

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

APPROVED MINUTES

December 6, 2012

The Executive Branch Audit Committee and the Division of Internal Audits commenced on December 6, 2012, at the Capitol Building Annex, Guinn Room, Second Floor, 101 N. Carson Street, Carson City, Nevada. The meeting was video conferenced between the Capitol Building Annex and the Grant Sawyer State Office Building, Governor's Office, 555 East Washington Avenue, Las Vegas, Nevada.

MEMBERS PRESENT:

Governor, Brian Sandoval, Chairman

Lieutenant Governor, Brian Krolicki

Secretary of State, Ross Miller

Treasurer, Kate Marshall

Controller, Kim Wallin

Attorney General, Catherine Cortez Masto
(Absent, Schedule Conflict)

Dana L. Bridgman, CPA, Public Member

**DIVISION OF INTERNAL AUDITS
STAFF PRESENT:**

Steve Weinberger, Administrator

Lori Hoover, Financial Manager

Warren Lowman, Executive Branch Audit Manager

Vita Ozoude, Executive Branch Audit Manager

Dennis Stoddard, Executive Branch Auditor III

Jeff Landerfelt, Executive Branch Auditor III

Ashwini Prasad, Executive Branch Auditor III

Lynette Pagaling, Executive Branch Auditor II

Laura Briscoe, Auditor III

Connie Boynton, Administrative Assistant IV

OTHERS PRESENT:

Copy of sign-in sheet available, contact Connie Boynton, Administrative Assistant IV at cboynton@admin.nv.gov.

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

A. Call to Order

Governor Sandoval, Chairman, called the meeting to order and welcomed those present. Roll was called, and a quorum was noted. Attorney General Catherine Cortez Masto was absent.

B. Public comments

Governor Sandoval addressed the public for comments in Carson City and Las Vegas. There were none.

C. For Possible Action – Approval of the May 1, 2012, Executive Branch Audit Committee Meeting Minutes.

Governor Sandoval asked the members if they had comments regarding the minutes. There were none.

Motion: Move for approval of the minutes of the May 1, 2012 meeting.
By: Lieutenant Governor Krolicki
Second: Secretary of State Miller
Abstention: Dana Bridgman, Public Member
Vote: Motion passed five to zero with one abstention.

D. Presentation of the Division of Internal Audits' Six-month Follow-up Status Reports.

1. Vita Ozoude, Executive Branch Audit Manager for Division of Internal Audits, presented the follow-up for the Department of Taxation (Department) originally presented in May 2012.

Mr. Ozoude introduced Chris Nielsen, Executive Director, to represent the Department of Taxation.

Mr. Ozoude stated the audit focused on:
✓ Enhancing Audit Coverage and Collection Processes.

He said Internal Audits issued ten recommendations, eight were fully implemented and two were partially implemented. Mr. Ozoude would be discussing the two partially implemented recommendations.

Mr. Ozoude said on recommendation number five, upon updating the risk assessment, the Department should evaluate reallocating audit resources. The Department updated the risk assessment and determined that audit positions within Nevada were properly allocated. He said the Department represented one audit position in Washington State was vacant, and will be allocated to another high volume state outside Nevada by December 2012.

Mr. Ozoude indicated out-of-state audits generated more assessments per audit; therefore, the Department should evaluate reallocating more resources to areas that provided the highest benefits to the state.

Mr. Ozoude stated that the other partially implemented recommendation was number ten to transfer additional debts to the Controller. The Department stated that while no additional debts had been transferred, they had scheduled a meeting with the Controller to discuss additional transfers. They anticipate full implementation by the end of December 2012.

Mr. Ozoude concluded his presentation and asked the committee if they had any questions.

Mr. Nielsen, Executive Director for the Department commented on recommendation number five, regarding the reallocation of audit resources. He said since the recommendation had been drafted the Department moved one in-state auditor to Utah which he considers high risk and filled the Washington vacancy. Mr. Nielsen said as vacancies became available, they would consider doing a work program, if their needs required an additional auditor outside the state.

Mr. Nielsen said with respect to audit recommendation number ten; he met with Controller Wallin and discussed transferring additional debt. He said part of the challenge had been coming up with an IT solution to systematically transfer debt over. The Department has taken on the IT solution in-house and it is completed. They were in the process of transferring approximately 22,000 accounts over. He stated once that was completed, they would systematically transfer debt over on a monthly basis to keep the age of the debt as fresh as possible.

Mr. Nielsen asked the committee if they had any other questions.

Governor Sandoval asked if the Department had also reallocated their in-state resources or prioritization of who they audit within the state as well to get a higher return on their audits.

Mr. Nielsen said they had offices in Carson, Henderson, Las Vegas and Reno where they did reallocate, based on the number of businesses, to keep it even. He said, with respect to in-state audits, they tweaked their risk assessment to be more skewed toward taxable sales. Mr. Nielsen said even though it had been less than a year, their numbers of audits were down, and the numbers of dollars were up, and that told him it was working.

Controller Wallin stated they agreed to send debts less than \$500.00 to her office, and, the Department would send any debt older than a year to her office. She also said she sent the Department an MOU to waive the requirement for sending her the debts after 60 days, however, the MOU has not yet been returned to her office.

Controller Wallin asked if the Department was going to make sure, they look for debt offset when refunding money, because they had an incidence where the Controller's Office delayed a \$600,000 mining fee refund, as the company actually owed the State \$930,000.

Mr. Nielsen said the Department had been participating in the debt-offset program and that the mining claim fee was an unusual circumstance, because the mining refund claim was something that was a one-time shot and was brought to the Board of Examiners (BOE) on a regular basis. He said the debt-offset program was part of their debt collection strategy.

Controller Wallin stated that mining audits were on a three-year rotation and asked how many had been audited and how many were left to be audited.

Mr. Nielsen said he did not realize they would be talking about audits today but as reported in the Mining Oversight and Accountability Commission, they had completed the audit of the Barrick Mines; which he believed was roughly 40 or 50 percent of the market share. He also said they were completing the audit of Newmont and anticipated billing them in the next

month or so. Once that was complete Mr. Nielsen said, those two mining companies constituted over 90 percent of the market share. He also anticipated being able to audit the rest of the mining companies within the next two years and said in his opinion, they were well on track with respect to auditing the mining companies. Mr. Nielsen said the Governor mentioned earlier that as far as resources, they now had two dedicated mining auditors, something they didn't have before, and he said that was a reallocation under the prior director.

Controller Wallin asked for a follow-up on that.

Mr. Nielsen said he would submit the report to the Mining Oversight Accountability Commission if that would be helpful.

Controller Wallin asked to be provided with a risk assessment plan by the Department and asked if they had one.

Mr. Nielsen explained their risk assessment is composed of audit leads and risk factors. He said they first determine if the lead is credible and if so, they conduct an audit regardless of risk. Regarding risk factors, he said certain industries historically were determined to be higher risk than others, such as the construction industry. An accounting office would be low risk, because they typically did not purchase tangible personal property or have much tax liability.

Mr. Nielsen said they also look at taxable sales and use tax reported, given as an indicator. He stated that those were the two primary components of their audit selection as far as the risk category.

Controller Wallin said the bigger audits would be where they would get the most return for their money. She asked how many audits had been conducted in the last six months based on the risk assessment versus based on leads.

Mr. Nielsen reported he could follow up with the committee to get that information. He said you had to be careful with just going by the size of taxable sales. He said it was their experience, the larger retailers in – state, for example, Wal-Mart and Target, were all point of sale and were audited and more times than not would come up with a zero tax liability. He said they were so sophisticated they tend not to make mistakes as far as collecting sales tax. Mr. Nielsen said car dealers and construction contractors are more of a manual bookkeeping type of operation, and those were the type they found problematic.

Controller Wallin asked if the ones that were out-of-state were the biggest problem.

Mr. Nielsen said large out-of-state companies did produce larger audit results, and he thought part of the reason was, for example, many companies lease equipment in Nevada. He said the equipment was not physically located in Nevada, but there would be a lease and a sublease after that. He said the instant tax liability for sales tax, for example, sometimes was not picked up or was picked up at the wrong point. He also said there were assets that the larger companies purchase and they do not realize that they were subject to use tax.

Mr. Nielsen added they were working towards reallocating some of their existing resources to concentrate on the larger out of state companies.

Controller Wallin asked to be provided with written policies for collection processes. Controller Wallin commented that there were no policies two directors ago.

Mr. Nielsen's understanding was that the policies had been provided to her office, but would provide them again.

Controller Wallin asked if it would be possible for the Department to provide a spreadsheet of the outstanding accounts and the collection efforts that were performed.

Mr. Nielsen indicated he would have to talk with his IT staff to do a query, because it was something that could not be done manually.

Controller Wallin asked what was being done with delinquent accounts.

Mr. Nielsen responded they had an automated process. He explained when a taxpayer fails to file a return, they receive notice, and from there a revenue officer, depending on the dollar amount, would call the taxpayer. He said many of the officers have existing relationships with those businesses and found that was the most effective way to get them to file a return. He said their goal was to get them to file a return rather than chase them.

Controller Wallin asked how long it takes before the Department of Taxation generates a return based, on the best information available, to force them to file a return.

Mr. Nielsen said it was dependent on the size of the account. He said if someone had filed \$200 worth of tax liability per month then that account would not be priority. He said if a large casino had failed to file, they would get a phone call the day after the return is due. He stated it was dependent upon the manual intervention, and manpower that was allocated towards the size of the account.

Controller Wallin stated she wanted a follow-up on the amount due from taxpayers who have received tax bills based on best information available and complete follow-up on their audit progress and risk assessment.

Governor Sandoval complimented Mr. Nielsen for what they had done in response to the audit.

2. Warren Lowman, Executive Branch Audit Manager for Division of Internal Audits, would present the follow-up for the Department of Employment, Training and Rehabilitation (Department), Workforce Investment Board.

Mr. Lowman introduced Frank Woodbeck, Director and Dennis Perea, Deputy Director to represent the Department of Employment, Training and Rehabilitation.

Mr. Lowman said there were ten recommendations regarding the Department's management of the Workforce Force Investment Act in Nevada and the need to limit expenditures by the local boards to maximize funds for Work Force training programs. He said the audit found the southern board was spending about twice the rate as the northern board on administrative costs.

Mr. Lowman said there had been no action on three recommendations related to becoming a single state board and the Department is implementing procedures that enhance reporting requirements by the local boards. Mr. Lowman said as a result, the Department expects to better monitor expenditures and address the remaining audit recommendations.

Mr. Lowman concluded his presentation and asked the committee if they had any questions.

Governor Sandoval asked if the reason there was no action on the three recommendations related to becoming a single state board was because the Department of Labor denied the request to form a single state board.

Mr. Lowman confirmed that was correct.

Governor Sandoval asked Mr. Woodbeck if he had any comments about the presentation.

Mr. Woodbeck said knowing the Department of Labor's stance regarding a single state board he had a plan B which was to ask for an executive order, which they received, to tighten the compliance of expenditures and investments based on current guidelines within the Workforce Investment Act and make those guidelines stricter than they had been before.

He also said in the interim, the management of both boards had resigned and with the new management, there had been dramatic changes with the southern board in terms of their staffing levels and subsequent expenses. He said between the two measures they achieved much of what they intended.

Governor Sandoval said he thought the Board of Examiners' (BOE) just approved a contract for a firm to continue auditing those issues.

Mr. Woodbeck stated correct and they would also strengthen their in-house team regarding auditing and monitoring. He said the monitoring would be on an ongoing basis regarding all, administrative and program expenses moving forward.

Governor Sandoval said he assigned between 15 and 20 new members of the State Workforce Investment Board and he wanted confirmation on a meeting date.

Mr. Woodbeck said the Board would meet on January 10, and included 35 members, 18 of which came from the private sector. He said they would present the different compliance policies that would enact the Governor's Workforce Investment's Board executive order and the new guidelines.

Governor Sandoval asked Mr. Lowman if that satisfied any concerns with the action that had been taken.

Mr. Lowman said the actions are in place to implement the recommendations.

Governor Sandoval asked the committee if they had any further questions.

Lieutenant Governor Krolicki commented that the issue could have been problematic and Washington D.C. didn't make it any easier. He thanked Mr. Woodbeck for what he did with his plan B and noted people are well served by their actions.

Governor Sandoval echoed the Lieutenant Governor's comments. He added some of the credit goes to the local Workforce Investment Boards for making the changes and recognizing that there were some problems that needed to be corrected. Governor Sandoval said he was confident in moving forward, and it would work well.

E. Presentation regarding ongoing follow-up requested by the Committee

Mr. Lowman presented the Committee requested follow-up on the Division of Mental Health and Developmental Services and the monitoring of doctor attendance. This was Mr. Lowman's fourth follow-up of the audit of doctor attendance at Rawson Neal Hospital. Dr. Tracey Green, State Mental Health Director, represented the Division of Mental Health and Developmental Services.

Mr. Lowman stated the original audit found doctors were not working a full day at the Rawson Neal Hospital in Las Vegas.

Mr. Lowman said the current review shows that doctor attendance has improved, although doctors were still not working a full day. They were working the most hours since our audit, approximately 85 percent of their day.

Mr. Lowman said the actions implemented by Administrator Whitley and Dr. Green had improved doctor attendance in both the hospital units and the patient observation units. He said the division expects these actions will continue to improve doctor attendance at the Rawson Neal Hospital in the future.

Mr. Lowman concluded his presentation and asked the committee if they had any questions.

Governor Sandoval asked Mr. Lowman if he equated not working a full day with not being physically present in the building a full day.

Mr. Lowman said he equated not working a full day as not being in the building or accounted for during the hours of their assigned shift.

Governor Sandoval asked if part of this was from physicians doing notes outside the building.

Mr. Lowman said they had accounted for that at the last review.

Treasurer Marshall stated they had similar issues with the doctors in Elko County.

Governor Sandoval stated they also had an issue with prisons and it was further on the agenda.

Treasurer Marshall said she understood the doctors had more to do than meeting with patients and providing proper medical care. She said she didn't understand why we would pay them for hours they're not doing something associated with what they're getting paid to do by the taxpayer. She asked for clarification, and if there were further goals, regarding the issue.

Mr. Lowman replied doctors were being paid at Rawson Neal Hospital for their work in the hospital unit for eight hours and in the patient observation unit for a ten hour shift. He said

they looked at the time when they were in the hospital and any other documentation that could be provided that the doctor was at a meeting or attending training.

Treasurer Marshall said she did not know how much time the doctors were paid for when they were not doing something associated with what they are being paid to do by the taxpayer. The Treasurer also wondered why we can't get the doctors to work a full day and if it is because doctors were being paid so little that we would lose them if we made them work more hours, or if there was another reason.

Governor Sandoval gave Dr. Green the opportunity to explain.

Dr. Green said she thought much of it was about accountability and being able to correctly access the information from doctors. She said they had been trying to look at what is the best way to get doctors to keep track of the time they were not physically in an environment where they could swipe their timecard, because there were multiple environments.

Dr. Green said they set up a coding system for doctors to use when they are away from the facility and gave examples such as legal court consults, resident supervision, case studies, professional meetings, community visits, and recruitment or retention activities. She said the doctors need to improve tracking outside time, and she had confidence the doctors understood that, though they were exempt, they were required to work a 40-hour workweek. Dr. Green explained the exemption is how the workweek is split, meaning that it may not be eight hours every day, that it might be a ten hour day or a Saturday, Sunday or after hours. She said the 15 percent they were trying to gather is really due to tracking the additional times.

Treasurer Marshall stated she understood that it might be the doctors were not able to track the additional times and asked if there was some penalty or recourse if they were not getting what they contracted for.

Dr. Green confirmed.

Dr. Green said they presently have an extensive tracking system, and on two occurrences since the previous update, they had taken back hours from the physicians. She said they have consultation sessions where the medical director of psychiatry was having one-on-one sessions to really assess the situation and help track all the hours they work. She and Mr. Lowman had spent nearly 40 hours going through every doctor's record trying to, find out who goes to lunch but doesn't write it down. She stated it was tedious work.

Treasurer Marshall asked if there was recourse for the taxpayer if they were not working the hours.

Dr. Green replied, absolutely. She said they request they return those hours by reducing their hours in the next pay period, or request they take their paid time off (PTO).

Governor Sandoval looked at the bar chart, and stated they had come a long way in six months.

Dr. Green agreed.

Governor Sandoval stated that some of the doctors were only working half a day and now they were up to 85 percent. He said they need to account for every moment given the history. He complimented Dr. Green on implementing call back in regards to hours worked.

Dr. Green added that they were also focusing on productivity because at the last EBAC meeting it had become an issue. She said they will continue to work on hours and the next direction will be to look at the productivity to assure they were getting productivity as well as hours worked.

Governor Sandoval stated the productivity review was important since the argument could be made that they were overstaffed if the doctors were not working a full day, and he wanted to make sure they were all doing what they were supposed to do.

F. Presentation of the Division's Audit Reports (NRS 353A.085).

1. Department of Health and Human Services – Health Division, Early Intervention Services.

Warren Lowman, Executive Branch Audit Manager, presented the audit for the Department of Health and Human Services, Health Division, Early Intervention Services (EIS). Representing the State Health Division was Dr. Tracey Green, State Health Director, and Jane Gruner, Deputy Director, Department of Health and Human Services.

Mr. Weinberger stated this audit had been released in July 2012. He commented that it would be discussed in a public forum for the first time at today's meeting.

Mr. Lowman said the audit reviewed the state's EIS program and made four recommendations to more efficiently and effectively manage the program. He said this could benefit the State up to \$7.7 million annually.

Mr. Lowman said the audit noted the program could be:

- ✓ More Efficiently Managed.
- ✓ More Effectively Managed.

Mr. Lowman said the EIS program could be more efficiently managed by determining the State's requirement and then transitioning remaining services to community providers. He said services provided by the State cost 40 percent more than in other western states and 30 percent more than what Nevada pays community providers in state.

Mr. Lowman said transitioning all state provided services could save up to \$4.6 million annually of mostly general fund dollars. Mr. Lowman also recommended the Division evaluate lowering the monthly rate paid per child to community providers. He said Nevada's flat rate of \$565 monthly is higher than other western states which paid about 16 and a half percent less for the same services.

Mr. Lowman said at the same time, providers could receive on average 25 percent in additional revenues by billing for Medicaid, private insurance and other sources. He said lowering the Nevada rate to the average of the western states could save up to \$3.1 million annually, again in mostly general fund dollars.

Mr. Lowman said he determined the program could be more effectively managed by improving the assessment process for what services a family requires, and reconciling services a family receives with what the individual family service plan requires.

Mr. Lowman said they noted assessments vary between providers. He said their review found that families receiving services from the state got almost 25 percent more than families receiving services from a for-profit provider and 15 percent more than from a non-profit provider.

Mr. Lowman stated families receiving services from the state received about 35 percent more treatment time than families receiving services from a for-profit and 12 percent more than families receiving services from a non-profit. He said at the same time, the State is spending about 30 percent more for those services.

Mr. Lowman stated although families are receiving more services and treatment time from the State, the current version of the management reporting system did not capture data to measure the effectiveness of the services. For example, he said the Division could not determine if for-profits were as effective as other providers were, even though they provided, on average, fewer services and less therapeutic time.

Mr. Lowman said, likewise, the Division could not determine if the State's greater number of services and longer therapeutic time helped children achieve developmental milestones at a faster rate. He found the managers should enhance review of their services and compare them with what the management report states and the family service plan. He said this would allow more effective management of the program statewide.

Mr. Lowman said they compared services administered to the family service plan and found on average the State over services families and community providers under service families. He said reconciling the management reports with the family plans would identify the resources that were misspent so they could be better allocated elsewhere. Mr. Lowman said better managing those resources would also help providers minimize wait times. Mr. Lowman noted the percent of resources of two providers over servicing families in the south were about equivalent to the percent of resources that children were waiting to receive from those same providers.

Mr. Lowman said since the audit, the Department of Health and Human Services has noted it will transition the program from the State Health Division to the Aging and Disability Services Division. At that point, he said, they would become responsible for the audit.

Mr. Lowman concluded his overview and asked the committee if they had any questions.

Governor Sandoval said the bottom line was the quality of service to the child. He said the division did not know whether the child that was being treated by the State was getting the right amount of care or whether the non-profit or the for-profit were not serving the child enough. The Governor then asked about the effect on quality of care by transferring to the non-profit or for-profit.

Mr. Lowman said they found no data that spoke to the quality of care and wanted the agency to speak on the data they had.

Dr. Green said there was the delineation of two populations of children that were being spoken of. One was the medically fragile children, and those children receive a number of services from the State. Dr. Green believed they would continue to need the services from the State for two primary reasons. She said number one, they do not have community capacity for those services. She said they were seeing this not only with this population, but also, newborn screening and identifying children with metabolic disorders. She said it was her desire to build capacity. Dr. Green stated the service delivery problem was a high end more expensive specific service delivery problem.

She said in addition, they had what she would call the part "C" children or developmental children. She said they were proposing and developing a quality team that would not only look at the programs in the community but would also look at the standards for services and outcomes. She stated the team will be able to get an answer to the question, is cheaper equal or is cheaper better, or is there a need for spending more dollars, to get better quality.

Governor Sandoval asked if there had been any outreach to the provider community as to how they felt about it.

Dr. Green said yes, absolutely. She had representation with her today from the provider community. She said she could comfortably say that all of the pediatricians in Northern Nevada were currently in support of the direction they were moving. Dr. Green said she and Ms. Gruner had met with providers last week and they were here today to speak to public comment.

Governor Sandoval asked if they would be moving in the direction described.

Dr. Green agreed.

Treasurer Marshall asked if they were not going to take the recommendations of the audit committee until they could better understand effectiveness and quality control.

Dr. Green responded with a nod.

Treasurer Marshall commented that one must need to look more comprehensively, not just at the costs. She said they were talking about a child, and if a child could gain some quality now, that could affect costs down the line. She asked if they were looking at that.

Dr. Green responded with a nod.

Dr. Green said the children with special health care needs or just the special medically fragile population gets confused or mixed in with the Early Intervention or Part C care. She said those children were actually tracked until the age of 22. She said that is why transferring them to Disability Services would provide the opportunity to really take a look at them through the lifespan. She said it was really about the integrated picture of the child, not just as zero to three or five.

Treasurer Marshall agreed.

Mr. Weinberger asked if he could make a statement.

Mr. Weinberger reminded the Committee that in the audit the first item was to determine the requirements and determine which services they felt comfortable turning over to the community providers. He said they did try to take that into account.

Treasurer Marshall commented she appreciated that.

Controller Wallin asked Mr. Lowman if he could tell her how he came up with the cost of \$9,450 per child.

Mr. Lowman said they looked at the costs of the two state facilities in the north and south and the number of children they were serving. He said they focused only on the treatment and the cost to provide the treatment service at the State facility.

Controller Wallin asked how he determined the number of children they were using.

Mr. Lowman explained they looked at the number of children they served historically. He said he could get that number for her.

Controller Wallin asked if he got the figure from their FY 2011 performance report called the unduplicated children served account.

Mr. Lowman replied yes and that they looked at their budget data.

Controller Wallin asked if the agency agreed with the calculations of \$9,450 per child.

Mr. Lowman said the agency worked with them to come up with a number they could all agree on.

Controller Wallin said that she talked to some of her counterparts in other states and it was really hard to come up with comparisons because what is done here isn't the same. She said we could not compare ourselves to any one state. She commented we even do more services than other states. She said we owe it to our children to take care of them.

Mr. Lowman clarified to Controller Wallin they were taking the same range of services that would have been provided for a child in the federal program, and they matched from state to state. He said what differed was the number of services, but they were looking at the same types of services that a child would be eligible to receive in this federal program.

Ms. Bridgman asked if there was coordination with other agencies as to what types of treatment the children require that could be administered by those agencies.

Dr. Green said the majority of the children were zero to three, and they enter the system from the neonatal intensive care unit and/or pediatricians in the community or an identified family member that feels they have a developmental or medical delay.

Ms. Gruner stated there was a transition period. She said once they approach age three, they would be transferred to another program that would meet their needs, such as developmental services or the school district. She said it depends on the family.

Controller Wallin noted there was a wait time for services. She wanted an explanation for why.

Dr. Green said they had two things going on. One was that they did not have enough providers for certain types of services. Second, there were medically special services for which they had no providers. She said some children were waiting for high-end services and others more routine services.

The Governor asked for public comment.

Dr. Pat Colletti explained he was sort of a senior pediatrician in Reno, because he had been around the longest. He said he has had a lot of experience with those kinds of services and the referral to these services. He recently attended a couple of legislative budget hearings and found out that the communication between the Division and the practicing physicians wasn't as good as it could have been. He said they have started meeting and came to what he considered some exciting ideas about working together in the community to make sure the children get the appropriate intervention and evaluation. Furthermore, Dr. Colletti said the community pediatricians were now committed not only to doing that, but also helping with quality assessment of outcomes. He said the outcome was really the most important part. He said he wanted the children to come out to be productive in society.

Dr. Colletti said the Governor received a letter from him a few weeks ago with over 60 pediatricians telling him they were starting to collaborate on this.

Dr. Colletti said there was a new aspect of care that was going on, and it would probably help the budget. He said it was going to help the quality of care to work hand in hand with the division to implement a system that not only identifies correctly the children, but also gets them quickly assessed and into a treatment plan. Dr. Colletti said every Reno pediatric care doctor was on board and was enthusiastic about going forward.

Dr. Colletti added they would prefer to be the medical home of all fragile children but they were not because some of them end up in places that are not supervised by pediatricians. Dr. Colletti explained that they plan to go into the pediatric community in Reno and elsewhere to offer expertise so that these places would know how to measure the children properly. He said the first three years was critical in their children's life and, they were committed about joining in.

Governor Sandoval thanked Dr. Colletti for being there and working with the Division. He said they were all here for the same reason, to make sure the children get the care that they need and deserve.

Governor Sandoval said they appreciate the willingness to work with them and perhaps have different information and recommendations for what is best here in Nevada during the next follow-up to the audit.

Governor Sandoval disclosed Dr. Colletti was his children's pediatrician, and he appreciated everything that he has done for them through the years.

Dr. Colletti thanked the Governor.

Treasurer Marshall asked if in different states there are different recommendations and different costs associated with the same problems, and if it is just not standardized. She asked how to know what would be best for the children.

Dr. Colletti said he was the past president of the Nevada Chapter of the American Academy of Pediatrics. A 50,000 member plus pediatrician organization that tries to work with every state in the country. He said they have committees on child development. He also said it was easy to present the best way to do things. He said they have people at the national level but there were roadblocks in getting the states to follow these.

Dr. Colletti stated that everybody seems to have a different opinion when it comes to medicine. He said they try to organize that, so that Nevada does more for the children than a lot of states do, and more than the minimum Federal guidelines.

Dr. Colletti said the outcome analysis is the bottom line, whether you are the most expensive or the least expensive. It is how the children are doing at the end. He said it would take a little bit of time to organize and put the children through and prove that they were doing better than the other groups were.

Dr. Colletti stated there were East Coast states that do next to nothing for high risk children and then there were some East Coast states that did amazing things for them. He said it was based on information they take from pediatric leaders of that particular state and then work with it.

Governor Sandoval asked Dr. Colletti if he had been communicating with the Southern Nevada pediatrician community.

Dr. Colletti confirmed he was communicating with the president of the AAP Nevada who is at the Medical School. He said it was a different population in Southern Nevada and didn't expect the data to be the same from both populations.

Governor Sandoval wanted to make sure it was a statewide solution.

Mr. Keith Uriarte introduced himself as the Chief of Staff for the American Federation of State, County and Municipal Employees (ASCME).

Mr. Uriarte explained the audit issues came to his attention at an Interim Finance Committee (IFC) meeting in April and that was two weeks after he first came to Nevada. He said he was concerned that what was going on was not about the children. Mr. Uriarte said since the last IFC meeting he was hopeful that would be resolved. He was ecstatic this was coming to a conclusion.

Mr. Uriarte said he personally believed they were reaching closure. He said he was concerned about the validity and purpose of the audit and how the numbers were arrived. He asked, if the question was still out there whether or not to follow any of the recommendations, the committee review the integrity of the audit.

Mr. Uriarte said he was happy that it was finally about the children receiving services. He mentioned the wait list should never have happened. He stated birth to age three was a very critical time. He hoped there were not any children who had aged out before receiving services. He thanked everyone for trying to find a resolution.

Treasurer Marshall suggested he take the opportunity to communicate with the doctor on the pilot program to make sure his concerns were being addressed and responded to.

Treasurer Marshall said they were trying to come up with the best solution. She agreed the audit focused on number crunching which was useful and important but they were dealing with children and trying to approach it in a comprehensive way. She said if the numbers don't tell the effectiveness of the program, then they have to determine that.

Mr. Uriarte said without involving his personal thoughts about the audit, it was about the children. He said they were talking about a critical period of time and if those services are not provided during that time, the costs triple or quadruple.

Governor Sandoval thought the audit had been very productive in terms of bringing the conversation to the surface. He said they could talk about numbers later, but it was patently obvious Dr. Green was working with the provider community to come up with a solution and do what is best for the children. He said testimony stated that wait times were due to insufficient provider availability.

Lieutenant Governor Krolicki added Kenney Guinn would always say there were "got you audits" and "let's figure out how to make it better audits". He said this was one of those situations where all the various groups and parties who had vested interest came together for the benefit of the children.

2. Department of Public Safety – Nevada Highway Patrol (NHP)

Warren Lowman, Executive Branch Audit Manager, presented the audit of the Department of Public Safety, Nevada Highway Patrol. Representing for the Department was Director Chris Perry, Deputy Director James Wright, Captain Dennis Osborn, Lieutenant Charlie Powell from the Nevada Highway Patrol and Pat Conmay, Chief of Records and Technology.

Mr. Lowman said the audit addressed two areas:

- ✓ Improving Departmental Communications Operations.
- ✓ Improving Fleet management by the NHP.

Three recommendations were made to improve Departmental communications operations.

Mr. Lowman said they determined the Department could save almost \$700,000 annually by consolidating the two dispatch centers in the north. He said the two centers had redundant capabilities and one dispatch center in the north and one in the south could meet statewide requirements.

Mr. Lowman said they determined the Department could save almost \$500,000 annually by coordinating a change to an electronic warrant system with the Administrative Office of the Court (AOC). He said the Department was processing warrants into the State's Criminal History Repository for the courts but without additional funding from the courts. He said these procedures could be automated in the court system and reduce delays for manual processing and costs for staff time.

Mr. Lowman additionally recommended the Department coordinate with the Enterprise Information Technology Services Division (EITS) to write a technical investment request (TIR) for a mobile data computer system to install in the NHP vehicles. Mr. Lowman

stated the computer systems had efficiency and effectiveness benefits as well as improved officer safety. The TIR would help the Department and NHP to arrive at the best solution for the state.

Mr. Lowman said they also made two recommendations to improve fleet management by the NHP.

Mr. Lowman said NHP had too many patrol vehicles. There were 600 patrol vehicles in the NHP fleet at the time of the audit. He also said the Department's criteria for number of vehicles was equal to the number of sworn officer positions, plus a five percent management adjustment. Mr. Lowman added NHP should have between 415 and 475 vehicles, depending on the Department's decision to maintain a fleet based on authorized sworn positions or filled sworn positions.

Mr. Lowman stated that reducing the number of patrol vehicles could save up to \$7.2 million in onetime purchase costs and \$1.8 million annually in operating expenses.

Mr. Lowman also recommended NHP increase oversight of fleet operations at the regional commands to increase productivity and ensure work orders and inventory records were complete, accurate and properly maintained. Mr. Lowman noted repair and radio shop records showed that staff could increase productivity about 35 percent to achieve NHP productivity goals. He said this amounted to about \$426,000 in increased productivity annually.

Mr. Lowman said NHP has fleet management professionals in Carson City who were experts in logistics and experienced in managing repair and radio shops. He said they were available and should be used to help regional commands improve management of the shops.

Mr. Lowman concluded his overview and asked the committee if they had any questions.

Governor Sandoval asked if the elimination of one of the dispatch centers could compromise public safety.

Director Perry responded it wouldn't and added there would still be a redundant center in the southern portion of the state as well as the north.

Governor Sandoval asked Mr. Perry to proceed.

Director Perry accepted the five recommendations. Although, he said there were some caveats with the number of vehicles. He said they were working through them right now. He said he was not sure that he agreed entirely on the number of vehicles, however, he would go through the recommendations one by one.

Director Perry said first, they accepted the recommendation to consolidate the two dispatch centers. He also said this would actually address other issues that they had found themselves. He said one of them was the proper handling of warrants, which would also be discussed.

Director Perry said the center in Elko is currently exceedingly expensive in per person and per transmission costs when compared to the two other centers. He said it was

basically based on the use factor of that center as the center doesn't get as many calls as the other two.

Director Perry added the Department's budget had already been submitted, or it would have been part of this budget request.

Director Perry said there was quite a bit of work to be done as far as transferring individuals or placing them on a layoff list.

Governor Sandoval wanted to know how many people would be involved.

Deputy Director Wright replied 12.

Director Perry said there were 12 dispatchers but they were also part of a confirmation component that he said they would get into later on. He said the warrant confirmation was currently done by regions. He said they were able to consolidate that into a single operational unit under the Criminal History Repository where it belonged. He said they see significant efficiency and effectiveness and that was part of what the audit had suggested to them. He added there were a lot of logistics to making it happen.

Governor Sandoval wanted to know if eliminating the dispatch center in Elko would leave a trooper in Wendover or Wells in a bad situation.

Director Perry replied their centers were fully interoperable. He said it was really about how to phone them in. He also said a person sitting in Las Vegas can dispatch for a person out in Elko. He stated it happens when they have installation upgrades or some type of issue has occurred in the dispatch center where they have to relocate the calls for service. He said it happens currently and there shouldn't be any problem with that.

Treasurer Marshall said she was not familiar with how dispatch centers work, but she was familiar with 911. She asked if the number of dispatch centers were reduced, would there be a choke point for 911 calls because of the number of lines in the dispatch center. She added that in 911 calls, that would be a real issue. Treasurer Marshall asked if it would create a potential choke point if there were a large emergency.

Director Perry explained there was a difference between the emergency 911 dispatch centers. He said they are not a 911 center but take calls from the 911 center.

Treasurer Marshall asked if the calls rolled off to him.

Director Perry replied that was correct and they were the overflow for 911.

Treasurer Marshall asked if dispatch centers were reduced would it result in a potential for calls not to be answered.

Director Perry said not in this case, because they were so far below that standard in both the Carson City and Reno offices.

Director Perry said they agreed with recommendation number 2 to coordinate with the AOC to change the electronic warrant system. He stated they would love every court to

be on electronic warrant verification and validation. He said it would free up a lot of their time and energies.

Director Perry said they agree entirely to work towards that goal. He said the unfortunate reality is many courts do not belong to the AOC. However, he said they are allowed to utilize the system even though they are not members. He thought it had a lot to do with individual costs to those smaller courts and that's the reason they're not in the system.

Director Perry addressed recommendation number three, coordination of the EITS technical investment request for the mobile data system. He explained Captain Conmay's shop had been looking at this in earnest since spring 2012. He said he thought he would have it ready to go by April of this year. He also said there were significant challenges; we are not just buying and choosing equipment, but choosing a means of the transmission. Currently, he said his radio system does not transmit that data so they would look at employing an independent vendor such as AT&T or Verizon. Those types of vendors do provide those services for them.

Director Perry stated they had accepted recommendation number four, reduction of patrol vehicles and management of the vehicle inventory, and that Captain Osborn had been doing work since the report came out.

Director Perry introduced Captain Osborn with the DPS, NHP division to talk about the specifics. He said they were still trying to come to a mutual agreement on the number of patrol vehicles needed. He said they were looking at the neighborhood of 509 total, based on 485 authorized sworn officers plus five percent. He explained they needed the five percent because of the pre-operational phase and the post-operational phase where they strip the vehicle to get it through the PDR process. Again, he said they were still working with the auditors to agree on a number.

Governor Sandoval asked if once they grabbed the number, they were still at 593.

Captain Osborn stated that is where they agree with the audit by reducing the fleet number, but he said they were using 509 and Mr. Lowman testified to about 480 or 470 which is pretty close.

Captain Osborn added they were at 593 at the time of the audit. He said they have reduced their vehicles and he thought they were down to 563 vehicles currently. He acknowledged they still need to bring that number down further. He stated they were thinking in the 509 range and they would be comfortable with that.

Governor Sandoval commented perhaps some of the vehicles had reached their mileage limit or were too expensive to maintain.

Captain Osborn agreed and stated those were the vehicles they would remove.

Mr. Weinberger said they were coordinating with the Budget Division because of the discrepancies in the number of vehicles. He said the audit used the numbers as of last August and it may have changed since then but it was close. He said he thought everyone agreed on the basic premise to reduce the vehicle inventory.

Director Perry moved to recommendation number five, to increase oversight of fleet operations by NHP fleet staff to increase productivity and ensure work orders and inventories were accurate and properly maintained. He passed to Captain Osborn for specifics.

Captain Osborn stated they agreed with the oversight issue through Chief Abney, and NHP. He emphasized using committees to ensure they understood what the operational needs were for the region. Lieutenant Powell is the chair of the committee and he opened up lines of communication. He has taken some vacant positions and brought them to the headquarters for functional oversight, and has brought about positive changes. He said they definitely agree with the increased oversight and he thinks it will get them to where they need to be.

Chief Perry thanked the Division of Internal Audits for coming in at their request. He said they knew they had issues and Internal Audits sat down with them and tailored what they needed to look at and they would continue to cooperate and work with them.

Governor Sandoval thanked Chief Perry.

3. Department of Corrections

Vita Ozoude, Executive Branch Auditor Manager, presented the audit of the Department of Corrections. Representing the Department of Corrections via video conference from Las Vegas, Nevada was Greg Cox, Director.

Mr. Ozoude stated the audit focused on three objectives and four recommendations were issued. The first objective was to:

- ✓ Enhancing Prison Doctor Oversight.

He said the Department could enhance oversight of prison doctors by monitoring doctor attendance. He said they estimated an annual benefit to the State of approximately \$1.9 million.

Mr. Ozoude stated, for the purposes of this audit, we defined doctors as psychiatrists, physicians and dentists. Mr. Ozoude said they sampled 13 full-time doctors and 2 part-time doctors. Twelve of the 13 full-time doctors sampled were scheduled to work four ten-hour days per week. The part-time doctors were scheduled to work two ten-hour days per week.

Mr. Ozoude said they reviewed the in-and-out logs and calculated the average hours per day. The full-time doctors worked 5.31 hours per day on a four-day workweek and the part-time doctors worked five hours per day in a two-day workweek.

Additionally, they reviewed the employee paycheck detail report for any reductions in hour worked or compensation and noted none. Therefore, all the doctors received full compensation.

The second objective was to:

- ✓ Expedite the hiring process.

Mr. Ozoude said the Department could expedite its hiring process by using the State developed request to fill form or modifying the current staffing requisition form. They

determined delays in the process were attributable to the current staffing requisition form not containing all the information needed to fill that position.

The third object was to:

- ✓ Enhance Prison Industry Programs.

Mr. Ozoude stated the Department could enhance its Prison Industries program by developing short-term and long-term strategic plans. He said 73 percent of the states surveyed had either short-term, or long-term plans, and 53 percent had both.

Some of the benefits of strategic planning included but were not limited to establishing and communicating realistic goals and objectives to accomplish within a defined time frame and ensuring the most effective use of resources by focusing on key priorities.

Mr. Ozoude said they also selected a sample of 15 states with inmate populations ranging from 2,500 to 25,000. He said based on the sample, Nevada was 14th in total sales and 15th in percent of inmates working. In addition, Nevada's prison industry sales to public sector institutions such as public schools, state and local governments were 13 percent in 2011 while public sector sales for other states, averaged 71 percent.

Mr. Ozoude stated that developing short-term and long-term strategic plans would help Prison Industries identify opportunities, increase public and private sector sales; and provide jobs to inmates.

Mr. Ozoude also recommended the Department coordinate with the Governor's Office of Economic Development to pursue opportunities in the business community. Mr. Ozoude said the Governor's Office of Economic Development represented that some of the rural manufacturers were having problems hiring and retaining employees in these communities.

Mr. Ozoude said a Prison Industries official in one of the surveyed states represented that they coordinated with state and local economic development agencies in pursuing private sector opportunities in their rural areas due to labor shortages. He said based on the audit, we believed opportunities exist to use Prison Industries' labor, space and equipment to help Nevada's rural manufacturers.

Mr. Ozoude concluded his presentation and asked the committee if there were any questions.

Governor Sandoval asked Mr. Ozoude whether as part of the audit if they determined whether any of the doctors have outside practices on top of what they do for the state.

Mr. Ozoude said they did not determine that.

Governor Sandoval commented the range was from one physician averaging two hours out of a ten-hour shift, and the best was a little over six hours in a ten-hour shift.

Mr. Ozoude replied yes.

Governor Sandoval commented there was a specter of litigation with regard to doctor staffing.

Mr. Ozoude stated that is what the Department represented.

Governor Sandoval asked if there were any issues with quality of care to the inmates.

Mr. Ozoude indicated they did not see anything that indicated the inmates weren't getting quality care.

Mr. Cox told the Committee they agreed with all the recommendations and thanked them for the review.

Mr. Cox confirmed the doctors provided good medical service to the inmate population in Nevada.

Mr. Cox stated they used different coding in regards to tracking hours worked inside and outside the institutions, for utilization review committees and travel time. Mr. Cox mentioned, however, they were not doing a very good job at it.

Mr. Cox stated Dr. Bannister, Medical Director, met with each one of the physicians, dentists and psychiatrists in the Department in regards to what was expected of them and their work hours and schedules. They also established work performance standards and job specifications to hold them accountable and responsible for the jobs they do.

Mr. Cox said since he has been in the position, they have used video-conferencing for the psychiatrists in the Ely state prison. He said they have a difficult time filling positions in the rural areas so they have taken advantage of technology to help them.

Mr. Cox said they have also looked at utilizing Nurse Practitioners and Physician's Assistants. He said they provide a good quality of care in certain areas of their operations and would enhance the services delivered. He stated it could be more efficient and cost effective.

Mr. Cox stated there were several hybrid types of medical services that were provided by multiple states, especially in western States. Recently Arizona privatized their operation and California is currently in consent to pre-litigation. He said it was fairly normal in this business and in this profession to have a lot of litigation in regards to this area. He thought the Department; and working with the Attorney General's Office over the years had done a good job of being able to show exactly what was done to provide inmate service.

Governor Sandoval asked if any of the medical providers had outside practices on top of what they were doing at the Department.

Mr. Cox said he has asked that question to the Medical Director, and was told they do not have outside practices.

Governor Sandoval stated he was having a difficult time understanding how somebody can work two and a quarter hours a day out of a ten-hour shift and get paid full time.

Mr. Cox agreed and commented they have had multiple discussions with staff in regards to the hours and what they were doing to track their hours. He said they have seen vast improvement since they put it in place last September.

Governor Sandoval asked Mr. Cox if he has had time to converse with Dr. Green and see some of the procedures they have implemented to improve the physician attendance.

Mr. Cox said that Internal Audits provided them with some of the procedures implemented by Dr. Green and they have implemented some of those strategies for tracking of the physicians' hours.

Governor Sandoval said he would like to see the system enhanced further and some lessons learned in regards to being able to do this at a quicker pace.

Governor Sandoval said he looked at the Department's response dated November 14, 2012. He said there was a comment saying Nevada statute did not require physicians as non-classified/exempt state employees, to record anything less than eight hours of non-attendance.

Mr. Cox replied according to statute and federal labor laws, they did not have to report anything other than not being there for the entire day because they were exempt. He said the Fair Labor Standards Act indicates, as an example, if they took a 15 minute phone call that was considered a full day of work. In addition, he said, due to them being exempt employees, they were protected under our statutes.

Governor Sandoval asked how we could deal with that situation.

Mr. Cox said his expectation was that they would work the hours. He said there were some issues associated with the law and they get a lot of litigation in their profession but he expects the doctors to work a full day. Again, he said the Medical Director had met with them and some doctors have even left as a result.

Governor Sandoval emphasized that quality of care for the inmates had not been compromised in all this.

Lieutenant Governor Krolicki added this was about recordkeeping and hours and not quality of care. He said they could all agree that there was a tendency for many of the physicians not to work the expected time. He also stated that, in defense of exempt employees, if the employees worked 50 to 60 hours per week they were still being paid at that 40-hour level. He said this was designed to compensate fairly on both sides of the equation for exempt employees. He said it was up to the Departments and Divisions to make sure it was done appropriately.

Controller Wallin commented to Mr. Cox that Dr. Green testified that she was taking back pay for those who did not work the hours. She wanted to know why Mr. Cox couldn't do the same.

Mr. Cox explained they had been in discussions with the Attorney General's Office in regards to some avenues they could take. He said he had looked at both statutes and both laws and was told there could be some litigation if he did callback. He said he has

not tried taking back hours yet and is currently trying to increase the hours by working with the doctors and getting them to track all their hours inside and outside of the facility.

Governor Sandoval added, he didn't know for a fact, but he believed some of the providers for Dr. Green were private contractors.

Controller Wallin commented maybe that is what they needed to do.

Treasurer Marshall asked if during the audit, when they were identifying average hours logged, if they were they able to include any paperwork that might have been done off the premises.

Mr. Ozoude said they could not find any documentation for any paperwork they did off premises, but they included the leave hours and accounted for those.

Treasurer Marshall asked if it was possible that this is not a true representation of hours worked as it does not include work done off premises.

Mr. Cox said they had identified hours that were not documented, hours outside the prison, even travel hours that were associated with working in one facility and going to another. He said they were working towards identifying all those hours. He also said they were going back to the employees and looking at the hours that were not documented.

Mr. Cox stated the Director of Nursing and the Medical Director have really been on top of this by meeting with doctors in both the North and the South. He said they have a briefing every week concerning the hours and they provide what they are doing to make sure they have accurate representation of the employee's hours.

Treasurer Marshall replied that it could be they actually worked the hours, but it may be a recording issue.

Mr. Cox replied that is what they found.

Treasurer Marshall asked if it would be more useful to move into a five-day, eight-hour work week as opposed to a four-day, ten-hour work week to increase the amount of time logged.

Mr. Cox said that would make sense in some of the rural areas where some of the dentists, physicians, and psychiatrists were traveling from some of the metropolitan areas. He commented they've adjusted scheduling in order to retain and attract employees to the Department.

Mr. Cox said they would look at making scheduling more efficient and effective to where the doctors would be there during times where they would have easy access to inmates. He said scheduling is critical to their operation and other security functions, and he thought the Department effectively dealt with it.

Governor Sandoval acknowledged the Department had a plan in place, and he explained that the purpose of the Committee was to put those types of plans in place. He thanked Mr. Cox and told him he imagined he would hear back from him in six months.

Mr. Cox added that being an exempt employee for over twenty years he knows that most exempt employees put in significant hours. He also stated he feels the dentists, physicians and psychiatrists in their agency do a good job providing service to the inmates and he would definitely deal with the attendance issue.

Ms. Bridgman stated the private sector was subject to the same rules and one of the ways it is addressed is they are required to see so many patients or other requirements to ensure they were working closer to a 40-hour work week. She added that the 50 percent gap in hours in the facility compared to scheduled hours is a very big gap in what's captured to still be at a point in which the hours worked is deserving of a full-time paid.

Mr. Cox addressed recommendation number 2 in regards to their Human Resource processes when filling positions. He said they agreed with the audit recommendation. He also added he has been working with State Personnel and has been successful in reducing his overall vacancies.

Mr. Cox then addressed recommendation number 3, developing short and long-term plans to address issues such as the Silver State Industries, prison industry operation.

Present with Mr. Cox was Deputy Director Connett. Mr. Cox explained they were constantly looking at how they could further employ inmates, which is a critical part of what they want to do in regards to vocational training of the inmates for their eventual release. He commented it was a struggle for every state in the Union right now.

Mr. Cox said Deputy Director Connett was actually the head in the United States of the prison industry association, what he called the network for all prison Industries (PI) operations in the country, including Bureau of Prisons, so they actually had someone who clearly looked at it from a national perspective.

Mr. Cox said one of the issues that Nevada had that other states don't have is the other states have a law in place that requires state government to purchase products made from their prison industry.

Mr. Cox explained he has taken the audit recommendations as a stance of what we do in regards to not only attracting, but also retaining, our current industries and then helping industries in businesses in Nevada. He made clear they also wanted to be cognizant of the fact that what was done inside the system would not affect people in the community that have jobs in the area. He said they did not want to take those jobs away but really look at how they could support Nevada businesses in regards to their prison industry operation.

Mr. Cox commented it had been a difficult task with the economy, and he said they were doing positive things.

Treasurer Marshall stated they weren't doing too badly since they are in the top quartile. She commented that the furniture from the Treasurer's office was from PI and everyone seemed to enjoy it.

Mr. Cox appreciated the comment and stated this work provides the inmate population something to keep busy and provides a good service to the citizens of the state. He said the data supports the workers have a reduced rate of recidivism, and it's a good foundation for training and for jobs they could do in the community once they're released.

Controller Wallin commented her office loved the furniture too and suggested Mr. Cox work with the Governor's Office of Economic Development to help provide a much needed labor work force within the rural communities. She asked if PI would be paying a reduced wage but when they got out of prison they could have a job with the company they assisted making a good wage?

Mr. Connett stated, in regards to the wages, it was dependent upon whether the product was staying in the State of Nevada or being exported out of the state lines. It might also depend whether they were working with a private sector company or manufacturing products for State entities.

Secretary of State Ross Miller commented on the point of ensuring that prison industries programs did not compete with the private sector. He said there may be discussion about it coming up with the Board of Prisons. He asked if Mr. Cox could elaborate a little further on what the short and long-term goals for trying to meet that objective were.

Mr. Cox stated historically the Department and especially Silver State Industries was allowed to manufacture a lot of products before the downturn in the economy of the State. He also said he met with businesses and even union officials and listened to them not only when testifying, but also talked to them about the impact it might have on employees in the State.

Mr. Cox replied he communicated with them and told them they were thinking about bringing the industry into our operations and how it would affect the industry and the community. He said he did not want to do anything to impact the ability of someone making a living in our communities by bringing this business into our prison system. He said they wanted to look at how to enhance it. He said they talked about locations where trades weren't located in the main population so; inmates could be productive citizens once they're released.

Mr. Cox added he would drill down to specific industries to let them know what PI was thinking about doing and that he appreciated their input and wanted to know what the impact on them might be. He stressed that they would not bring in PI without discussing with the appropriate industries what possible impact it could have.

Governor Sandoval asked the Committee if they had any further questions.

There were none.

G. For Possible Action – Approval of the Division of Internal Audits 2012 Annual Report Released September 20, 2012 (NRS 353A.065)

Mr. Weinberger explained the Annual report presents the Division's accomplishments and performance measures

He said there were three sections:

- ✓ Internal Audit Section
- ✓ Financial Management Section
- ✓ Post Review Section

Mr. Weinberger pointed out the Internal Audit section had six authorized positions but only three were filled during fiscal year 2012, and those positions were now filled.

Mr. Weinberger explained the Division tries to offer recommendations that bring in benefits to the state and cut costs for state government, and they quantify the benefits. He said the State benefits \$86 for every dollar spent on the Internal Audit section.

Mr. Weinberger said the Financial Management section consisted of one person, and recently filled the vacant Financial Manager position with Lori Hoover, CPA. Ms. Hoover will provide Internal Control Training to other state agencies along with special reviews as requested. He wanted to point out there was a huge increase in percentage of trainees' test scores.

Mr. Weinberger explained they administer their test to the class attendees before and after the presentation and hope their scores increase to show how effective the presentation was. He stated that there was a 43 percent increase in fiscal year 2012, and it was a new record for them.

Mr. Weinberger said the last section was the Post Review section. He said this section consisted of two auditors. He mentioned in fiscal year 2012 they were down by one auditor or 50 percent and have since filled the vacant position.

Mr. Weinberger explained to the Committee members they were short of their goal for percentage of agencies examined by 45 percent due to the vacancy they had.

Mr. Weinberger asked the Committee if they had any questions.

Controller Wallin pointed out on page 8 that the performance measure goal for percentage of recommendations being fully implemented was at 100 percent. She said she would rather see something more reasonable.

Controller Wallin said there would be times when things were out of the agencies' control to implement the recommendation; therefore, 100 percent is not reasonable.

Mr. Weinberger agreed and said he would change it.

Controller Wallin noticed the performance measures on page 11 had been projected down to 20 percent. She mentioned all the new employees she had in her office, and she thought there would be an increase because there is a tremendous need for more training.

Mr. Weinberger explained there was NAC that requires fiscal personnel to take the training once every five years. He explained they came up with a population of agencies they needed to train and decided they needed to train 20 percent of them per year. Mr. Weinberger said there were a couple of years where only one or two agencies were trained and other years 37 percent of agencies were trained to make up for the shortfall,

Controller Wallin asked about Internal Control training for new fiscal employees

Mr. Weinberger said they try to get the message out to all the employees and when they contact us we tell them when the next scheduled training is. He said they schedule trainings per the agency, but he said they also invite other people who were not employees of that agency.

Controller Wallin asked if the class was on on-line yet.

Mr. Weinberger said they found that the in-house trainings were the most popular and most preferred. He explained that the trainings were not standardized, but agency specific and would make an online class difficult.

Controller Wallin thanked Mr. Weinberger.

Governor Sandoval asked the Committee if they had any questions. They had none and asked the chair to accept a motion.

Motion: Move for approval of the Division's 2012 Annual Report
By: Controller, Kim Wallin
Second: Lieutenant Governor Krolicki
Vote: Motion passed unanimously for those present.

Governor Sandoval asked if there were any questions on the motion.

Secretary of State Miller asked if that motion amends the annual report as noted by the Controller.

Controller Wallin suggested the 100 percent performance measures be amended.

Mr. Weinberger confirmed they would amend the report.

They all agreed to use an average over the last three years to come up with the goal.

Governor Sandoval asked Controller Wallin to restate the motion to approve.

Governor Sandoval asked if all committee members understood the motion.

Motion: Move for approval of the Division's 2012 Annual Report with the change to the performance measure goal on page 8 from 100 percent to an average over the last three years.
By: Controller Kim Wallin
Second: Lieutenant Governor Krolicki
Vote Motion passed unanimously for those present.

H. For Possible Action – Approval of the Division’s Annual Audit Plan. (NRS 353A.045)

Mr. Weinberger said the Division’s audit plan could be found on page 2 of the summary. He explained the first matrix was audits that needed approval and the second matrix were the approved ongoing audits.

Mr. Weinberger stated they prioritize audits that were requested by the Committee. He changed the format a little but he said the philosophy behind it was the same. Mr. Weinberger said he tried to provide more information to the Committee about the Risk Assessment if needed.

Governor Sandoval asked if they coordinated with the Legislative Council Bureau (LCB) so there were not redundant audits.

Mr. Weinberger stated that they exchange schedules with LCB. He added he was going to change the Water Resources audit because LCB was currently there. He said they would probably start the Colorado River Commission this spring instead and anticipated having it completed next fall sometime. He then planned to postpone the audit of Water Resources until the following spring. He added that on tab 7, he noted specifically what LCB looked at during their audit to ensure he does not look at the same thing.

Governor Sandoval asked the committee members if they had any other entities they would be interested in having an audit performed.

There were none.

Governor Sandoval asked for a motion of approval.

Motion: Move for approval of the Division’s Annual Audit Plan
By: Controller, Kim Wallin
Second: Lieutenant Governor Krolicki
Vote Motion passed unanimously for those present.

I. Presentation of the Estimated Benefits to Nevadans from the Division’s Recommendations.

Governor Sandoval asked the committee if they had any questions
There were none.

J. Presentation of the Division’s annual follow-up status.

Mr. Weinberger explained tab 9 that goes hand in hand with tab 8. He said tab 8 was a schedule of their estimated benefits quantified for dollars.

Mr. Weinberger explained tab 9 was those recommendations that had not been fully implemented at this time. He said it was basically the same as the schedule presented at the last audit committee, however, he said they did have one change. Nevada Office of Veteran’s Services (Office) had a recommendation to hire four additional services officers. He said each one of the service officers could bring approximately \$3 million in benefits for Nevada veterans. He said they hired only two because of the budget

constraints. He also commented that, at the last Committee meeting, the Governor said it would be cost effective to try to hire the remaining two service officers as soon as possible.

Mr. Weinberger stated the Office went to the Interim Finance Committee (IFC) back in October and has received permission to hire the other two.

Governor Sandoval added that Veteran's Services was interviewing as they spoke. He said they were approved by the Board of Examiners' (BOE) and the IFC.

Treasurer Marshall said the Tahoe Regional Planning Agency (TRPA) audit that identified 2.3 million in recommended savings required an inordinate amount of staff time for the TRPA and the State. She commented it cost a bucket load of money and time for both entities, and did not result in any savings. She added she pointed that out at a previous meeting.

K. Presentation of the follow-up status for Legislative Counsel Bureau's audit report recommendations issued October 17, 2011 and February 2, 2012.

Mr. Weinberger said since the last EBAC meeting they had performed eight-follow-ups and they were noted on tab 1 of the summary, page 4. He said by statute they are required to determine the implementation status of the LCB audit recommendations. He stated there were no significant concerns.

Governor Sandoval asked the committee if they had any comments or questions.

There were none.

Treasurer Marshall thanked Mr. Weinberger for the marathon meeting and welcomed the new staff.

Governor Sandoval told the new staff they had something to look forward to. He thanked the staff for their hard work and he said he appreciated all they do for the state agencies.

Governor Sandoval said he was particularly stricken by Chief Perry's comments and how he appreciated the opportunity to work with the staff, and he believed Dr. Cox said the same thing.

Governor Sandoval added that he thought he could speak for all the state agencies that see this as a good relationship and they know that there is always room to do better. He said the Division had done great work for the committee as well as for the people of Nevada.

Mr. Weinberger thanked Governor Sandoval.

L. Committee Members' Comments.

Governor Sandoval asked if there were any other comments.

There were none.

M. Public Comments.

Governor Sandoval asked if there were any public comments.

Dr. John Harris, a senior psychiatrist employed by the Department of Corrections introduced himself.

Dr. Harris spoke on behalf of himself and a number of his colleagues, and stated they had no problem with anyone looking at information concerning the work they do at the prisons, including the time spent at each facility. He said they take their jobs seriously, and was proud of the work they do. Dr. Harris stated, as with any endeavor there was always room for improvement. He also stated they do an excellent job, in a difficult and challenging work environment.

Dr. Harris said to keep in mind that they were exempt salaried professional employees and hired as such. His concern was ensuring the data collected tracking their attendance was not misrepresented. For example, He stated it was a mistake to assume the amount of time health care providers were present at a correctional facility was the only time that providers were performing work related to the inmates.

Dr. Harris went on to explain, a health care provider may spend time traveling between different correctional facilities, consulting with other medical staff, conducting research, continuing education and training or administrative duties outside the institution. He said it was a mistake to assume that on any given day if a health care provider had remained at the facility additional hours, the health care provider could have been able to see or treat more patients. In most cases, he noted that would be a flawed assumption.

Dr. Harris said the ability to treat patients is subject to prison policies, procedures and security issues that vary by institution and were unpredictable. On any given day, a health care provider may, unexpectedly be precluded from treating an inmate due to lockdown, count, transport or cross custody issues.

Dr. Harris explained some people do not understand, there was huge competition for inmates within prison systems. He added yard labor industries, the educators, drug and alcohol people all compete for inmates and this competition creates delays for the doctors and dentists ability to see people.

Dr. Harris requested permission to submit a written statement to the Committee after his colleagues had the opportunity to review the final report presented.

Dr. Harris requested ten days to submit a written statement to include in the public record along with the final audit report.

Governor Sandoval thanked Dr. Harris for being there and commented there was always two sides to the story, and there was an acceptance that there was definitely more to their job responsibilities than being physically present there. He thought the purpose of the audit was figuring out an accounting system by which they could report the other areas.

Dr. Harris replied yes.

Governor Sandoval encouraged them to work with the Division of Internal Audits, so they could get that information and distribute to the committee members. He did not want to limit Dr. Harris to ten days. He said the committee would not meet for another six months and asked Mr. Weinberger for confirmation.

Mr. Weinberger confirmed with a nod.

Governor Sandoval stated at that time they would get a report back with the information that was shared and provided. He confirmed that Dr. Cox would work with them.

Governor Sandoval appreciated Dr. Harris and the others for being there and confirmed that in no circumstance was anyone trying to undermine or minimize what Dr. Harris or his colleagues did.

Dr. Harris appreciated and thanked the Committee and stated they did not have a problem with conforming themselves to the needs of the Department.

Governor Sandoval said Dr. Green suggested that in her situation she used a coding system for traveling for marking the time down or when doing notes.

Dr. Harris said they did not do a good job of making the data available to the auditors. However, he said he was not sure the auditors did a great job at collecting and interpreting the data.

Governor Sandoval said that was why we were here today. He said they all knew each other, they should get together.

Treasurer Marshall asked Dr. Harris if he felt he could engage with the head of the Department of Corrections because there was a collaborative process going forward to figure out a resolution.

Dr. Harris agreed and commented they were good people to work with.

Treasurer Marshall asked if there was enough communication for a resolution.

Dr. Harris said he would encourage the doctors and dentists to come together, and come to some understanding and agreement.

Treasurer Marshall thanked Dr. Harris for coming in.

Governor Sandoval asked if there were any comments or questions.

There were none.

N. Adjournment

Governor Sandoval called for a motion for adjournment.

Motion: Move for approval of motion for adjournment.
By: Treasurer Marshall
Second: Controller
Vote: Motion passed unanimously for those present.

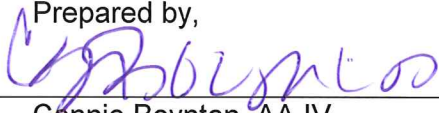
The meeting adjourned at 11:25 a.m.

Respectfully submitted by,



Steve Weinberger, CPA
Administrator
Department of Administration
Division of Internal Audits

Prepared by,



Connie Boynton, AA IV
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