

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

**Approved Minutes**

**December 10, 2014**

The Meeting of the Executive Branch Audit Committee was held on December 10, 2014 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, Chairperson  
  
Lieutenant Governor, Brian Krolicki  
  
Secretary of State, Ross Miller (Absent, Schedule Conflict)  
  
Treasurer, Kate Marshall  
  
Controller, Kim Wallin  
  
Attorney General, Catherine Cortez Masto  
  
Trudy L. Cross, CPA, Public Member

**DIVISION OF INTERNAL AUDITS  
STAFF PRESENT:**

Administrator, Steve Weinberger  
Executive Branch Audit Manager, Warren Lowman  
Executive Branch Audit Manager, Vita Ozoude  
Executive Branch Auditor, Jeff Landerfelt  
Executive Branch Auditor, Lynnette Pagaling  
Executive Branch Auditor, Ashwini Prasad  
Executive Branch Auditor, Dennis Stoddard  
Financial Manager, Lori Hoover  
Deputy Attorney General, Jennifer Chisel  
Administrative Assistant, Connie Boynton

**OTHERS PRESENT:**

Copy of sign-in sheet available, contact Connie Boynton, administrative assistant IV at [cboynton@admin.nv.gov](mailto: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.

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**A. Call to Order**

Chair, Governor Brian Sandoval, called the meeting to order at 9:03 A.M. and welcomed those present. Roll was taken, and a quorum was noted. The Secretary of State, Ross Miller 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 June 26, 2014, Executive Branch Audit Committee Meeting Minutes.**

Governor Sandoval noted there were no questions or comments on the minutes dated June 26, 2014.

**Motion:** Move for approval of the minutes of the June 26, 2014 meeting.

**By:** Lieutenant Governor, Krolicki

**Second:** Controller, Wallin

**Abstention** Ms. Cross

**Vote:** Motion passed five to zero with one abstention.

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

**1. Department of Wildlife, Report No. 14-04**

Vita Ozoude, executive branch audit manager for the Division of Internal Audits, presented the follow-up report.

Representing for the Department of Wildlife was Deputy Director Patrick Cates.

Mr. Vita Ozoude said the audit focused on four objectives:

- ✓ Enhancing vehicle operations,
- ✓ Improving land acquisition and contract management practices,
- ✓ Improving the process for managing accounts receivable, and
- ✓ Modifying current bond requirements.

The report had eight recommendations. Two were fully implemented, five were partially implemented, and one had no action.

Mr. Ozoude stated the audit follow-up would focus on the five partially implemented recommendations and the recommendations with no action.

Mr. Ozoude continued with recommendation number 4, develop and implement procedures for land acquisitions to include pre-established selection criteria, a scoring system, and a conflict of interest policy.

Mr. Ozoude stated the department developed policies and procedures for land acquisitions that included pre-established selection criteria, but had not yet implemented them. He said a conflict

of interest policy for land acquisitions is also being developed. He said the department anticipates full implementation by December 31, 2014.

Mr. Ozoude noted recommendation number five was to update policies and procedures to enhance contract management.

Mr. Ozoude explained the department was currently updating contract management policies and procedures. The new procedures included processes to ensure grazing and farming leases comply with all applicable state contract requirements. The department anticipates full implementation by March 30, of 2015.

Mr. Ozoude explained recommendation number one was to reduce vehicle size, and their review disclosed the department re-organized the functions of the administrator of operations to include fleet management responsibilities. He said the new responsibilities include developing processes to identify and prioritize replacement needs, to configure the fleet to maximize efficiencies, and to ensure that the vehicles were replaced in a timely matter. He disclosed the department reduced its fleet by 11 vehicles and anticipated full implementation of this recommendation by June 30, 2015.

Mr. Ozoude explained recommendation number two was to review mileage reports. He said the department updated its policies and procedures to ensure consistent reporting of vehicle mileages. Mr. Ozoude commented the department was still compiling mileage reports and were yet to start the review process. He said the department anticipates full implementation of this recommendation by June 30, 2015.

Mr. Ozoude explained recommendation number six was to transfer all past license agents' transactions to the current database and determine the accounts receivable balance.

Mr. Ozoude said the department was still in the process of transferring all past license agents' transactions to the NDWS database. Therefore, the accounts receivable balance was yet to be determined and the department anticipated full implementation by June 30, 2015.

Mr. Ozoude explained recommendation number seven was to transfer all license agents' accounts over 60 days old to the controller's office for collection.

Mr. Ozoude said the department took no action on this recommendation. He said the implementation was dependent on the full implementation of recommendation number six, which involved determining the accounts receivable balance.

Mr. Ozoude stated that recommendation numbers three and eight, which dealt with standardizing recordkeeping and modifying bond requirements had been fully implemented.

This concluded Mr. Ozoude's six-month follow-up.

Governor Sandoval asked if there were issues with previous land acquisition in recommendation number four.

Mr. Ozoude said there wasn't a specific issue, but noted other states have pre-established procedures and criteria for determining which land to acquire first and second. He said they wanted to put that in place here.

Governor Sandoval asked if this was an issue before.

Mr. Weinberger commented no; they just wanted to improve in the process.

Governor Sandoval asked Mr. Cates if they were just formalizing what they did before.

Mr. Cates responded that was correct and commented they have had a lands policy for a long time, but had no real formal policy for what criteria they used.

Governor Sandoval asked if the audit committee had any questions or if Mr. Patrick Cates had anything to add on behalf of the department.

Mr. Cates stated he concurred with the recommendations and the update. He commented they were making good progress and had implemented some. He also said they should be on schedule to get it all completed by the end of the fiscal year.

Governor Sandoval asked if recommendation number six took a while because of the huge volume of transactions.

Mr. Cates explained the accounts receivable functions were backlogged for some time when they changed systems. He said the staff was making great progress in catching up, and then had an unrelated change in procedure for cash reconciliation, which took them off task. He said they were now back on task and thought they were about nine months ahead of where they were a month ago when they reported to Mr. Ozoude. He expressed they would have it wrapped up in the next couple of months.

Governor Sandoval commented he thought the issue was just formalizing in a book or binder what they were already doing. He asked if that was correct.

Mr. Weinberger agreed and commented they wanted to make sure they had established procedures and were consistent when applying them.

Governor Sandoval agreed and thought what they had been doing in the past was fine, but needed to have it so somebody could just open the book.

Mr. Cates replied they had meeting minutes from their lands committee meeting. He said that was the only formal documentation they could go to, to determine what the rationale was as to why they acquire pieces of land.

Committee members had no comments or questions.

**2. Department of Motor Vehicles, Compliance Enforcement Division (division), Report No. 14-05.**

Warren Lowman, executive branch audit manager for the Division of Internal Audits, presented the follow-up report.

Representing the division was Administrator Donny Perry and Deputy Administrator Rhonda Bavaro.

Mr. Lowman stated we made four recommendations to the division to consider fee adjustments to cover the costs of enforcing compliance with Nevada's laws and to more effectively use compliance investigator resources.

Mr. Lowman stated the division had partially implemented all of the recommendations.

Mr. Lowman said with respect to the occupational and business licenses and related fees that cover of cost of enforcement, the division had not completed its analysis for establishing a fee model or for restructuring fees to reflect relative risk to consumers. He said the division's goal was to fully implement the two recommendations by the end of fiscal year 2015.

Mr. Lowman noted with respect to the two recommendations to more effectively use compliance investigator resources, the division is establishing criteria for tracking investigator time in its new tracking system and is beginning to monitor investigations to identify improvement opportunities. The division has established investigator performance measures based on its 2012 strategic plan. He said the division's goal was to fully implement the two recommendations by the end of fiscal year 2015

This concluded Mr. Lowman's six-month follow-up.

Governor Sandoval asked if it would be better to have the recommendation on fees prior to the submission of the budget instead of the end of fiscal year 2015.

Ms. Bavaro explained there was so much involved to make the recommendations. She said they are forming a working group to meet with the industry, the Department of Administration and leadership to identify statutory changes, regulatory changes, as well as the impact on the industry.

Ms. Bavaro commented they were not comfortable moving forward.

Governor Sandoval said that was fine and that he was not minimizing it, but his point was they would have to wait another two years to present those things.

Ms. Bavaro replied that was correct.

Governor Sandoval asked for comments from the board.

Ms. Bavaro excited by the progress that was made so far. She said their new case management system went into effect in September and had trained staff statewide on the system.

Ms. Bavaro said they were now better off to monitor the time spent on cases and special projects. She commented they were excited about the new case management.

Governor Sandoval responded good and thanked her. There were no other comments or questions.

### **3. Colorado River Commission (commission), Report No. 14-06**

Vita Ozoude, executive branch audit manager for the Division of Internal Audits, presented the follow-up report.

Representing the Commission via video conference from Las Vegas was Ms. Jayne Harkins, executive director.

Mr. Ozoude said the audit focused on two objectives:

- ✓ Improving compliance with SSEA's risk management procedures, and
- ✓ Enhancing the contract process.

Mr. Ozoude said of the five recommendations, one was fully implemented and four were partially implemented.

Mr. Ozoude said his follow-up would focus on the four that were partially implemented.

Mr. Ozoude said recommendation number one was to document and review all physical and financial trade transactions in the Trade Capture Systems (TCS) database.

Mr. Ozoude stated the commission updated the risk management procedures to ensure that reviews of all physical and financial trade transactions were performed in the TCS database. His review of the commission's documentation disclosed that the reviews were being performed by one individual in the middle and back offices and risk management procedures required the reviews in the two offices be performed by two separate individuals.

Mr. Ozoude explained recommendation number two was to ensure reviews were performed and documented in the TCS database in accordance with the timeframes set forth in the Silver State Energy Association's risk management procedures.

Mr. Ozoude said the commission determined the original review timeframes set forth in the risk management procedures were unrealistic. Therefore, the time frames for front, middle and back offices were updated.

Mr. Ozoude said they reviewed 113 transactions and noted 24 percent of the transactions were not reviewed within the newly established time frames.

Mr. Ozoude explained recommendation numbers four and five referred to contract processes.

Mr. Ozoude said the first was to extend the RFP solicitation process from six to eight weeks and secondly maintain documentation to support the selection process.

Mr. Ozoude said the commission updated its policies and procedures to extend the RFP solicitation period, but the commission had not issued any RFPs since the audit. Therefore, they were not able to verify full implementation of the two recommendations.

Mr. Ozoude explained recommendation number three which addressed confirmation agreements was fully implemented.

This concluded Mr. Ozoude's six-month follow-up.

Governor Sandoval asked for comments or questions from the committee.

Lieutenant Governor Krolicki asked what underlying commerce was in the physical and financial trade transactions.

Mr. Ozoude explained those were the buying and selling of energy which the commission does. Lieutenant Governor Krolicki asked if it was a power purchase agreement.

Mr. Ozoude replied it was a power purchase agreement.

Lieutenant Governor Krolicki wanted clarification the power purchase agreements had nothing to do with the investment portfolio.

Mr. Ozoude clarified they only looked at the power purchase agreements. They did not look at the investment portfolios.

Attorney General Masto stated that in the executive director's letter dated November 5, it looked like the recommendations had been fully implemented, but the report stated they were partially implemented, and asked for an explanation.

Mr. Ozoude said they perform a review to make a determination as to what was fully or partially implemented. He said they found issues such as signing off steps which were to be done by two people but only done by one. He said there were some issues that still needed to be resolved.

Mr. Ozoude said that was why they had something different from what was stated and the commission agreed when they talked with them.

Governor Sandoval asked if Ms. Harkins had any comments.

Ms. Harkins said they accepted the recommendations and recognized the few that were partially implemented. She said they have not done any RFP's since the audit. Once they have RFP's, they can show proper documentation of records.

Ms. Harkins explained that for the first two recommendations for the risk management procedures; they had made progress by now putting data in the database.

Ms. Harkins mentioned they were short staffed so the manager was doing the approvals in the middle and back offices. She said they recognized that was not optimal, under the risk management procedures.

Ms. Harkins said they would certainly work forward in the next few months and come back with fully implemented recommendations.

Controller Wallin asked if they were short staffed because of funding or could not find people to work there.

Ms. Harkins explained they had staff leave for jobs elsewhere where the pay was better. She commented they were funded by their customers and did not have a funding issue, and were in a turnover period where they had vacancies they were working on to be filled.

Treasurer Marshall referred back to the follow-up for Department of Motor Vehicles, report number 14-05. She said it was her understanding DMV was going to come forward to seek a major software upgrade this legislative session, which was going to be a significant cost.

Treasurer Marshall said given the band-aid and plaster system that was currently in place, it might be worth it for DMV to consider putting in extra resources towards determining if a revised fee structure would facilitate the implementation of the upgrade overall.

Governor Sandoval commented they would talk to Director about it.

Governor Sandoval pointed out it would be a monumental task and undertaking with the amount of money that would be involved. He said they would also look at leasing versus purchasing to see if there were advantages to that.

**E. Presentation of the Division's audit reports (NRS 353.085).**

**1. Commission on Off-Highway Vehicles, (OHV's) Report #15-01.**

Vita Ozoude, executive branch audit manager, presented the audit report.

Representing the commission was Mr. Greg McKay, Chairman, and representing the Department of Motor Vehicles (DMV) was Mr. Shawn McDonald, Administrator, of Central Services and Records.

Mr. Ozoude said the audit focused on three objectives.

The first objective was to revise the funding structure to maximize funds for OHV projects and they made two recommendations.

Mr. Ozoude stated on July 1, 2012, Nevada's program to register and title OHV's became effective. He said per statute, all funds received from registration were to be allocated 85 percent to the commission and 15 percent to DMV.

Mr. Ozoude said DMV also receives all title and late registration fees. All fees are received and deposited into an operating account called the Account for Administration of OHV titling by DMV and registration. He said all funds in that account must be used by DMV solely for the administration of the OHV titling and registration and any funds remaining in the account must be carried forward to the next fiscal year.

Mr. Ozoude explained that revenues received by DMV exceeded its administrative expenses, and excess funds were being accumulated in that account and by statute could not be used for any other purpose. In addition, he said the accumulated amount to date was approximately \$100,000, and funds would continue to accumulate in that account.

Mr. Ozoude said the first recommendation was to consider seeking legislation that would allow DMV to transfer to the commission all OHV program revenues in excess of its expenses. He said they estimate that revising the statute to allow transfer of excess revenues could benefit the commission by up to 2.78 million over ten years.

Mr. Ozoude said the second part of the first objective dealt with sharing of revenue and expense data. He said that DMV currently did not share program revenue and expense data with the commission. Therefore, the commission could not verify the accuracy of the amounts received.

Mr. Ozoude said they recommend the commission should consider coordinating with DMV to obtain program revenue and expense data. He also said coordination with DMV to share



revenue and expense data would increase transparency as well as assure the commission that the funds were being properly allocated.

He said the second objective was to increase OHV program revenue, and two recommendations were made.

Mr. Ozoude stated at the beginning of the program DMV spent \$88,000 for public outreach which resulted in approximately 20 percent registration compliance or 40,000 OHV registrations.

Mr. Ozoude pointed out NRS Chapter 490 required OHV funds to be used for purposes such as enforcement and public outreach. However, he said the commission had not established regulations for administering grants. Therefore, no funds had been expended for these activities.

Mr. Ozoude said consequently, much of the OHV public was either unaware of the OHV titling and registration requirements or unconcerned with compliance, as enforcement efforts were currently nonexistent.

Mr. Ozoude stated in the first quarter of fiscal year 2015 the program experienced negative growth in active registrations for the first time since the program began. He said active registration declined, as new registrations were not sufficient to offset the decline in renewals.

Mr. Ozoude said their survey of other states disclosed that enforcement and public outreach was critical to program compliance, especially in the early stages.

Mr. Ozoude noted that on January 1, 2015, approximately \$150,000 would be available for public outreach and \$200,000 for enforcement efforts.

Mr. Ozoude said they recommend the commission consider developing and implementing procedures to ensure funds were expended for OHV enforcement and public outreach.

Mr. Ozoude said based on the results of the initial expenditure for public outreach by DMV, they estimate spending \$150,000 could generate approximately \$1.2 million in additional registration revenues as the public is made aware through public outreach that registration and titling of OHV's was legally required.

Mr. Ozoude said the second part of the objective dealt with out-of-state OHV's. He said at this time current statute does not require registration for an OHV if the OHV is registered in another state and located in Nevada for less than 15 days. Additionally, he said the statute has no provisions for out-of-state riders who are in Nevada longer than 15 days or are not registered in another state.

Mr. Ozoude stated surveys of other states disclosed that out-of-state OHV registration requirements vary from state to state. However, he said all states surveyed had programs to accommodate out-of-state OHVs and OHV riders. He stated some states offered out-of-state decal programs that operated similar to the selling of fishing licenses, whereby licensed vendors would maintain a stock of decals and remit fees collected, minus nominal agent fees, to the commission.

Mr. Ozoude said they recommended the commission consider implementing a program where decals are required for out-of-state OHVs located in Nevada for more than 15 days or not

registered in another state. He added implementing a decal program could provide additional revenue of approximately \$144,000, while allowing out-of-state riders a means to participate in Nevada's OHV recreational opportunities.

Mr. Ozoude said the third and last objective was for the commission to be hosted by a state agency and two recommendations were made.

Mr. Ozoude stated the OHV commission was established as an independent body with no administrative or budgetary support from an executive branch agency. He said as a result, the commission was still trying to establish policies and procedures that already exist in state agencies. He said the delay in establishing policies and procedures has hindered the progress of the commission's mission to promote the responsible use of recreational OHVs.

Mr. Ozoude said they surveyed ten western states, all of which had OHV programs similar in nature to Nevada's OHV program. He added that, in all the states, the OHV programs are hosted by state agencies. He said the host agencies provide administrative and budgetary support.

Mr. Ozoude said seven of the ten states surveyed had OHV commissions that act in an advisory capacity, while three had no OHV commissions.

Mr. Ozoude said based on the survey, only Nevada has an independent OHV commission not hosted by an executive branch agency.

Mr. Ozoude said, in states with OHV advisory commissions, grant functions such as approval and monitoring were segregated between the commission and the host agency to provide appropriate checks and balances.

Mr. Ozoude pointed out in Nevada all functions of granting the OHV funds reside with the commission, with no oversight from an executive branch agency.

Mr. Ozoude said they recommended the commission consider seeking legislation to be hosted by a state agency, because it would provide the commission administrative and budgetary support, as well as ensure proper checks and balances.

Mr. Ozoude said the second part of the objective dealt with seeking other funding sources to defray the costs of the host agency. Presently the only source of funding for the commission was their portion of the registration fees.

Mr. Ozoude said they surveyed other states looking at additional funding sources for their OHV programs. They identified two additional funding sources used by these states; namely, federal Recreational Trails Program (RTP) funds and fuel tax allocation.

Mr. Ozoude stated five of the surveyed states used the RTP funds for OHV projects. He said in Nevada the Division of State Parks receives approximately \$1.5 million of the RTP funds, 30 percent of which was designated for OHV projects. Currently there is no coordination between the commission and the Division of State Parks as to how the funds were expended.

Mr. Ozoude said eight of the states surveyed also supplement OHV program funding with an allocation of fuel tax dollars. He said the amount of fuel tax dollars allocated to the OHV

program was based on studies of fuel consumed by OHVs which they believed contribute directly to the state's highway funds.

Mr. Ozoude said they were recommending the commission should consider seeking other funding sources to defray the cost of the host agency. Seeking other funding sources would not only defray the cost of the host agency, but would ensure the continued viability of the OHV program.

Mr. Ozoude expressed appreciation to the OHV commission members and the DMV's management and staff for their cooperation and assistance throughout the audit.

This concluded Mr. Ozoude's presentation.

Governor Sandoval asked if Mr. Greg McKay wanted to respond, because his response in writing was brief.

Mr. McKay said he tried to be brief.

Governor Sandoval commented it just stated that you agreed to the recommendations but they wanted to hear a little more from him.

Mr. McKay said they appreciated the courtesy and professionalism of Internal Audits and he thought they came up with an excellent set of recommendations. He said tomorrow they were doing presentations to their commission on the recommendations and would make an agenda and formalize action on those in January.

Mr. McKay believed the recommendations were right on spot and, a bill would be adopted by the commission.

Governor Sandoval commented part of the funding issue was a huge gap between the number of registered off-road vehicles and the number that actually existed.

Governor Sandoval asked if there was a strategy to try close that gap.

Mr. McKay replied yes. He said their draft regulations have been given back to them from LCB.

Mr. McKay thought it was essential that they get that process formalized and were able to award grant funding to increase public education and enforcement, which they believed would increase registration numbers. He said they had been unable to do that because they did not enact those regulations, so he thought that was a major cause of having poor registration.

Governor Sandoval noted that was the cause, and commented that if there were no regulations in place, it was purely voluntary.

Mr. McKay agreed.

Lieutenant Governor Krolicki commented it was one thing not to grow enforcement, but there was 22 percent reduction in renewal, so people have already participated and did not know if lack of enforcement is why the number had gone down.

Governor Sandoval mentioned he heard from hunters in his barbershop that a few of them do it (register), but most do not because they are not worried about any kind of enforcement, and they will not do it until they have to.

Lieutenant Governor Krolicki asked if there was a penalty.

Governor Sandoval asked before he responded to that, if there was any enforcement.

Mr. McKay responded virtually none.

Governor Sandoval commented they had some do-gooders that wanted to sign up and register, and he guessed it started out with a little plate and then it went to a different colored sticker, so you could tell the difference.

Governor Sandoval asked how much it was to register.

Mr. McKay's response was \$20.

Governor Sandoval commented why go take the time first to register and then spend the \$20 for a renewal if there is no enforcement mechanism.

Governor Sandoval asked if the regulations are promulgated and adopted, and did they include an enforcement mechanism.

Mr. Greg McKay explained it allowed them to award grants to law enforcement and for public outreach, which they think would dramatically increase their registration.

Governor Sandoval commented that public outreach might be an issue. He said he thought many folks who have these vehicles were aware that there is a responsibility to register, but not aware that it's actually a requirement. He said until there was an enforcement mechanism, he doesn't think they were going to see a whole lot of people that were going to go ahead and register.

Governor Sandoval asked who would do the enforcement.

Mr. McKay said virtually any law enforcement agency that operated in Nevada would be able to enforce it, federal, state, or local.

Treasurer Marshall asked how that would work, if she had a snowmobile and took it to the meadows and parked. She asked if there would be someone to check for a decal; and how they would foresee that operating.

Mr. McKay replied that with awarding grants, hopefully a U.S. Forest service person would check for compliance and would have the ability to write a citation for not having a registration, which would require the person get registered.

Treasurer Marshall asked if that's how it works in other states.

Mr. Ozoude replied yes, the enforcement is very good and that was part of having this done.

Governor Sandoval asked for DMV's perspective on this.

Mr. McDonald introduced that he was the administrator for central services with the DMV.

Mr. McDonald explained that once we have enforcement operating, word would get around that enforcement was citing those who were not registered so they would certainly see an influx in registrations.

Mr. McDonald said they proposed a Bill Draft Request (BDR) to look at funding. He said what they would like to do again was take all of the combined expenses, pay them, and whatever was left over will go over to the OHV commission to fund their programs and provide them the resources they need to move forward.

Mr. McDonald commented their goal was to meet their expenses and nothing more.

Mr. McDonald explained they wanted to hold on to their \$150,000 reserve so they would still have a fallback. He said as enforcement increases, so will revenues, and there would be no reason for them to retain that money in an account when it could be used to help the OHV commission.

Mr. McDonald commented that enforcement and awareness was the biggest piece and the more they had the better off they would be.

Governor Sandoval and Mr. McDonald both agreed that zero enforcement was the present situation.

Treasurer Marshall commented to the committee that if someone goes to register their car, and there is a box on the form that asks if they have an off road vehicle, and they do not check the box and are caught with an off road vehicle, we now have an enforcement mechanism.

Governor Sandoval did not want a gotcha situation but rather encourage people to register.

Governor Sandoval asked Mr. Ozoude if it was 40,000 out of 200 and what thousand.

Mr. Ozoude replied 200,000 was the low end when they estimated total off road vehicle and 425,000 was the high end so anything in-between. He added some of the commission members said it could be as much as 325,000.

Governor Sandoval asked if they had reached out to the Department of Wildlife. He said when getting a hunting license, there could be a reminder of being aware there was a legal requirement to register your off-road vehicle.

Mr. McKay said they have had representatives at their meetings to talk about enforcement and they said they were willing if they received a grant, to do the enforcement. He mentioned they have not had a serious discussion about the public outreach yet.

Governor Sandoval replied it seemed like a benign way to remind people, because most hunters use off-road vehicles. Just a little box when filling out a hunting license reminding that pursuant to NRS Chapter 490 that they were required to register their off-road vehicle.

Governor Sandoval said it would at least put people on notice, a free way to get public outreach.

Governor Sandoval said the vast majority of people that own the off-road vehicles were hunters, and fishermen. He mentioned maybe it could be put in the audit recommendation.

Treasurer Marshall asked if they had grant writers.

Mr. McKay replied no.

Treasurer asked if they had a process in place to apply and obtain these grants.

Mr. McKay replied they had a grant application and grant guide, which they will need to revise a little after their drafted regulations are approved. He mentioned the commission does not receive grants but grants funds to applicants.

Governor Sandoval stated there is a grants office in the state and they are there to assist state agencies with grant opportunities. He mentioned another audit recommendation could be the grants office assisting other state agencies and boards and commissions to seek out these grants.

Governor Sandoval asked if the state agencies have told him how much it would cost to host the commission.

Mr. McKay replied not yet.

Governor Sandoval explained if that was going to happen, the window for that was starting to close. He said if they were going to pursue it, he needed to know how much it was going to be, and how much to include in the budget. He said it could be amended later during the legislative session, but there was a six-month window and if they were going to do that, they should propose it now.

Mr. McKay thanked the Governor.

Lieutenant Governor Krolicki said he understood the audit function and they needed to enforce the laws, but there was a practical application here and that was what he was missing. He said people need to do what's right without the grants and at the same time he was hearing an enforcement that was probably going to cost far more than the revenues were going to get.

Lieutenant Governor mentioned there was a fine line and getting every dollar was pressure, but he said two and a half million dollars over ten years and all the conversation about \$250,000 a year. He asked how many employees would be dedicated to enforcement of these things.

Lieutenant Governor Krolicki said the hosting agency and the transfer of monies do need to be a part of the BDR, because that was practical and he didn't think it was controversial. He said the conclusion really needed to make practical sense. He commented that government is being government, but how were people going to do it.

Lieutenant Governor Krolicki said most hunters who use the vehicles want to do what is right, and so by having it with their tag information or permit was a great way to do it. He said there would have to be a lot more carrot and awareness than enforcement. He commented hunters did not know how the commission was going to spend the money.

Governor Sandoval following up on the lieutenant governor's question, asked if he was a hunter and had not registered his off-road vehicle, would he know where the money was going, and if there was an explanation if the registrations fees were to go up, where that money was going to go.

Mr. McKay said other than what the statute provided there was not any further explanation at this point. He said they were hoping that public outreach and education would get more of that message out.

Governor Sandoval asked if that money goes towards projects that their commission approves.

Mr. McKay replied that was correct. He said 60 percent for trails and 20 percent for law enforcement, 15 percent for public education outreach 5 percent for administration.

Governor Sandoval wanted clarification and asked if the reason there was no enforcement right now was that the laws were on the books, but not the regulations.

Mr. McKay replied that was correct.

Governor Sandoval asked if there had been any citations issued since the adoption of this law.

Mr. McKay said he heard there were a couple but has never seen any evidence of it.

Attorney General Masto asked if they were talking about awarding grants to law enforcement so they could do the enforcements.

Mr. McKay replied yes.

Attorney General Masto asked when talking about regulations, if the laws were statutorily on the books at this time, and if existing state law enforcement came across these individuals, could they cite these individuals without the regulations.

Mr. McKay replied yes.

Attorney General Masto said the regulations were only there for the commission's purposes, and they did not really address the law enforcement piece of it, other than possibly giving the commission the authority they needed to award grants to law enforcement.

Attorney General Masto said that most of the hunters and people that were going to get a permit would be on federal land and that could be a challenge working with federal law enforcement who enforce those laws. She said right now there was a fight to have federal law enforcement enforce state laws in some of their jurisdictions, and rural communities were fighting that. She also said if she was not mistaken, she thought there was a potential BDR coming down for these issues.

Attorney General Masto said those were things to keep in mind. She said you will have challenges when it comes to enforcement, which are not going to go away. She thought it was going to be the public outreach that was going to be the most important as enforcement would be difficult.

Governor Sandoval commented the attorney general prompted another question.

Governor Sandoval asked if there was a federal law that required registration of off-road vehicles.

Mr. McKay could not tell him that for certain.

Mr. Ozoude said they spoke to the person in charge of BLM in Reno, and he told them there was no specific federal law that addressed it, but he said when that happens, federal law enforcement officers were required to enforce state laws if they are on the books. He added all law enforcement officers including the feds will be enforcing the laws.

Mr. Ozoude said he was not aware of what the attorney general was saying about federal lands.

Governor Sandoval explained the attorney general was alluding to the fact this could be touching on raw nerves in terms of federal officials enforcing state law.

Lieutenant Governor Krolicki commented they were touching on many different pieces here, the funding, alternate sources of funding (fuel tax). He said he is all for matching revenue and expenses; it is a common sense approach. He said although, while it might be a good thing for them (commission), that money is no longer available for NDOT and other sources.

Lieutenant Governor Krolicki said this was a zero sum proposition, and said it may not be the finest source of new funding, because they will have to replace it in other ways.

Governor Sandoval asked what State Parks' role was. He said DMV had a piece of this, and it sounded like State Parks had a piece, but then they had their commission. He added, it sounded like they do not talk to State Parks.

Mr. McKay said they have had a couple of initial discussions with them. He said they received RTP funds from the federal government, and a portion, about 30 percent, was supposed to be dedicated to off-highway vehicle recreation. He added that 30 percent was non-motorized recreation, and 40 percent was in the middle and could be mixed either way. He said he thought there was some benefit in that the agencies could work together.

Mr. McKay said State Parks is precluded from using their money for some purposes. However, State Parks could partner with the commission and/or leverage funds to get better projects for the state in general.

Governor Sandoval asked for an example of one of his improvement projects.

Mr. McKay said there would be a lot of law enforcement. He said they would need to do some sort of outreach and public education to increase awareness in the state of being a responsible off-highway vehicle user.

Mr. McKay said until their regulations were accepted, they were not able to award money to do anything.

Governor Sandoval asked where the money was at this time.

Mr. McKay replied it was sitting in a bank account.



Lieutenant Governor Krolicki wondered if they were not able to transfer the money.

Mr. McKay said they could not legally transfer it.

Treasurer Marshall asked if that was the \$100,000.

Mr. Ozoude responded the \$100,000 was the amount the DMV had in excess over what they were using for expenses.

Mr. Weinberger replied the \$150,000 available for public outreach and \$200,000 available for enforcement are just the percentages of their total revenues allowed for that purpose.

Mr. McKay responded they had a million dollars in the bank right now, that they could not spend.

Lieutenant Governor Krolicki stated it could not be built in the budget yet.

Treasurer Marshall replied they could make a good investment off it though.

Mr. McKay said they were hopeful within a couple months that the mechanisms would fall into place that would enable them to fund education, law enforcement, and other projects, which they thought would increase participation, awareness, and enforcement.

Governor Sandoval asked if they had a list of projects that, once they had access to that money, they could commence.

Mr. McKay replied at the present they had a round of grants that were applied for, but were unable to award them due to not having their regulations in place.

Mr. McKay commented they had some good concepts and ideas out there, and in the case of federal agencies, projects that once funded are ready to go.

Governor Sandoval asked for more specificity, if there was a specific trail out there that needed some work, which the commission had budgeted funds for.

Mr. McKay replied yes, there were several already, and there was no lack of projects to be accomplished. He said they would just have to prioritize what was the most effective.

Governor Sandoval asked for an example.

Mr. McKay replied Forest Service on Spooner Summit had a trail system and they have funds to re-grade and sign the area for multiple users. He said the OHV commission could partially fund it, and there was some private contributions that were ready to do that too. He said it was a project that was ready to go as soon as they could help them.

Governor Sandoval said he was just curious, because the commission was formed in 2011, and has not had a chance to do anything with the registration fees that had been raised. It had been parked in a bank account. He said it would be his hope that they had a bunch of projects and things cued up and once the regulations were approved, they could unleash funds for the purpose for which they were intended.

Mr. McKay replied they were plenty of projects waiting.

Lieutenant Krolicki asked for a list of what some of those projects might be in their follow-up.

Mr. McKay replied as soon as they got their grant applications in, they would provide them with all the details.

Governor Sandoval asked when they are due.

Mr. McKay said he assumed it would be a couple months before they were ready to solicit for applications.

Governor Sandoval replied, "So in a couple months you would seek applications from the public or from groups that will say hey, over here there's a problem and this needs to be fixed, and we estimate it will cost \$40,000 to make this road available for use or more use or signing and those types of things?"

Governor Sandoval asked if there were applications right now.

Mr. McKay replied no.

Ms. Cross had two questions. First, she thought it was mentioned that DMV did the first initial public outreach to get people to sign up. She asked if there was a mechanism that could be used again for public outreach, instead of waiting for the regulations to be approved.

Mr. McKay said he was not sure and had assumed they had been advised until they got their regulations in place that they are not allowed to legally award money, but that could have been an exception.

Ms. Cross commented she was not sure how it happened before.

Mr. McDonald, administrator for DMV Central Services, replied there was some initial funding for little information slips which they placed throughout DMV offices.

Ms. Cross commented that generated a lot of registrations.

Mr. McDonald replied, in the initial start-up, there was a huge bubble where everyone registered before July 1 of 2013. He said you had to be registered by that point. He also thought a portion of that was based off the idea that there would be an enforcement component.

Mr. McDonald pointed out that when you buy a new OHV from a dealership; the dealer is involved as part of statute in helping register the vehicles. He said there is an active first-time registration fee, but again the renewal component beyond that the second year, third year, that's where they are starting to see the decline that Mr. Ozoude talked about.

Ms. Cross asked if there was something on the DMV website for the off-road.

Mr. McDonald said they did and had a link on the DMV website that went to the OHV commission, and everything directly related to their site.

Mr. McDonald said they have an automated process for renewals that required very little interaction from the department.

Mr. McDonald commented their staff was limited because of the automated process, but wanted to drive people to renew and keep that going. He said it did bring in revenue but at a low expense.

Ms. Cross asked if they could use any of the processes for regulating boats and jet skis. She said it seemed to work well. She added there are many similarities to boat registrations and OHV registrations.

Mr. McKay replied that Division of Wildlife registered boats and jet skis. He said they (Wildlife) were reluctant to host their registration activities because of their funding mechanism right now.

Ms. Cross replied "but if you gave them the money to do that".

Mr. McKay said that perhaps they could look at that harder.

Ms. Cross commented it seemed to be such a spectacular process.

Treasurer Marshall asked if the renewal process for vehicles is set up so they get something in the mail telling them they are to renew.

Mr. McKay replied yes.

Treasurer Marshall asked if they were looking to Internal Audits to provide them with recommendations on how to make notifications that they would be accepting grants and reaching out to the audience they needed. She commented they would want a plethora of applications so they could choose the best one amongst them. She asked if they had an idea of how to do that or were they looking to Internal Audits for a recommendation.

Mr. Weinberger pointed out that they could help and said they could coordinate with the grants office.

Treasurer Marshall added and publicizing the notice to whomever would want to apply.

Mr. Weinberger agreed and said they could talk to other state agencies and see how do it and then pass the information along.

Mr. McKay said that would be a great help.

Governor Sandoval commented that part of the statutory requirements were to prepare a report for each regular session of the legislature. He asked if they had a copy of the '13 report. He said not with you today, but asked if he could provide one.

Mr. McKay explained he did not have one yet, but could provide one.

Governor Sandoval responded he would like to see what the submission to the '15 legislature would be as well.

No further comments or questions.

**Agenda item E. 2 the audit of the Department of Agriculture was moved because the representative was in route, and had not arrived yet, E3. Will now be represented.**

**3. Department of Health and Human Services, Report # 15-03, Juvenile Services.**

Ms. Ashwini Prasad executive branch auditor presented the audit report.

Representing the Division of Child and Family services was Administrator Amber Howell, and Deputy Administrator Steve McBride, for Juvenile Justice Services.

Ms. Prasad stated the audit focused on proper funding of education, managing and reducing risks to youth, and costs to the division to increase the division's efficiency and effectiveness surrounding its juvenile justice services to better serve the state.

The audit was comprised of two objectives:

- ✓ Can the state more equitably fund education for institutionalized pupils at the state youth centers, and
- ✓ Can the division lower risks and costs for committed youth.

Ms. Prasad said that currently the division was not receiving state educational funding consistent with school districts for providing education. She said consequently, the division's funds were being used to support education costs normally funded elsewhere through state education funding.

Ms. Prasad stated the state did not control placement of committed youth to better manage risk to those youth and cost related to placement. Youth were being placed in a high security, high cost youth center with potentially greater risk than necessary to those youth.

Ms. Prasad said with reference to their first objective, they recommended the division request reallocation of state education funding for institutionalized pupils being educated by the state at the youth center in Elko County, Nevada Youth Training Center (NYTC).

Ms. Prasad indicated all school districts were allocated a Distributive School Account (DSA), basic per pupil support amount to provide education.

Ms. Prasad said currently the division did not receive DSA funding to support the cost of the high school at NYTC. She said NYTC has up to 60 institutionalized pupils that were not included in the allocation of DSA funding.

Ms. Prasad stated the division should request re-allocation of DSA funding to include the institutionalized pupils. She said this would reduce the cost of the high school at NYTC by \$335,000 annually.

Secondly, Ms. Prasad recommended the division request reimbursement for the portion of DSA that funds support services from Clark and Lincoln Counties. She said Clark and Lincoln Counties receive full DSA funding but only provide instructional services to the state youth centers Red Rock Academy and Caliente Youth Training Center (CYTC).

Ms. Prasad added the division provides the support services such as facilities and utilities. She said consequently, these counties were being compensated for services they do not provide.

Ms. Prasad stated the division should request reimbursement for support services that amounted to 28 percent of the DSA. She said this would reduce costs to the division by \$297,000 annually.

Ms. Prasad said they spoke to the Department of Education, and the department supports appropriate and equitable state education funding for those institutionalized pupils.

Ms. Prasad said with reference to their second objective, their third recommendation was to evaluate changing statute to give the division authority to place youth in state-funded facilities. She said current statute allows for the juvenile court or the division to place committed youth in state youth centers. Standard state policy and procedure require youth to be assessed by a state multidisciplinary team to determine where a youth should be committed, similar to the way adults are placed through the Department of Corrections.

Ms. Prasad explained judges in northern Nevada allow the division to place youth. In southern Nevada, the court, in general, places youth. She said in many cases in the south the youth were placed at the higher security higher cost Red Rock academy, sometimes prior to the state assessment process.

Ms. Prasad added the youth at Red Rock Academy could potentially be at a greater risk than necessary due to the mix of offenders. She explained the youth at Red Rock Academy were exposed to a 64 percent greater risk of assault and a 200 percent greater risk of exposure to serious offenders than the other two state facilities. Additionally, if serious out-of-state offenders were brought to Red Rock Academy as planned, the risk to nonserious offenders of exposure to serious offenders will increase 200 percent.

Ms. Prasad said lastly that their fourth recommendation for the division is to reduce risk to committed youth and reduce costs by maximizing use of lower security, lower cost state facilities. She said there were open beds at the lower security, lower cost facility, Caliente, where up to ten youth could have been diverted from Red Rock Academy in the past year. She also said by maximizing the lower security, lower cost beds, the division could reduce risk to youth and benefit the division by \$563,000 annually.

This concluded Ms. Prasad's presentation.

Ms. Prasad said she appreciated the division's assistance and cooperation and thanked them for their time and consideration.

Governor Sandoval wanted Ms. Howell to take on this because they were dipping their toe in a very sensitive area. He said he knew the attorney general sits on the Juvenile Justice Commission, but it was within the province of those family courts and the juvenile justice courts to be deciding where the young men and woman were going to go.

Governor Sandoval said they are the ones that listen to the cases and make the evaluation. He said he did not know if they (the state) even had jurisdiction or the ability to interfere with the placement decisions of the presiding judge in those cases.

Governor Sandoval stated that it might be a question for Ms. Howell, but of course it would save money to put some of those kids into a lower classification facility, but at the end of the day, does it rest with the judge to decide what was the most proper placement with regard to the amount of people.

Ms. Howell, Administrator, Division of Child and Family Services, thanked the Governor for his comments and questions.

Ms. Howell explained the judge did have authority to place youth in a specific facility. She appreciated the comments about the sensitive nature. She said they try very hard to respect the judges' wishes and orders, balancing what is best for the youth.

Ms. Howell said they have had four years of trying to regionalize juvenile justice. In addition, she said the difficulty with regionalizing juvenile is they do not have all three levels of care in each region, so it becomes difficult to try to honor their wishes and what is best for the youth.

Ms. Howell said sometimes it was a balancing act of the youth and sometimes they may qualify or be a better fit at NYTC, but she said the judge in the south indicated they want a facility in the south because that is where their family is, so that would be something that you could choose over a different placement.

Governor Sandoval said they are in the process of reducing beds in Elko and increasing beds in Red Rock Academy for the very reason of keeping the youth close to their families.

Ms. Howell agreed and said there was a statute, 63.400, that does allow us to deny the judicial order. She said they use it very infrequently, but they had used it a couple times in the past.

Ms. Howell said they had the same idea about 62E and what could be changed to allow more flexibility. She said they accepted the recommendation and the findings, because they have struggled with it a long time as well.

Attorney General Masto asked Ms. Howell to talk a little about the Juvenile Services Division's team. She stated that was a very important process. She said it was not like the judge just automatically says this is the facility and that's where the juvenile is going. She said there was a team who comes together to assess the needs of the juvenile and actually where they should be placed as well as the level of severity.

Ms. Howell thanked Attorney General Masto and replied yes, there was an admissions team. She said in their response they listed out who was on that team and what they look at. She said that process occurs prior to the placement, using the judicial order as the trigger for that process.

Governor Sandoval said the judge at the end of the day has the final say.

Ms. Howell replied yes.

Governor Sandoval asked Ms. Prasad if they visited Red Rock Academy and Elko when they were doing the audit.

Ms. Prasad replied yes.

Attorney General Masto expressed concern if they were going to regionalize, they did not have the facilities, the resources or the funding to do that right now. She said unless there was a long-term strategic plan in place to actually fund it, there was no way they were going to get there, because of the issue that was before them. She added there were only three institutions with different levels of care and severity for each one, and that had to be taken into consideration when they are placing the juveniles.

Attorney General Masto commented it was a tough position to be in, but she appreciates the recommendations that had been put forth.

Governor Sandoval said there were some real practical issues associated with the courts and the separate branch of government.

Governor Sandoval understood and commented at the end of the day it was going to be up to the judge with regard to those placements.

Ms. Howell stated she agreed with all comments. She said it was a balance between what was best for the child, where their families were, not having enough levels of care, trying to balance all those things.

Ms. Howell replied though there were a couple of things that they could do moving forward despite the statute. She said they could retrain and have conversations with admissions team to talk about what the statute said and what the options were.

Ms. Howell said if there was a significant level of discomfort, that they let their attorney know so that they can go back into court and have that conversation. She added that was something they could do regardless of the statute.

Ms. Howell said they could look at any juvenile that was in Red Rock Academy, and what a step-down program would look like. She said they have not done that historically because of change in environment and placement, which was a whole other thing that has to be considered for youth.

Ms. Howell said they could look at the drop down, when a youth was doing well in Red Rock Academy, and they could reward them by sending them to Caliente, which was less secure. She commented that is something they want to look at. She said it rewards them for good behavior, but it does send them two hours away from their family. She said that was another balance they were trying to overcome.

Ms. Howell said they would continue to work with the Supreme Court commission on the challenges. She said they had come a long way in four years, so they do this every day trying to balance respecting judicial orders and doing what was best for the youth.

Governor Sandoval confirmed that Ms. Prasad used the statistic for Red Rock which, was 64 percent more dangerous than Caliente and Elko. He did not want to suggest Red Rock was not safe. He said part of that statistic was there was a higher-level offenses at Red Rock and a different type of individual who is there verses Caliente and Elko. He did not want anyone thinking Red Rock was an issue. He said they work hard there.

Governor Sandoval commented that he had toured the facility and he obviously does not want any young man to be put into a custody situation that is not appropriate. He said he is not the

judge, and also not listening to all the different issue judges have to confront to make that final decision as to where the placement was going to be. He said we have to weigh that versus what the cost savings would be.

Governor Sandoval asked to move to the other piece on Elko. He also asked if the students that were at NYTC were not students in the Elko County School District.

Ms. Howell replied she would answer then Ms. Prasad could add her piece.

Ms. Howell replied they were not, which seemed to shock people who hear that for the first time. She added for as long as she had been in her position, and years before her, Elko County School District did not support and/ or help fund Nevada Youth Training Center.

Ms. Howell stated Mr. McBride was the superintendent over the educational piece of NYTC. She said they paid close to about \$3 million in staff for the educational piece and commented it was a great program. She also said the graduation rates increase higher every year.

Ms. Howell said Elko County School District had not been willing in the past to support them and their pupils there.

Governor Sandoval asked if this would be the only one in the state.

Ms. Howell replied it was the only one of the DCFS facilities.

Governor Sandoval stated even at Department of Corrections, Clark County School District provides services at the prison. He said maybe he should have known this, but he guessed you could not compel a local school district to provide services to school-age kids at the facility.

Ms. Howell explained that in the past, whether they were willing or they had the authority of responsibility to do so, they had not. She believed the executive branch audit team and Mr. Equiaga had talked about whose responsibility it was and that had opened the door for them to have the dialogue.

Ms. Howell said they were ready to have that discussion. She said a significant amount of funds that could come their way to assist them, and that they could use for other things at the facility, given all the enhancements they were trying to make there.

Governor Sandoval replied he would also talk to the superintendent.

Governor Sandoval said it was odd to him that there is a school district in place with all of the facilities and the teachers, and we have to build our own school system within one facility.

Governor Sandoval asked how many students were currently enrolled at NYTC.

Mr. McBride replied they currently had 41 male youth at NYTC.

Governor Sandoval asked for the age ranges.

Mr. McBride noted that generally they were between 14 to 19 years of age. He said the average age was 17.



Ms. Howell stated a couple of years ago they had a bed capacity of 160, so that is what they were providing school for was (160 youth).

Lieutenant Governor Krolicki assumed for Elko, it was a financial decision to forgo Distributive School Account (DSA) funds, and asked if that was the problem, or were there other issues that would potentially be prohibiting Elko from desiring to do this.

Ms. Howell said she was not sure what the issue was. She said they have a statute that requires them to provide education for the facility. She said they did not understand the DSA distribution and whether they had authority to receive it. She said they need State Department of Education's help.

Lieutenant Governor Krolicki replied that was a great answer, DSA should flow where the students are, but there was going to be an impact from where those DSA funds would be derived from. He hoped that conversation was absolutely part of what they were talking about here.

Governor Sandoval said they would get the money per student; there would not be a diversion.

Lieutenant Governor Krolicki replied but they were not using it to fund those students at that facility.

Governor Sandoval said they were not getting the money either, because he imagined that was not part of our count.

Mr. Weinberger added it was not.

Lieutenant Governor Krolicki asked if it was not part of the count in Caliente.

Mr. Weinberger replied that those Elko students were not counted anywhere.

Lieutenant Governor Krolicki asked if that included Caliente.

Ms. Howell replied no. However, in Caliente, she said the Lincoln County School District did an amazing job at Caliente Youth Center. She said they do provide summer school, because they only do a nine-month school year, and the division wants their kids to have an education for more than the nine months.

Governor Sandoval asked what the accounting difference would be if Elko County was doing it and received DSA money versus what the state is paying to provide the same education.

Ms. Howell said she was not sure what that amount would look like. She said they would have to look at the budget and how many staff they were paying, and then have to see how much DSA funds would come in and what the offset would be.

Mr. McBride replied they were budgeted for eleven.

Treasurer Marshall replied including a principal.

Governor Sandoval asked if they had eleven teachers and a principal for 47 kids.

Ms. Howell replied 41 kids today. She said one of the reasons they have so many teachers was that you have to have certain specialties in high school, so each teacher was specialized in a specialized subject. She added that was the educational requirement.

Gover Sandoval commented it was a good teacher/student ratio.

Lieutenant Governor Krolicki replied class size reduction.

Ms. Howell replied that was why their graduation rate was so high.

Governor Sandoval replied it was tutoring, it is not teaching.

Ms. Howell responded they need it.

Attorney General Masto asked if the students in Elko had been counted somewhere else. She asked if they had ever been counted in Lincoln County, Clark County, Elko or where they came from.

Attorney General Masto asked if they were counted there, was that where the money would go for their count.

Ms. Howell replied that was correct, she said if they were not counted in Elko, they were counted somewhere else.

Attorney General Masto understood they were not tracked, and in other words, they could have been counted in Lincoln, but were now in their facility, and the money was not following them, but staying in Lincoln. She asked if that is why the audit was asking for a reimbursement from Lincoln and Clark County.

Mr. Weinberger responded not exactly, and said the DSA had two purposes. He said one was support and the other was instruction, and the counties were providing the instruction, but he said the division was providing the support. He said they were asking for reimbursement for support.

Attorney General Masto addressed the fact that the children probably were counted somewhere else, and that wherever they were counted is getting the benefit of that funding because it's not following the students to Elko.

Ms. Cross believed they were not being counted anywhere.

Attorney General Masto asked if they were included in the daily count.

Governor Sandoval responded not if they are not in their seat that day.

Attorney General Masto asked if it was possible they would not be counted on that day if they were not in their seat.

Governor Sandoval replied they would have not been counted.

Ms. Howell clarified that if they were in their seat, they would have been counted somewhere.

Treasurer Marshall noted if count day was generally sometime between the end of September and the beginning of October and they were sent to the facility in November, they would still be a part of count day.

Governor Sandoval replied absolutely and said the school district will get the benefit of the money if they were in their seat.

Treasurer Marshall said one of the things they saw in the college kick-start was that the student ID number you assigned on that child on count day was generally relied on per student district and not at a statewide basis. She added if a child moved between districts or goes to a facility, there was not a single number that would follow a child around the state that might facilitate funding.

Governor Sandoval commented there would be discussion in the next session about count days and such. He said if you were in your seat that day, and the next day you transferred to a school from September through the rest of the school year, that school district where you were sitting that first day would get all the money, and the school that you transferred to gets nothing.

Treasurer Marshall explained part of it was the number. She said if it was on a statewide basis it might be easier to follow.

Governor Sandoval explained if there was a young man or woman who was at Elko on the count day and was in custody, that money would get absorbed into the DSA, it would not go to a particular school district.

Ms. Amber Howell replied that was correct.

Governor Sandoval said the bottom line was the conversation between the state superintendent and the Elko County School District. He asked if it would cause issues for them. We would not want to start doing it this year because the count day was past, but want to start it next year. He asked if that would unravel their education program and require Elko to start its own curriculum and such.

Ms. Howell replied she believed so. She stated all those employees would become Elko County School District employees.

Lieutenant Governor Krolicki replied maybe.

Treasurer Marshall thought they were only asking for support, not instruction. She asked how that was working.

Ms. Howell responded that was a different facility.

Treasurer Marshall replied ok.

Ms. Howell said they had two issues. One is that they were not receiving funds at NYTC. She said the other issue was Lincoln County was receiving all the DSA dollars from the youth that were in Caliente, but there was support money within the formula and they were not being reimbursed for support. However, they were using our power, janitorial, and those kinds of things. She said they did not know that formula included both instructional and support.

Governor Sandoval stated it was complex.

Ms. Cross asked how far back they could go to be billed for it.

Ms. Howell explained that was an interesting exercise. She said they did an exercise where they followed a pocket of kids and followed them to see what could happen. She said eight months ago and back, most of the kids came from Clark County. She added Clark County School District was getting the DSA funds for the youth at NYTC, because they made up the majority of the census at NYTC.

Governor Sandoval commented that discussion was for another day as well.

No comments or questions. They now moved on to agenda item number 2. Here E3 was presented before E2.

**2. Department of Agriculture Report # 15-02, Division (division) of Animal Industries.**

Warren Lowman, executive branch audit manager presented the audit report.

Representing the Department of Agriculture (department) was Mr. Dale Hansen, the administrator for the fiscal division.

Mr. Lowman said their audit of the Division of Animal Industries (division) focused on two objectives.

- ✓ Can the division increase revenue collections, and
- ✓ Can the division enhance management and enforcement staff accountability.

Mr. Lowman said from the first two objectives they made five recommendations to enhance efficiency and effectiveness within the division.

Mr. Lowman said regarding objective number one, revenue collections, they made two recommendations to enhance oversight and to reconcile information available within the division to help the state receive the revenue established by statute.

Mr. Lowman said they noted some cattle might not have been brand inspected, some brand inspection fees were being waived, and cattle may be under reported for the livestock tax. He said these were all shortcomings that could be addressed with better oversight by the full-time professional enforcement officers and the brand inspectors, who were all part-time state employees.

Mr. Lowman noted, better oversight, should also address concerns about conflicts of interest, a process to validate self-reported cattle numbers, and managing state spending on a large, part-time, although identifiable, cadre of inspector staff. They estimate better oversight and reconciliations could benefit the state by almost \$211,000 the first year and over \$158,000 annually thereafter.

Mr. Lowman said regarding objective number two, dealing with enforcement staff management and accountability, they noted the department's plans to upgrade the division's operations should improve the professionalism of both the enforcement officers and part-time inspectors. He said these plans include operationalizing a new automated records and documentation system, implementing a centralized dispatch system to assign and track inspections, and initiating a formalized training program for the enforcement officers and part-time inspectors.

Mr. Lowman commented they view these and other plans as proactive initiatives by the department and division leadership to address a system that needs changing and professionalizing to meet modern demands for protecting public health and collecting state revenues.

Mr. Lowman specifically recommended the division consider contracting the part-time inspector staff to reduce spending by almost \$100,000 annually and more closely align staffing with other western states.

Mr. Lowman also noted that establishing and monitoring performance measures and administrative policies and procedures would enhance enforcement staff accountability and provide better management oversight with the range of duties and responsibilities inherent in the inspection process.

Mr. Warren Lowman said lastly, they recommended the division establish policies and procedures that address using NRS authorities to better guide enforcement decisions and thereby enhance accountability of the enforcement staff.

Mr. Lowman stated the department had accepted all of their recommendations in its response, and he thanked Director Barbee for his ready cooperation during the audit.

Mr. Lowman said they anticipate following up with an Agriculture II audit, which will focus on the department's fiscal division and director's office.

Governor Sandoval asked if the department had any presentation to make.

Mr. Hansen, Fiscal Administrator apologized for being late. He said Mr. Barbee was sick today and could not get there.

Governor Sandoval understood. He said the department sought a brand fee increase because not enough money was coming in, and then he commented there was a lot of money not being collected already. He asked how they justified a fee increase when they were not collecting the money they were entitled.

Mr. Hansen explained right now they were trying to catch up. He said the process was probably the same process since they started brand inspectors. He said it was a manual process and it had existed the same way forever.

Mr. Hansen said they have been implementing a new online system that would allow them to centralize control over the brand inspectors, and will speed up the paperwork. He said it would eliminate mathematical errors and create reports to help start monitoring. He commented there was such a lag in the paperwork; it made it difficult to monitor this process and go after people that were not paying.

Governor Sandoval replied he gets the efficiency piece, and if we just collected what we were supposed to, we would not need to raise the fees.

Mr. Hansen said yes and the manual system was so bad, it made it hard to go after people when they did not pay. He said by the time they find out who has and who had not paid, it was

difficult to go after them. He said they knew there was money out there that they were not collecting.

Governor Sandoval asked if they were in the process of implementing the new system.

Mr. Hansen replied the system was supposed to be completed by March 2015. He said they actually had people in the field using the system right now. He confirmed it was now in production.

Governor Sandoval asked, if it works as you hope it should, would you go back and look at what the fee structure should be, and if you were over collecting.

Mr. Hansen said they would go back and address it.

Governor Sandoval said he felt like the people that were paying (brand fees) were getting punished because of the people that were not paying.

Mr. Hansen agreed and commented it was on an honor system right now and it had been that way for a long time. He said they needed to have a system where people not paying were sought after.

Governor Sandoval gave credit to those who were paying, because they were the ones who asked for the fee increase.

Mr. Hansen replied right.

Governor Sandoval stated there could be more efficiency and at the end of the day if everything worked as intended we could run the program at the lesser fee.

Mr. Hansen agreed and thought it would help all of them.

Controller Wallin said it concerned her that some inspection fees were being waived and could make things difficult to enforce when some ranchers get the fee waived and others do not.

Mr. Hansen agreed and said the decisions to waive fees were not transparent and they should only be waiving fees for non-profit and youth groups. He said now their on-line system makes them put in the reason for the waiver and it has to be approved by a professional full time inspector.

Controller Wallin replied once they got their records weeded out, the controller's office could help them with collections. She said they had done that to benefit the department, involving a case dealing with a rancher who had some brand fees or livestock fees.

Mr. Hansen replied they were thankful for that.

Controller Wallin replied yes. We got the money.

Treasurer Marshall said they had many vacant positions for enforcement staff, compared to other states. She said it seemed that they were running rather lean.

Treasurer Marshal asked if they were trying have the number of people they needed during peak times to make sure that some people were not bearing the load for everybody, or was that not how it worked.

Mr. Hansen replied they currently had 80 brand inspectors.

Treasurer Marshall replied it says 25 vacant positions.

Mr. Hansen replied yes, with the 80 brand inspectors, some work more than others do. He said some people might work once or twice per year; and others work all of the time doing brand inspections. He added they were actually trying to reduce staff to the actual people that work and not keep the other people. He commented that some of those people who work once or twice per year have been doing this for 40 or 50 years. He said they could reduce costs if they had a more efficient force rather than some only doing one or two inspections per year.

Governor Sandoval replied these were not full-time brand inspectors, they were like deputies.

Mr. Hansen replied they were actually seasonal intermittent employees.

Governor Sandoval asked if they were adequately staffed to accomplish their mission.

Mr. Hansen replied yes. He said number wise they were good. He added as far as increasing people's hours, they could probably do that as well.

Governor Sandoval replied they could do that if they collected more money.

Mr. Hansen replied yes.

Lieutenant Governor Krolicki asked if they had a part-time inspector who actually earned \$25.00.

Mr. Hansen replied yes that was part of the problem. He said some of these people were barely working. He added they might work two hours or so.

Governor Sandoval commented they only get paid when working and it does not cost us more to have them as a brand inspector.

Mr. Hansen replied right.

Ms. Cross asked if the brand inspectors collected cash in the field.

Mr. Hansen said they did and when he first came on board it was a red flag.

Mr. Hansen replied with the new system that they would not be able to do that.

Ms. Cross commented that is why they did not have as much money coming in.

Mr. Hansen stated under the new system they do not collect cash. He said he did have holdouts with some groups that do not like to pay by check or or credit card, but Director Barbee, told everyone to stop doing that.

Governor Sandoval asked if they could use the swipe function on the iPhone.

Mr. Hansen explained the inspectors now have iPads when out in the field and were able to take credit card transactions that way.

Ms. Cross said Internal Audits made recommendation for contracting with inspectors and said she was all for it. She asked if that was going to be feasible. She also asked if there were people out there to contract with instead of making them part-time employees.

Mr. Hansen said they were considering it and had talked to the auditors several times about it.

Mr. Hansen explained it was a cultural thing. He said most of the guys were out of north and east Nevada, not exactly pro-government type people, so throwing a contract at them might scare them off.

Mr. Hansen said it was definitely worth looking at the people that were working more hours and start contracting with them.

Mr. Hansen said the problem with that was they get all the benefits that come along with being a part-time state employee. He said they were trying to reduce some of those costs, but it was definitely something to consider.

Governor Sandoval and Lieutenant Governor Krolicki thanked Mr. Hansen for a job well done.

**F. For Possible Action – Approval of the Division of Internal Audits 2014 Annual Report Released September 30, 2014. (NRS 353A.065).**

Mr. Weinberger explained the annual report released on September 30, 2014 lists their accomplishments and performance measures. He said the report lists that the division was actually set up into three different sections:

- ✓ Internal Audit Section – Performs the audits presented to the Executive Branch Audit Committee.
- ✓ Financial Management Section – Provides internal control training.
- ✓ Post Review – Performs clerical reviews of expenditures.

Mr. Weinberger pointed out the division's performance measure for their dollar benefit. He explained they quantify their recommendations and accumulate them by fiscal year, and then divide that by the cost of their internal audit section for that year.

Mr. Weinberger stated they were at \$96.00 in benefits for every dollar spent on the internal audit section for fiscal year 2014.

Governor Sandoval noted there were no further comments or questions.

Governor Sandoval asked for a motion for approval of the Division of Internal Audits 2014 Annual Report dated September 27, 2014

**Motion:** Move for approval of the Division's 2014 Annual Report  
**By:** Treasurer Marshall  
**Second:** Controller Wallin



**Vote:** Motion passed unanimously.

**G. For Possible Action – Approval of the Division’s Annual Audit Plan.**

Mr. Weinberger said that at the top of the audit plan was the audit they were requesting permission to perform. He said below were the audits they had previously requested, received permission to perform and the status of the audit.

Mr. Weinberger explained that prior to this meeting the new Attorney General (AG) approached him and requested the division to do an audit of the AG’s office. He told him if the committee approved it, he would add it to the audit plan.

Governor Sandoval asked if it would require action by the committee.

Mr. Weinberger replied by statute the audit required approval by the committee before they could move forward.

Treasurer Marshall commented there were certain sections that were audited (by Legislative Counsel Bureau) anyway on an annual basis. She said it would be redundant to ask the division to come in and audit the entire agency. She thought it might be useful for them to meet with the Attorney General’s Office and determine which part of the agency might be suited for this, as opposed to them doing something that the Legislative Counsel Bureau (LCB) had just come in and audited.

Treasurer Marshall pointed out it would be a waste of resources if these things were already happening.

Treasurer Marshall stated that in her office, the incoming Treasurer asked to audit the Treasurer’s Office, and they explained to him the cash count was done annually, the investments were done annually, unclaimed property is being audited now, and college savings are done annually. She said after reviewing all the audits he decided to just do a cash count from June 30 to December 31, because otherwise you were just spending a lot of money.

Attorney General Masto stated they were going through an audit right now with LCB. She said they were doing their independent audit. She recommended the new AG to maybe take a look at the audit and see specifically what they audited to ensure the Division of Internal Audits does not duplicate their work. She said to keep in mind the staff was busy dealing with the LCB auditors, putting budgets together, and doing a lot of things in preparation for the legislative session.

Attorney General Masto said she was not opposed to any audit but she recommended they come in and take a look at something that had not already been done or done just recently.

Governor Sandoval asked if she knew what the scope of the LCB audit was.

Attorney General Masto replied they were hoping to receive a letter in the next couple of weeks that would identify specifically what they were going to be auditing.

Controller Wallin stated that LCB would audit every constitutional office when it’s changing hands, and thought it was kind of redundant.

Governor Sandoval replied it was and it wasn't. He explained there were two different branches of government here.

Governor Sandoval asked when the next meeting would be.

Mr. Weinberger replied June.

Governor Sandoval asked for a meeting earlier than June for just that purpose.

Governor Sandoval mentioned the Attorney General elect was present today.

Governor Sandoval stated he had an audit done when came into office as Attorney General. He thought the Attorney General brought up a good point; which was to know what LCB was auditing and if there were some areas that were not covered during the audit, then Internal Audits could fill the void.

Governor Sandoval commented he was the chair and could call a meeting. He asked if there was a statutory requirement to only meet every six months.

Mr. Weinberger replied no.

Governor Sandoval mentioned they should meet in March depending on the schedules of the new members of the committee. He said by that time they should know of the scope of the LCB audit.

Attorney General Masto said by the first of the year they should know.

Governor Sandoval said the budget would have been submitted by then, so that would be off the plate of the respective employees, and then they would have a much better idea of what that looks like.

Governor Sandoval thought it was a reasonable approach.

Lieutenant Governor Krolicki referenced that there will be a completely new committee except for the Governor, and directed the auditors to visit the new constitutional offices and give them an update of what's been audited, and what's not, and what's proposed. He said some of the LCB audits might not be so timely.

Lieutenant Governor Krolicki stated the Attorney General elect had the desire, but if they could prioritize that, and it could perhaps drive that meeting, or if they need to adjust the proposed audit calendar.

Governor Sandoval asked Mr. Weinberger if he knew what LCB was auditing.

Mr. Weinberger replied he did have access to the calendar. He said he does coordinate with the legislative auditor. He said if they have just released an audit report, he will specifically look at what they focused on to not duplicate it, and he always tries to give the agencies at least a couple year break in-between the audits.

Governor Sandoval understood.

Governor Sandoval stated they had LCB audits, Executive Branch audits and Information requests and it was a tough cycle for them.

Mr. Weinberger said they had Federal audits too.

Governor Sandoval wanted to make sure they were not being redundant in their efforts.

Governor Sandoval asked him to go ahead and finish what their plans were.

Mr. Weinberger stated he was requesting approval to audit the Taxicab Authority per a request from the Director of the Department of Business and Industry.

Governor Sandoval asked if that was the only new audit.

Mr. Weinberger replied that was correct.

Lieutenant Governor Krolicki asked they have conversations with the incoming constitutional officers.

Mr. Weinberger agreed they would.

Mr. Weinberger stated they just started the Division of Insurance audit, and they planned to present three audits in June. He said those would be Insurance, the DMV fuel taxes which was also a request, and the second part of their Division of Child and Family Services (DCFS) audit dealing with children's mental health.

Mr. Weinberger said the plan was to present those three in June. He added they wanted to get started on the audit of the Taxicab Authority.

Governor Sandoval commented that once the new constitutional officers are sworn in and have taken office, see what their schedules are like and let's plan on meeting in March.

Governor Sandoval said it would give them a chance to become established and organized then we could move forward from there.

Mr. Weinberger replied great.

Governor Sandoval called for a motion for approval of the Division's Annual Plan

**Motion:** Move for approval of the Division's Annual Audit Plan  
**By:** Lieutenant Governor Krolicki  
**Second:** Attorney General Masto  
**Vote:** Motion passed unanimously

#### **H. Presentation of the Division's Annual Follow-up Report Status.**

Mr. Weinberger commented the report could be found in Tab 6.

Mr. Weinberger explained this was a list of recommendations they made and had not been able to determine whether they were fully implemented. He said they had the dollar amounts listed. He explained that not all the recommendations were quantified into dollars, but for the ones that

were, they listed the dollar amounts along with explanations, recommendations, and their status details.

Mr. Weinberger added they had a similar schedule on their annual report, but that was as of September 30. This schedule was updated for five more follow-ups they completed in the last few months.

Governor Sandoval noted there were no further comments or questions.

**I. Presentation of the Estimated Benefits to Nevadans from the Division of Internal Audits' Recommendations.**

Mr. Weinberger explained this was Tab 7, and these were prior recommendation and dollar amounts associated with them, which were fully implemented. He added they were itemized on the schedule.

Mr. Weinberger said for the new committee member, Ms. Trudy Cross, they carried them forward nine years. He said you could see some of the older ones were dropping off in 2013 and 2014, and the newer ones were added. He said they were hoping that some of the recommendations listed on the previous schedule on Tab 6 which have not been fully implemented, would move from that schedule onto this schedule.

Ms. Cross commented she was happy to see the information.

Treasurer Marshall said some of the numbers, for example, 11-04, 11-05, showed no amounts

Mr. Weinberger replied right. He said they don't take credit for it until they could actually go out and verify it's fully implemented; therefore no amounts are noted.

Treasurer Marshall said okay.

Governor Sandoval went back to item G for possible future audits, He thought Fleet Services was going to a leasing program, and he was curious to see if that would actually save the state money. He asked if they would put that in the back of their mind for a future audit.

Treasurer Marshall commented on audit number 09-01 page 3 of 6, and she thought that was before Mr. Weinberger was here, but she said an issue came up. She said \$2.3 million was a recommended savings. She said there was a discussion over whether or not that was correct. She stated that TRPA will never be able to implement the recommendation and; therefore, the \$2.3 million savings cannot be realized.

Treasurer Marshall stated she did not know if having it on the books as if it was something TRPA was supposed to bring in, she thought unfairly maligns TRPA's processes. She said it suggests that there was money out there, but that is not true. She added TRPA gets enough angst without putting that there as if it was something that's not there.

Mr. Weinberger remembered that discussion and said he tried to adjust it for that portion, but he did remember her bringing it up in 2011. He said he could take it off the schedule.

Treasurer Marshall thought it made them look as if they were somehow not doing something that could produce a decent amount of money, and that was not true.

Mr. Weinberger replied okay.

Governor Sandoval noted there were no further comments or questions.

**J. Presentation of the Division's Self-Assessment.**

Mr. Weinberger explained that the self-assessment was on Tab 8. He said this was something they were required to do for the Standards of the Institute of Internal Auditors. He added reading through the standards; it looked like they were supposed to report it to the committee. He added that why it was here.

Mr. Weinberger said this is the one they did internally. He said the standards also require them once every five years to hire an external person to do a verification of the internal review. He said they could actually do the review, but someone had to come out independently and verify the accuracy of the report.

Treasurer Marshall asked if this was the audit of the auditors.

Mr. Weinberger replied it was the internal audit of the internal auditors. He said the audit was very useful to him, because it recommended corrective action to help us in the future.

Governor Sandoval stated that in all seriousness, he wanted to thank him and his staff for their hard work. He said it was important information, and it was a great service to the state.

Governor Sandoval commented he heard Lieutenant Governor Brian Krolicki talk about how Governor Guinn implemented this.

Governor Sandoval thought Governor Guinn would be very pleased with how this process has occurred and wanted to thank his staff publicly for their hard work.

Controller Wallin commented she saw that they had some issues with training. She said she read that they were responsible for getting their 20 hours. She asked if they had money in their budget for training.

Mr. Weinberger said the Institute of Internal Auditors says you have to have continuing education. He added it does not give you a specific amount; however, internal audits put into their policies and procedures that they require at least 20 hours. He also added those 20 hours could be obtained through the free training that the state offers and it was not an issue of not having enough training money.

Mr. Weinberger said they do have a training budget, and he does schedule some classes that help the staff get their hours.

Controller Wallin found it interesting that some could not get the 20 hours of education in. She commented it was easy to achieve.

Mr. Weinberger replied that person thought it was a calendar year, but it is actually a fiscal year for their policies and procedures. He said there was a little communication problem there. He added, that every quarter he gets their training records to make sure they are on track.

Controller Wallin commented she was glad that internal audits had some money in the budget for training.

Governor Sandoval asked if there were there any questions on this portion of the agenda.

There were no questions.

**K. Presentation of the Follow-up Status for Legislative Counsel Bureau's Audit Report Recommendations Issued on January 7, 2014.**

Mr. Weinberger described by statute the Department of Administration was required to follow up on recommendations made by auditors from the legislative branch, and these were the follow-ups that were done since the last EBAC meeting in June.

Mr. Weinberger said no significant concerns were noted regarding the agencies' responses.

Governor Sandoval asked out of curiosity why it was numbered differently than the agenda.

Mr. Weinberger explained there were some items that are presented that were actually listed only on the summary, so there was no tab.

Governor Sandoval replied they could all find it, but if there was a member of the public that was looking at it, they might find it a challenge.

Mr. Weinberger replied they would make the adjustments as needed.

**L. Committee Members' Comments**

Governor Sandoval commented this would be the final meeting of the constitutional officers. He wanted to thank all of them for the privilege an honor of being able to serve with them and sit on this committee and others, and he thanked them for their service to the great state of Nevada.

Governor Sandoval stated they would be greatly missed, and appreciated the opportunity to be with them all.

Controller Wallin, Attorney General Masto and Treasurer Marshall all thanked the Governor.

Lieutenant Governor Krolicki commented he had the privilege of being at every one of the meetings since Kenny Guinn and the Division's inception. He thanked all present and the people that preceded them.

Governor Sandoval commented he (Governor Guinn) was the founding father.

Mr. Weinberger thanked them all for their continued support over the years. He said they appreciated all their comments and suggestions.

**M. Public Comments**

Governor Sandoval noted there were no public comments or questions in the Carson City or Las Vegas meeting locations.

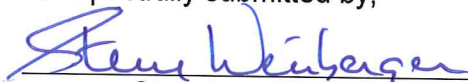
**N. Adjournment**

Governor Sandoval noted there were no questions or comments.

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

Meeting adjourned at 11:11 a.m.

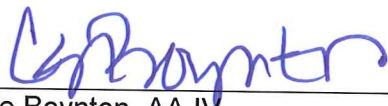
Respectfully submitted by,



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Administrator  
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