said the Insurance Premium Tax, the Department of Transportation (NDOT) and the Nevada System of Higher Education (NSHE) were all requests.

Treasurer Marshall asked if the Health and Human Services (HHS) audit was risk-based.

Mr. Chisel replied how they were risk-based and were broken in half, due to their size. Mr. Chisel said the outstanding audits were all risk-based. Mr. Chisel also said the requested audits are prioritized and those are acted on first. He said that most of the audits in progress are requested.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

Governor Gibbons observed how there were no attendees for the meeting in Las Vegas, so no one had been deprived of speaking to the committee via the video.

**Motion:** Move for approval regarding discussion and possible action on the status of the Audit Plan.

**By:** Secretary of State Ross Miller

**Second:** Attorney General Masto

**Vote:** Motion approved 6-0

**F. Presentation of the Division of Internal Audits' six-month follow-up status reports. (NRS 353A.090)**

Mr. Chisel presented the Internal Audit six-month follow-ups, and told the Committee the Division would start with Commission on Tourism's Nevada Magazine.

**1. Nevada Magazine**

Mike Colburn, Executive Branch Auditor IV, presented the six month follow-up audit report.

Mr. Colburn stated he would be presenting the six month follow-up for the Commission on Tourism, Nevada Magazine (Magazine) and introduced Janet Geary, Publisher, as a representative of the Magazine.

Mr. Colburn explained to the Committee, Nevada Magazine was established in 1983 to promote and market Nevada as a tourism and travel destination. Mr. Colburn said the Magazine was a bi-monthly publication that featured articles about Nevada's heritage, culture, historical monuments, natural wonders and resources. He said the audit addressed how the Magazine could increase paid circulation.

Mr. Colburn said the Internal Audits Division issued four recommendations. He said two recommendations were fully implemented and two were partially implemented. Mr. Colburn said the Magazine fully implemented the recommendation to expand both urban and rural distribution. He said among its actions, the Magazine was now in both the Las Vegas and Reno airports. Further, Mr. Colburn additionally said specific staffs were assigned to develop local distributors. He also said the Magazine fully implemented a recommendation to ensure direct mail literature was accurate. He said the Magazine inventoried mailing literature and destroyed everything that was not current.

Mr. Colburn said the Magazine made progress in implementing the remaining two recommendations. He also said the Magazine had been using several methods to

enhance collecting sales and location information by working with distributors to obtain more data on sales and locations, receiving more detailed sales information from agents, and approaching retailers directly regarding selling the magazine. Mr. Colburn continued, saying the Magazine is taking several actions to obtain new subscriptions. He said the Magazine recently reported bringing 600 new subscriptions through gift subscriptions and is working with the Department of Motor Vehicles and the Las Vegas Convention and Visitor Authority to include subscription offers in their mailings.

This concluded Mr. Colburn's presentation and he asked the Committee if there were any questions.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

## **2. Commission on Economic Development**

Vita Ozoude, Executive Branch Auditor IV, presented the six month follow-up audit report.

Mr. Ozoude stated he would be presenting the six month follow-up for Commission on Economic Development (Commission) and introduced Charlie Geocaris, Director, Nevada Film Office, Margene Stenger, Administrative Services Officer, and Kimberly Elliott, Marketing Director as representatives.

Mr. Ozoude explained to the Committee the Commission was created in 1983 with two divisions, Economic Development and Motion Pictures. He said the Commission had several programs which included attracting companies to the state, such as captive insurance companies encouraging the film industry to use Nevada locations as well as helping production companies obtain required licenses and permits, and providing Community Development Block Grant (CDBG) funds to rural communities.

Mr. Ozoude said the audit focused on three areas:

- ✓ **Increasing Captive Insurance Revenues**
- ✓ **Creating Financial Incentives to attract Film Industry**
- ✓ **Enhancing use of idle CDBG funds**

Mr. Ozoude said three recommendations were issued and partially implemented. He said first, the Division recommended the Commission seek a change in statute to provide two percent of the total captive insurance revenues to be used for promotion of the industry. Mr. Ozoude also said the Commission stated they were in the process of pursuing legislation with the Division of Insurance to implement this recommendation, but was unable to fully implement this recommendation because of budgetary concerns.

Mr. Ozoude reported secondly, the Division recommended the Commission propose legislation that offered a sales tax exemption to production companies that film in Nevada. Mr. Ozoude also said the Division initially determined the Commission was in the process of pursuing legislative action. He said the legislation was introduced and is currently being considered. Mr. Ozoude said the recommendation was now fully implemented.

Mr. Ozoude said lastly the Division recommended that the Commission use the idle CDBG funds from the Department of Housing and Urban Development (HUD), which maintains as a line of credit short-term float loans. He said the Commission is in communications with HUD and is currently researching and collecting information on how to implement this recommendation. He said the Commission anticipates the funding will be allocated to float loans by July 2009.

This concluded Mr. Ozoude's presentation and he asked the Committee if there were any questions.

Governor Gibbons asked Mr. Ozoude if the Division had a bill draft to propose the changes that were just made.

Mr. Ozoude said there was currently a bill draft.

Governor Gibbons asked if the film industries were the only industry that get the sales tax exemption, or proposed sales tax exemption.

Mr. Geocaris introduced himself to the Committee and said that is under research in terms of fiscal impact, and the number one priority is to determine what the cost to the state would be. He said he thought there were other exemptions, and this was the first time the state would consider giving any kind of incentive to the film industry. Mr. Geocaris said currently Nevada is only one of eight states that do not have any kind of film incentive, and said that is why it is being considered.

Governor Gibbons wanted to know if Nevada was losing film industry work to any of the other eight states.

Mr. Geocaris said that a lot of scripts intended for Nevada are being done in Arizona, Louisiana, Utah and other states and calling themselves Nevada. He said several of them will be coming to the screen soon. Mr. Geocaris also said how Nevada was losing the related jobs and hundreds of millions of dollars in potential revenue. He said it was definitely having an affect.

Governor Gibbons said the creativity would need to be high for someone filming in Louisiana and calling it Nevada.

Mr. Geocaris said unfortunately that was happening. Mr. Geocaris reported how Hollywood loves free or huge tax rebates. He also said Michigan was offering a forty percent incentive; and Louisiana was about twenty percent and New Mexico was twenty five percent. He said they were going where the best incentives are located.

Mr. Geocaris said Hollywood was rewriting scripts and taking projects that would be originally written for Nevada, and taking the projects somewhere else.

Treasurer Marshall asked Mr. Ozoude about the 114 million that Nevada would lose if sales tax revenue was not collected. She also said she had brought up the fact that those states collect tax in other ways, whereas Nevada could not. Furthermore she asked Mr.



Geocaris if he saw the Governor's magazine article which reported about how all eight states were being taken to the cleaners by providing sales tax exemptions to the movie industry.

Mr. Geocaris stated he did not read that article but he recently read a similar article. He further said an article was in the New York Times talking about film incentives and how they are not working in a lot of states. He also said the research had been done from an audit committee a year and a half ago; a lot has changed in the film industry. He said that was the reason the bill AB 160 came forward. He stated there was a lot being looked now in terms of what actually could be the return investment from film incentives.

Treasurer Marshall said the film industry was really good at pulling the wool over other state's eyes. She said they could film in Death Valley and call it Nevada. She said it would be hard for them to tell the difference. She said she didn't see why they were still going forward with it.

Mr. Geocaris said it was complicated and appreciated Treasurer Marshall's comments. He said because it was a great concern a lot of states were seeing huge returns on their investment, and also said other's reports were questionable.

Mr. Geocaris said Michigan had more film production than they knew what to do with. He said it was a situation where New Mexico went from \$8 million in revenues, to over \$200 million once they put forward their film incentives, and analyzed how much was coming back into the state. He also said a lot of states were reviewing their incentive programs especially in tough economic times.

Governor Gibbons asked Mr. Geocaris to provide the committee a list of the states that have incentives and what their changes had been in terms of their revenue or the number or jobs. Governor Gibbons said he would like Mr. Geocaris to give an indication of why an incentive would be valuable for Nevada to undertake.

Treasurer Marshall asked Mr. Geocaris when he did his report, to add whether or not the state had another way of collecting revenues other than a sales tax and how that may add to the coffers when they exempt the sales tax, whereas the state might not have that avenue. She said to make sure that he show if the state does not have an apples-to-apples opportunity to collect revenue when the state exempts the sales tax. She said the state needed to see that.

Treasurer Marshall said that would be great.

Dana Bridgman, CPA, Public Member asked about when a film industry is eligible for a sales tax exemption and how it was arranged, or was a contract written that explained the sales tax exemption.

Mr. Geocaris said in AB 160 they were requiring the film industry hire a certain percentage of Nevada workers. He said he thought it was a good idea to hire more people locally. He also said the criteria would be reviewed by his office.

Ms. Bridgman continued with the Governor's point to know what the differences were between the states that were having success.

Mr. Geocaris replied he had a current overview, and he would provide copies to the committee members.

Governor Gibbons acknowledged.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

### **3. Nevada Administrative Services – State Public Works Board**

Depreciation of Buildings and Improvements, Warren Lowman, Executive Branch Auditor IV, presented the six-month follow-up report.

Mr. Warren stated he would be presenting the six month follow-up for the Depreciation of Buildings and Improvements. Evan Dale, Interim Administrator for Administrative Services Division (ASD), and Department Manager of Fiscal and Administrative Services for the State Public Works Board (SPWB) will be representing both Administrative Services and State Public Works Board.

Mr. Lowman said the ASD provides accounting services to the Department of Administration and other agencies. He said ASD was also responsible for preparing the statewide allocation of administrative costs, including depreciation expenses. Mr. Lowman explained the audit addressed whether the state could increase revenues by recovering depreciation expenses. Mr. Lowman said the state could increase the General Fund by \$4.3 million annually by recovering depreciation expenses from agencies that are funded fully or in part by non-General Fund revenues and occupying state-owned buildings. He said such agencies had been subsidized by the General Fund. Mr. Lowman said two recommendations were issued for each the ASD and the SPWB. He recommended SPWB:

- ✓ **Provide a breakout for all Capital Improvement Projects that closed in Fiscal Year 2008, including statewide improvements**

Mr. Lowman said Board officials agreed they would provide the breakout annually.

Mr. Lowman said he recommended ASD:

- ✓ **Charge Depreciation to all Agencies Occupying State-Owned Buildings**

Mr. Lowman said the Division anticipated to fully implementing the recommendation by July 2009.

Mr. Lowman said ASD is working with the State's consultant to include depreciation charges in the statewide allocation plan for the next biennium. Mr. Lowman said the Division estimated it will increase revenues for the General Fund an additional \$4.3 million annually.

This concluded Mr. Lowman's presentation and he asked the Committee if there were any questions.

Governor Gibbons asked Mr. Warren to walk him through an example of how to charge depreciation to a non-General funded tenant in a state-owned building.

Mr. Lowman referred the question over to Mr. Dale.

Mr. Dale explained to the Committee the way the statewide cost allocation plan worked is ASD will calculate the cost of central service agencies and allocate those to the budgets that benefit from those central services. He also explained how they would calculate the depreciation of all the buildings that were occupied by state agencies, and would calculate the depreciation on those buildings and then figure out how much was allocated to the space that an agency is occupying. He said that would become a part of the agency's budget expense, called the Statewide Cost Allocation Plan. Mr. Dale said if the agency received non-General Funds in their revenue area, the revenue would then be used to pay that expense item out of their budget, and then he said it would go back into the General Fund. Mr. Dale commented that would be how the state would recover for the depreciation.

Governor Gibbons asked if it was a \$4 million savings.

Mr. Lowman responded about \$4.3 million annually.

Mr. Chisel said to the General Fund.

Attorney General Masto asked if the cost allocation plan had been completed yet and if not when it would be.

Mr. Dale replied it had not been completed yet, but the final plan went to the Executive Budget office approximately two weeks ago.

Treasurer Marshall said she had worked with Mr. Dale before on bond issuances and he was financially very good. Treasurer Marshall commented Mr. Dale would do a great job.

Mr. Dale thanked Treasurer Marshall.

Mr. Dale said the person who had previously done the function had resigned and said he recently had taken over. He also said the consultant was laid off in the middle to the plan. He explained how a new consultant came on board, and it was a stretch to get the current model for this budget cycle. He also said his current goal was to include the additional buildings for the FY11 cost allocation plan. Furthermore, he said the Nevada Statewide Cost Allocation Plan was subject to approval by the federal DCA. He also said they would be rigorous in attention to detail when buildings are added, because they will see the state go from 13 to 400.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

**4. Division of Emergency Management and the Office of the Military, Search For Steve Fossett**

Vita Ozoude, Executive Branch Auditor IV, presented the six month follow-up audit report.

Mr. Ozoude said the two state agencies involved with the search for Steve Fossett was the Office of the Military (Guard), and the Division of Emergency Management (DEM). Mr. Ozoude introduced Lieutenant Colonel Rick Blower, Judge Advocate General (JAG) and Miles Celio, Administrative Services Officer (ASO) representing the Office of the Military. Frank Siracusa, Chief representing the Division of Emergency Management.

Mr. Ozoude stated Steve Fossett was an adventurer with many accomplishments, including being the first person to fly a balloon solo, nonstop, around the world. He said he set airplane and glider records. Mr. Ozoude said Mr. Fossett was reported missing on September 3, 2007, after setting off in his single engine airplane from Mr. Hilton's Flying M Ranch. His remains were discovered on October 2, 2008.

Mr. Ozoude said the audit focused on:

✓ **Operating Procedures and Billing and Cost Management related to the search.**

Mr. Ozoude explained how six recommendations were issued for DEM and three recommendations were issued for the Guard. Mr. Ozoude said the following were recommended for DEM:

✓ **A Consolidated Command Structure**

DEM fully implemented this recommendation by revising its operating procedures to address the staff and other agency responsibilities during emergencies.

✓ **Conduct Search and Rescue Exercises with other Jurisdictions and Agencies**

DEM is in the process of establishing training and exercise programs with other jurisdictions. As a result this recommendation was partially implemented.

✓ **Request Search Resources in a Written Contract**

DEM fully implemented three recommendations by developing and using a contractual form to document resource requests and estimated costs.

✓ **Ensure Costs are Monitored throughout the Search**

DEM fully implemented this recommendation by using a contractual form to track costs throughout the search process.

✓ **Enhance Use of Clue Logs During Searches**

DEM has fully implemented this recommendation by updating its policy and procedures to ensure leads are documented on clue logs during a search.

✓ **Re-Evaluate Resources During Search Deployments**

DEM fully implemented this recommendation by ensuring resources are constantly evaluated during search deployments and changes are made to original requests based on need.

Mr. Ozoude said three recommendations were issued to the Guard as follows:

- ✓ **Obtain a Written Contract for Search Resources Requested**  
The Guard fully implemented this recommendation by ensuring that all resource requests are documented on a contractual form and/or e-mails if the forms are not readily available.
- ✓ **Amend Billing for \$66,880 Overcharge to DEM**  
The Guard Fully implemented this recommendation by amending its billing.
- ✓ **Obtain a Written Attorney General's (AG) Opinion as to whether the Guard is a Military or a Labor Force when Performing Search and Rescue Operations**  
The Guard obtained the AG's opinion which stated it is up to the Governor to make the determination at the time of deployment.

This concluded Mr. Ozoude's presentation and he asked the Committee if there were any questions.

Governor Gibbons asked how many other jurisdictions had responsibility for search and rescue operations.

Mr. Siracusa then introduced himself to the Committee and said by statute how sheriffs in each of the 17 counties have the primary responsibility for search and rescue missions within their county. Mr. Siracusa said DEM's mission is to coordinate assistance and provide support for the sheriff in the county should a search occur. He said that if it crosses a county or state line then DEM would work in what is called a unified command with the appropriate officials of those counties to increase coordination.

Governor Gibbons stated that in a no range search and rescue situation, a sheriff in one county would be in charge. He asked where there is no indication of where a man or person or vehicle is located, who would have authority.

Mr. Siracusa said as part of statute it becomes DEM's responsibility to be the lead agency, and act on a unified command. But, he said officials are brought in from the surrounding areas to assist. He then said it becomes the state's responsibility if there is no clear delineation.

Governor Gibbons stated that Mr. Fossett was found in California and asked how a state boundary is issued.

Mr. Siracusa said in this particular case DEM will work with the California Office of Emergency Services. He said their lead Search and Rescue (SAR) person works with Nevada's lead SAR person in a unified state to state.

Governor Gibbons remarked that is why he thought it was only partially implemented.

Mr. Siracusa said in all of his 38 years, DEM had never experienced a search of that magnitude, and hadn't had one since. He said DEM took a hard look at the state's SAR plan and the SAR Board realized there were holes. He said the state SAR Board had been restructured so there is a better representation. He also said they are trying to rewrite the state SAR plan, and within three to six months it would be ratified. Mr. Siracusa said the SAR Board had made several revisions to the plan through its subcommittees and would be sending a draft out to the entire sheriff staff for input and recommendations.

He said because they have the primary responsibility, it will be incorporated within the plan. He explained it would then go out to each sheriff for signature, and he stated that had not been done before, and they would now have to buy-in from the people that are responsible. Furthermore, he stated that issues could have been addressed had a strong incident command system been established. He said there is an incident command center in the state emergency operations center, but that they would also need to establish one in the field. He stated that clause has now been incorporated into the policies. He also stated they would have a fully functioning incident command system that would track the financial side, and the management and oversight that were among the shortfalls during this operation.

Governor Gibbons said he found it challenging that Mr. Fossett took off out of an airport in Lyon County to determine whether or not they had jurisdiction.

Mr. Siracusa agreed and he told Governor Gibbons where the plane took off from and why Lyon County was picked up initially as the incident command. He said once they realized the search exceeded Lyon County that is when the search went into a unified command. He further said how the Lyon County's workforce, were brought along with DEM as they started to move further into California. He said there was no one person that was assuming it was unified amongst all. He then said they had no idea where Mr. Fossett was or who was really in charge.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

#### **G. Presentation of the Division's Audit Reports (NRS 353A.085).**

##### **1. The Department of Administration – Work Week Energy Savings**

Warren Lowman, Executive Branch Auditor IV, Division of Internal Audits, presented the audit report.

Mr. Lowman introduced Mr. Evan Dale, Interim Administrator, representing for the Administrative Services Division.

Mr. Lowman said the Division was asked to look at potential work week energy savings following the SAGE Commission's recommendation that the state consider implementing a four-day work week. He said the audit focused on:

✓ **Utility Cost Savings for the State**

He also said the objective was to determine:

✓ **If the State Should Amend the Current Work Week to Achieve Energy Savings**

Mr. Lowman estimated the state could save about \$600,000 of savings annually by either reducing utility usage during occupied hours under the current five-day work week or implementing a new four-day, ten-hour work week. He also stated the estimate did not include those state agencies that were determined to have an operational requirement for extended or 24-hour periods.

Mr. Lowman said the Nevada Revised Statute (NRS) proscribes a standard daily work schedule of nine hours beginning at 8:00 a.m. ending at 5:00 p.m., with a one-hour lunch break. He said during those times state-owned buildings are occupied and utilities are being used for heating and cooling, operating computers, lighting and other office equipment.

He also described how state buildings were heated or cooled for the hours employees occupy the building, and included some time before and after the normal business day. He said when buildings are not open for business, temperatures were allowed to rise or fall outside the standard comfort zone temperatures. Mr. Lowman further stated most lights, computers and other office equipment are not in use when the buildings are not occupied. He then stated how the current utility usage was controlled for 11 hours per day. He said the division found if utility usage was controlled for nine hours each day, or a reduction of ten hours per week, the state could achieve about the same energy savings as implementing a four-day work week and eliminate 11 hours of utility usage for the day the state government would close.

Furthermore, Mr. Lowman said reducing occupancy times in state buildings by two hours each day would effectively end employee flex time, because energy savings were dependent on limiting utility usage to core business hours. He said working outside those core business hours would lower estimated energy savings to the state. He also said when evaluating the four-ten work week model there were other factors to consider, including revising the statutes governing the state's work hours, public reaction to having state government close for business one day a week, or specific impacts on state employees, and did not attempt to quantify those considerations.

This concluded Mr. Lowman's presentation, and he asked the Committee if there were any questions.

Treasurer Marshall said she had employees that come to the Capitol and the Grant Sawyer building in Las Vegas at 5:00 a.m., and asked how that would work.

Mr. Lowman said working outside the controlled hours would lower the savings.

Treasurer Marshall said it would lower savings substantially and asked Mr. Lowman if there was a way to use energy only in the corridors where that particular agency might work.

Mr. Lowman said if that was the case, those buildings would need to be heated, cooled, and lighted, and the results would lessen the overall savings. He said the estimate was based on an overall state expenditure for utility costs and how much could be saved by controlling hours.

Controller Wallin mentioned in the audit she was surprised to see the occupied temperature was 72 degrees in wintertime and 75 degrees in the summertime, yet she said Mr. Lowman didn't note in the audit that the State Administrative Manual (SAM) 1028 was not being followed, which states winter temperatures at 68 degrees and summer 78 degrees. She also said that according to the SAM manual it should be 85 degrees and she said it also goes against the energy conservation plan for state government, which was implemented in 2001. Controller Wallin said she was surprised that there was no recommendation that Buildings and Grounds (B&G) start following the SAM manual, and that would result in energy savings. Controller Wallin mentioned how the state just hired a Consultant to come in on a \$2 million contract for energy savings over the life of the contract, and commented she would hate the Consultant to tell the state they need follow the SAM manual, and adjust the thermostats down to 68 degrees and then rise them up in the summertime. And she said that they would get 30 percent of that money when the state does not follow its own procedures. She said she was surprised there was no recommendation to follow our own policies.

Mr. Lowman told Controller Wallin that she was correct, and the audit focused solely on what savings could the state achieve based on the conditions as they exist. He said the Division did not attempt to audit B&G compliance or compliance with other statutes or requirements. He stated the audit was based on the conditions as they exist currently, compared to what the state could achieve in terms of utility cost savings changing from a five-day work week to a four-day work week.

Attorney General Masto said she noticed the Division was following what Utah had done for a pilot program and the Division was going to monitor how effective it was. And she asked if that was correct.

Mr. Dale affirmed it was correct and that it was the Department of Administration's recommendation to review the results of the pilot program before any action would be taken.

Attorney General Masto stated she thought Utah's pilot program was to cut back work hours all together for budgetary purposes and not just energy savings, and asked Mr. Lowman if that was correct.

Mr. Lowman said there were three components to the Utah study. He said one is the hard dollar savings from utility costs that they could save, and the other component was savings from their employees not traveling for one day per week. He explained the other



component was a trickle down effect of anticipated economic activity on the day state government would be closed.

Attorney General Masto said that seemed to be more comprehensive. She stated her concern was going from five days to four tens and there would be more than energy savings, and she said it should be a part of the equation but not all of the equation when looking at budgetary impact. She said she understood how the analysis was done, but her concern was from an energy savings perspective.

Mr. Chisel said that was correct and there were other factors. He said it was hard to weigh those other factors. He explained if the state went to a four-ten workday, how it would affect the business community, and employees. He also explained the Division was looking at hard dollars and didn't delve into the other factors.

Attorney General Masto said she brought it up because it is an analysis that could be done, but takes a lot of comprehensive work, and if it were to be looked at she preferred a more comprehensive analysis. She also said she noted certain agencies were excluded from the analysis and she assumed the Department of Corrections (DOC) was one of them.

Mr. Lowman replied that was correct.

Attorney General Masto asked what agencies were included, and if those agencies, were to go to a four-ten work schedule, what affect would be on the agency other than just the energy savings. She commented her concern was that she would want more of a comprehensive analysis if the state were looking to implement this.

Ms. Bridgman commented she agreed with the other comments of the study being too narrow in a scope. She stated how when a building is built it is to be utilized as much as possible. She stated year-round schools are a great use of investments in buildings. She also said to not fully use a building would be short sided. Ms. Bridgman said a situation could come up where a building could only be used four days and then another building would have to be built, because more people would have to be housed. She said it would make more sense to spread the fixed costs.

Governor Gibbons asked the Committee if there were any questions, comments or concerns. There were none.

## **2. Agency for Nuclear Projects (ANP)**

Warren Lowman, Executive Branch Auditor IV, Division of Internal Audits, presented the audit report.

Mr. Lowman introduced Mr. Bruce Breslow, Executive Director, representing, the Agency for Nuclear Projects.

Mr. Lowman said the Agency and the Commission on Nuclear Projects were established in 1985 in response to the federal government's plan to study Yucca Mountain as one of several potential sites for a high-level nuclear waste repository. He said in 1987, the

Department of Energy (DOE) chose Yucca Mountain as the only site it would study, and he said how working with the state Attorney General, the two agencies had been able to delay licensing of Yucca Mountain as the nuclear waste repository.

Mr. Lowman said the audit focused on two objectives:

- ✓ **Can ANP Enhance its Fiscal Management**
- ✓ **Should ANP amend its Organization Structure**

Mr. Lowman said six recommendations were made, and ANP accepted all of those recommendations. He also said with respect to the first objective, the audit determined ANP could enhance its fiscal management in three areas:

- ✓ **Salaries**
- ✓ **Compliance**
- ✓ **Internal Controls**

Mr. Lowman recommended the agency coordinate with the Governor's office to ensure it does not exceed the budgeted amount for salaries approved by the Governor. He said between 2005 and 2008, ANP exceeded its Governor approved salaries by almost \$230,000. He furthermore said the money came from a federal grant and from one of the agency's seven positions that was vacant in fiscal year 2008.

Mr. Lowman explained the second finding was specifically how the agency should comply with state fiscal guidelines. Mr. Lowman said the Division reviewed ANP's expenditures for fiscal years 2003 to 2008. He said the audit found a 24 percent error rate on its documentation, to include missing invoices, unauthorized purchases, and late payments. Mr. Lowman said that in November 2008, the accounting functions were transferred to ASD. He said this should improve the review of ANP's budget expenditures and increase compliance with state guidelines.

Mr. Lowman explained the third finding related to ANP's internal controls. Mr. Lowman said the audit revealed the internal control procedures were incomplete and outdated. He said the Division's Financial Manager worked with ANP to write new internal controls for the agency. He said The Executive Director for ANP, Bruce Breslow reported how he intends to review ANP's internal controls annually to comply with state statute.

Mr. Lowman said the second objective addressed ANP's organizational structure. He said ANP is structured with two divisions. The Technical Programs Division has responsibility for the agencies scientific oversight function. And he said the Planning division had responsibility for transportation issues and evaluating the socioeconomic impacts of a nuclear waste repository in Nevada.

Mr. Lowman detailed how the Planning Division had oversight of four distinct transportation problems. He said two were related to Yucca Mountain which involved high-level nuclear waste, and two were not related to Yucca Mountain and involved lower-level nuclear waste. He also said the first of the two Yucca Mountain issues was evaluating transportation impacts from moving high-level nuclear waste inside Nevada to

Yucca Mountain. Mr. Warren stated these impacts were part of the states case against licensing Yucca Mountain.

Mr. Lowman said the second issue involved the National Transportation Plan for moving high-level nuclear waste from across the county to Nevada. Further, he said the plan is still being developed at the federal level. And said ANP plans to use contractors for this work. He also said the two non-Yucca Mountain issues involve shipments of lower-level nuclear waste through Nevada.

Mr. Lowman said the first type of waste was not dangerous enough to require inspection or escort. He also said there had been numerous shipments of waste through the state to the test site for processing.

Mr. Lowman said the second non-Yucca Mountain issue the Division specially addressed in the audit involves movement of lower-level nuclear waste through the state that Nevada determined was dangerous enough to require inspection and escort. He told the committee this was called transuranic waste. Mr. Lowman said to date approximately 70 shipments of transuranic waste had originated from the Nevada test site and traveled 25 miles to the California state line, then on to a DOE facility in New Mexico. Furthermore, Mr. Lowman described how in the next year or so, additional shipments of transuranic waste originating in Northern California will cross along I-80 in route to a DOE facility in Idaho.

Mr. Lowman stated how ANP was designated to coordinate the work of state agencies involved in the shipments, and agencies are reimbursed from a federal grant for coordinating, inspecting and escorting the shipments.

Mr. Lowman said the Division recommended ANP coordinate with the Governor's office to evaluate having DEM assume all responsibilities for transuranic waste shipments. Mr. Lowman also said DEM is already fully engaged in the operational aspects of the shipments, and ANP controls the federal funds. Consequently he said moving full responsibility for these shipments to DEM would be more efficient.

Mr. Lowman said ANP agreed to evaluate this issue, and said ANP's primary responsibility is to evaluate Yucca Mountain as a high-level nuclear waste repository. He said this included gathering scientific evidence, reviewing DOE's plans, and evaluating other impacts on Nevada. He further explained Nevada's leading role for Yucca Mountain shifted in June 2008 when DOE officially applied for a license to build, operate, and eventually close the site at Yucca Mountain. He said in December 2008, the Attorney General filed all of the state's scientific, transportation, and other evidence against granting that license. He further stated Nevada's responsibility shifted from evaluating to licensing, and from gathering evidence, to litigating, and state officials expected the licensing litigation to take up to four years to complete. Mr. Lowman said that all along ANP's partner had been the Attorney General. And he further stated the Attorney General was now responsible for litigating Nevada's cases before the Nuclear Regulatory Commission (NRC). Recently, he said control of the federal appropriation to assist Nevada shifted from ANP to the Attorney General. He also said this fiscal year, the Attorney General received control of the remaining \$2.8 million or so of \$5 million from the

federal Government. Mr. Lowman said in fiscal year 2010, another \$5 million is appropriated to the Attorney General for licensing litigation costs.

Mr. Lowman said the primary contractor for ANP and the Attorney General has been the law firm of Egan, Fitzpatrick, and Malsch, who ANP and the Attorney General's office have described as a world renowned firm specializing in Nuclear Waste issues. Furthermore, Mr. Lowman said how Egan had subcontracted with 25 additional world renowned experts, scientists, and other law firms to support litigation. In addition to ANP's other contractors, Mr. Lowman said these were the experts and scientists who prepared Nevada's case against licensing nuclear waste in Yucca Mountain. He also said three Egan attorneys have been designated special Deputy Attorneys for Nevada, and he said they will spearhead the Attorney General's lead role in litigating before the NRC.

Mr. Lowman said because of the shifting roles in the lead responsibility of Nevada's fight against Yucca Mountain, and because of the robust structure of contractors and subcontractors in place, and because of the opportunity to shift responsibility for transuranic waste shipments to DEM, and the shifts of accounting functions to ASD, the Division recommended ANP coordinate with the Governor's office to evaluate their staffing needs. He replies that ANP agreed.

This concluded Mr. Lowman's presentation, and he asked the Committee if there were any questions.

Governor Gibbons asked Mr. Breslow if he had anything to add, because he was new to the position.

Mr. Breslow said he was here to answer questions and stated how the auditors were very professional and enjoyed the give and take. He further mentioned in the nine weeks he has been at ANP he had learned quite a bit. He also said there was a massive amount of responsibility that his little agency was responsible for. Mr. Breslow said he had been working with the Governor's staff and they all came up with recommendations on reducing staff and going forward. He described how keeping the integrity of the fight and working with the Attorney General's office, and despite what might be heard, it was not over yet.

Governor Gibbons said that was good in a certain way, and asked Chris Nielson, General Counsel to the Governor, if anything was noteworthy in the legal aspects of what this report encompassed.

Mr. Nielsen replied not much, but he said he was fighting the same battle that Bruce was fighting.

Treasurer Marshall commented how it was in the spotlight.

Mr. Nielson said it was rotating and wanted to follow-up and add to what Bruce said about staffing needs. Mr. Neilson said they worked with their office over the past six weeks or so with Andrew Clinger, Director for the Department of Administration, and his staff to try to find a compromise based on the fiscal status of our state. He said he believed they

have come up with adding back two or three positions. He added it would not go back to the seven positions but five and that was one of the scenarios that had been discussed.

He further stated on the litigation end, as was discussed, he said the litigation and he met with Attorney General Masto and Mr. Clinger to make sure that the money was available for litigation. He said he thought there were a couple of unknowns about how many issues were going to be actually litigated, and he hadn't heard anything since. He said they were working with the Attorney General's office to ensure that it was properly funded.

Governor Gibbons asked Mr. Lowman if he could talk about the recommendation for the oversight of the transportation of the nuclear material going from ANP to DEM.

Mr. Lowman said when the Division looked at the agency and what they were doing and what they were staffed to do, he said they saw a responsibility for transuranic waste shipments, to include handling the federal grant from the Western Governors Association, that reimburses state agencies for their support of those shipments. He said the Division saw DEM fully engaged. He said the Division also saw DEM was specifically staffed with a portion of their agency to control federal funds and that it looked like a good opportunity to evaluate moving that mission to DEM.

Governor Gibbons replied DEM could theoretically substitute for ANP by applying for the grant, using its in-house expertise.

Mr. Lowman said it would be a policy decision and it was not the Division's role.

Governor Gibbons asked if that was generally the assumption, or the underlying assumption in mind he was looking at.

Mr. Lowman said the Division looked at it as an opportunity to move the operational aspects, which DEM was already involved in, and the reimbursement of federal funds to DEM, because they were staffed in that agency to do so.

Governor Gibbons asked the Committee if they had any questions.

Attorney General Masto stated they were talking about shifting roles regarding litigation. And she wanted to clarify how the Attorney General had been litigating this before. She also said there was no shifting into new litigation. Attorney General Masto said she had been litigating in federal court and has about three active cases.

Attorney General Masto said she was talking primarily about the licensing process. The administrative process before the NRC is now taking effect. She said that is what the Attorney General's office will be focusing on. She also said there was not really a shifting of litigation and it has been an ongoing litigation in federal courts. She said they are just now having to present their case before the NRC, and would work closely and need the help from ANP and their staff who support that administrative process before the NRC that was taking place right now.

Secondly Attorney General Masto told Bruce she was curious with his response with respect to the shipment issue, and the oversight of his agency over the low-level shipments. She asked Mr. Breslow if he had a response to what he just heard.

Mr. Breslow said he agreed to work with the Governor's office to discuss it. He said he didn't feel it was an appropriate change. And he said from what he could tell of all the changes the agency had issues with, this wasn't one of them. Furthermore, he said the agency developed a policy through the Western Governors Association. He said the agency was the reason why there were no low-level shipments currently going through the metropolitan area of Las Vegas. He said the agency has also been a babysitter between two other agencies that were fighting territorially over who got control of what. He said his agency has played a significant role in keeping it from blowing up. He also said they work with the Health Division and the Nevada Highway Patrol (NHP) and said they had a minor role in the transuranic waste shipments.

Mr. Breslow stated NHP works with his agency on a direct basis, and coordinates the shipments when they come from California across the state while leaving the test site. He also stated the Health Division deals often with the test site, and Nevada Division of Environmental Protection (NDEP) has the responsibilities of the rest. He stated that ANP was the pass through agency, and they were a coordinating integrating agent. Mr. Breslow said ANP doesn't receive money for it, but is one of the things that ANP has taken a lead role in, not just locally but in the Western United States. Mr. Breslow also stated that was being done well. He said he didn't feel there was a need for change and expressed it was a policy decision and he was not policy level anymore.

Attorney General Masto responded affirmatively.

Controller Wallin stated Mr. Breslow said he was having discussions with the Governor's office and asked if the Commission or the Board would have the ultimate authority to decide if ANP should have DEM take over the shipping. Controller said she wanted checks and balances. Furthermore she said Mr. Breslow was appointed by the Governor and she wanted to make sure that things were being done right.

Mr. Breslow addressed Controller Wallin and stated he work for the Commission. He also stated he was appointed by the Governor and responds to the Legislature. Mr. Breslow said he was in the middle and trying to represent what was best. He said his recommendation to the Commission was to continue in that role. Furthermore Mr. Breslow stated if it was a function that the Governor's office and this body or the Commission feels it should be handled by another agency, he would certainly work with other agencies and the decision to do that. He said there were some challenges in the audit and the agency needed massive change in some areas; however, he said this was one area where the agency excelled.

Controller Wallin asked Internal Audits how independence is maintained when they work under the Budget Director, who was the former budget analyst for this body before he became the Budget Director.

Mr. Chisel explained as Certified Public Accountants (CPA's) there is independence and if there was a question of skewing that independence because of pressures, the Division would not have done the audit. Mr. Chisel also explained that he keeps his license current and if he felt there was any impediment, it would be addressed.

Controller Wallin said one of her questions was mainly the authorization of non-classified salaries, and how would it be prevented in the future. She then asked how they were going to coordinate with the Governor's office to ensure the salaries do not exceed authorized amounts.

Mr. Breslow said he was told what his salary was and had no idea what happened in the past.

Mr. Nielson explained that he had been with the Governor's office since last August, and his understanding there was a more formalized process that had been put into place by the Governor's Office. He said the approval is not just confirmation by e-mail or verbal confirmation, he said it also goes to the Chief of Staff or the Deputy Chief of Staff and approval of the Governor, and an actual signature.

Controller Wallin said it gets tricky with non-classified. She then asked if they would get approval for all salaries for that agency. She stated how you would not have a Chief of Staff approving the salaries for people below them such as in the Governor's office.

Mr. Nielson said his understanding was that not many employees were under the Governor's office, and whether you consider just the immediate Governor's staff or ANP he said his understanding was that the Governor's office and Chief of Staff or Deputy Chief of Staff would approve those salaries.

Mr. Breslow added with respect to his agency, the legislation proposed by the Governor's office was to convert all our employees from non-classified to un-classified. He said the last time he worked for the state there was a set salary for each position.

Controller Wallin stated that was correct.

Treasurer Marshall said if you turn un-classified it doesn't mean they max you out.

Controller Wallin said you still have somebody decide who is going to set salaries. She then asked Mr. Neilson who actually signed the Employment Status Maintenance Transaction (ESMT's).

Chief of Staff Josh Hicks introduced himself to the Committee members, and said the ESMT's were to be signed by either the Chief of Staff or Deputy Chief of Staff per the memo that was sent out by the Governor's office.

Controller Wallin asked when the procedure was set into place.

Mr. Hicks explained it was approximately August or September of 2008, after the salary problem came to light.

Controller Wallin commented that the ESMT had to be signed by the Chief of Staff, and then a memo goes to the Governor for signature showing he knows what the pay is.

Mr. Hicks explained the salaries were just reset to the appropriate budgeted amount, so the office would be within their total appropriation. He said that was the last time they were signed and then again when Mr. Breslow came on board.

Controller Wallin asked if the Chief of Staff would theoretically sign Mr. Breslow's ESMT.

Mr. Hicks said right and said he believed he signed Mr. Breslow's.

Controller Wallin asked who signed Mr. Hick's ESMT.

Mr. Hicks said his would be signed by the Governor, or whoever was delegated to sign on his behalf.

Controller Wallin said it was tricky because the person who had the overpayments is no longer here. She said she didn't want this to happen in the future. She said she knew there was confusion as to what the authority was, was it the Governor recommends part of the budget, or prior year actuals. She also said this went back to 2002 and they were making journal entries, moving expenditures from Category (Cat) 01 to Cat 04 to bring Cat 01 out of the negative. Controller Wallin commented that's not something that is the approval process and that it's not an exception as long as the agency has the budgetary authority in there and they aren't out of money. She then asked what procedures they had to keep this from happening in the future, and she said this could be happening in other agencies.

Mr. Chisel stated ANP was moving money from a grant, and that is what the Journal Vouchers (JV) were, and he discussed the possibility of having those reviewed whenever there were JV's between categories. He stated it was an after-the-fact check. He said Post Review staff looks for those when they do audits.

Controller Wallin said Cat 01 should be for salaries, period, and you don't put some salaries in a grant and some in Cat 01, and that might be something to think about as a being a policy going statewide. She said she thought it would be more transparent and clear to everyone. Controller Wallin said her concerns were that other agencies may think nothing prohibits them from doing the same thing.

Mr. Chisel replied and said his understanding is that salaries are always in Cat 01.

Controller Wallin said the last couple years ANP had come to our office and asked to accrue the grant, but the office told them that they were not that type of an office to accrue it. She said then they overspent this year which is why they had to do a work program and go before the Interim Finance committee (IFC). Then she said they were caught. She further stated she wanted internal controls statewide. Controller Wallin asked if ANP had sent over the internal controls and self-assessment, and asked if ANP inquired everything was acceptable.



Mr. Chisel said that is a self-reporting tool and ANP did submit, and said everything was fine.

Controller Wallin inquired if they did submit and said everything was fine. All right, okay.

Mr. Breslow pointed out they had new controls and stated there wasn't a lot of modernization with ANP. He said they have caught up quickly and this was the best move he could make. He said the first step was the Governor's office had ASD come in and take over all the fiscal responsibilities, and further commented how the 24 percent error rate was embarrassing and unacceptable. He then said the second step was working with the auditors to develop policies and procedures. Mr. Breslow said the new Administrative Assistant is working from the State Administrative Manual (SAM). And then he commented the audit was a good tool and his agency was much better off because of it.

Dana Bridgman, CPA, Public Member said she wasn't aware of all the details of the processes, and asked how once all approvals had been established, who approves the salary changes within their agency. She asked if the payroll department knows who the signatures are before being processed, and if there are controls within the payroll department to prevent these from getting through.

Mr. Dale said ASD recently took over their bookkeeping and accounting and offered his confidence there would be no more leaks from the agency. He said ASD would make sure all signatures were proper and in place before any JV's or work programs were processed.

Dana Bridgman, CPA, Public Member asked who approved the expenses that were for another agency, and asked if that was the previous person.

Mr. Chisel answered that it was an issue of getting approval to do that. He said it is allowed in SAM but you need budgetary approval, and he thought that was done with Bob Loux. He further stated it needs to be approved by the Budget Division whenever money is being moved from one budget account to another.

Dana Bridgman, CPA, Public Member asked if in this case it was just not approved.

Mr. Chisel stated that was correct.

Controller Wallin stated that was one of the other findings was that the Commission should do more as far as reviewing the contracts and what you have. She asked if those contracts go to the Board of Examiners (BOE).

Mr. Breslow said the contracts with ANP go to the BOE, but that the subcontracts that are held with the Egan Law firm do not. He said those are approved by the Executive Director.

Governor Gibbons said thank you.

**H. Presentation of the follow-up status for Legislature Counsel Bureau audit report recommendations issued February 29, 2008 and May 15, 2008.**

Mr. Chisel requested of the Committee to look on page 3, tab 1 of the executive summary, where it lists out the Legislative Counsel Bureau (LCB) audits to follow-up on. He said one of the Division's duties is to follow-up on audits the Legislature presents and provide them with a status report. He further described how those were done for these seven audits and no concerns exist at this time.

**I. Public Comment**

Governor Gibbons asked if any member of the public wanted to testify before the Board. There were none.

**J. Comments of the Committee Members**

There were none.

**K. Adjournment**

Governor Gibbons called for a motion of adjournment

**Motion:** Move for approval of motion for adjournment.

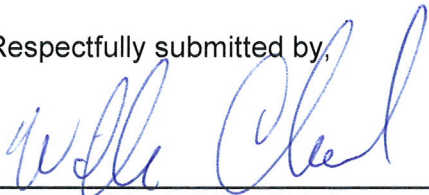
**By:** Secretary of State Miller

**Second:** Attorney General Masto

**Vote:** Motion approved 6-0

**The Governor adjourned the meeting at 3:08 p.m.**

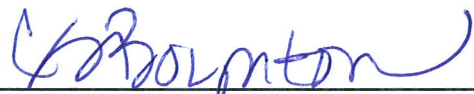
Respectfully submitted by,



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William Chisel, CPA, Chief  
Department of Administration  
Division of Internal Audits

Prepared by,



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Connie Boynton, Administrative Assistant IV  
Department of Administration  
Division of Internal Audits