

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Eighth Session  
March 20, 2015**

The Committee on Government Affairs was called to order by Chairman John Ellison at 8:31 a.m. on Friday, March 20, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/App/NELIS/REL/78th2015](http://www.leg.state.nv.us/App/NELIS/REL/78th2015). In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Assemblyman John Ellison, Chairman  
Assemblyman John Moore, Vice Chairman  
Assemblyman Richard Carrillo  
Assemblywoman Victoria A. Dooling  
Assemblyman Edgar Flores  
Assemblywoman Amber Joiner  
Assemblyman Harvey J. Munford  
Assemblywoman Dina Neal  
Assemblywoman Shelly M. Shelton  
Assemblyman Stephen H. Silberkraus  
Assemblywoman Ellen B. Spiegel  
Assemblyman Lynn D. Stewart  
Assemblyman Glenn E. Trowbridge  
Assemblywoman Melissa Woodbury

**COMMITTEE MEMBERS ABSENT:**

None

**GUEST LEGISLATORS PRESENT:**

Assemblyman Chris Edwards, Assembly District No. 19

Minutes ID: 571



**STAFF MEMBERS PRESENT:**

Paul V. Townsend, Legislative Auditor, Audit Division, Legislative Counsel Bureau  
Jered McDonald, Committee Policy Analyst  
Eileen O'Grady, Committee Counsel  
Erin Barlow, Committee Secretary  
Cheryl Williams, Committee Assistant

**OTHERS PRESENT:**

Katherine Miller, Director, Department of Veterans Services  
Timothy Galluzi, Member, United Veterans Legislative Council  
Tray Abney, Director of Government Relations, Reno-Sparks Chamber of Commerce  
Justin Harrison, Director, Government Affairs, Las Vegas Metropolitan Chamber of Commerce  
Peter Krueger, representing the City of Fernley  
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities  
David Cherry, Intergovernmental Relations Specialist, City of Henderson  
Brian McAnallen, Government Affairs Manager, City of Las Vegas  
Lisa Foster, representing the City of Boulder City  
Tom Grady, representing the City of Fallon  
James R. Wells, Director, Budget Division, Department of Administration  
Steve Weinberger, Administrator, Division of Internal Audits, Department of Administration

**Chairman Ellison:**

[Roll was called. Committee rules and protocol were explained.] Now we will hear Assembly Bill 241.

**Assembly Bill 241: Creates the Advisory Military and Veterans Research Committee. (BDR 36-579)**

**Assemblyman Chris Edwards, Assembly District No. 19:**

I will be talking about Assembly Bill 241. I have provided you a copy of the bill as amended most recently ([Exhibit C](#)), with a summary of what the bill contains and its goals. As you can imagine, we are moving very fast in the bill draft request (BDR) process, and in the course of that we discovered a couple of additions and changes we needed to make. I made those changes, the amendment is incorporated, and I took out all the excess pages with deleted parts of the initial bill.

The purpose of A.B. 241 is to set up an advisory Military and Veterans Research Committee. As you know, there are a lot of issues pertaining to the veterans and active duty service members community, and what we are trying to do is identify what those problems are, come up with solutions, and then present them to the Legislature and to the Executive Branch in order to implement those solutions. In some ways, this could be seen as the J2 intelligence effort in order to identify the problems, and then it is handed off to the J3 operations in order to implement solutions. We will be looking at working with the Office of Veterans Services, as well as with the Interagency Council on Veterans Affairs that has already been set up with the Governor. You may be familiar with the Green Zone Initiative that the Governor set up in order to handle issues with veterans. This will play into that initiative as well. Where the Green Zone Initiative provides information, some solutions, and some recommendations, the Interagency Council implements those solutions, coordinates between the different agencies of the state government and with the private sector in order to help veterans achieve those solutions.

That being said, I would like to say that I have been as inclusive of the veteran community as I can be, pulling together national organizations such as the recently set up Women Veterans Advisory Committee that the Governor created, in addition to having access to the private sector, which would be involved in everything that we would do. I included a list at the bottom of my summary [page 1, ([Exhibit C](#))] of five types of issues that could be addressed by this committee. But anything that might come up is on the table. The situation is that we do not know what we do not know, but as we begin to figure out what we do not know, we need to investigate, research, and analyze it so we can come up with a recommended course of action. That is the overall goal of this.

**Assemblywoman Spiegel:**

Thank you for bringing this bill forward and demonstrating your continued care for the veterans who have given so much for our country. We do have a Legislative Committee on Senior Citizens, Veterans, and Adults With Special Needs. I was surprised that I did not see any linkage to that committee's work or carry forward. I was wondering about the duplication of effort that could be going on with that, and why there was not any reference to that committee or the work that committee does.

**Assemblyman Edwards:**

There are two things. First, the seniors can be brought in as one of the additional agencies that the Governor can appoint. Second, I am not as familiar with them as you are; however, they can be incorporated into this effort without any problems.

**Assemblywoman Spiegel:**

Perhaps we can speak in my office, because the committee has three separate designations. Senior citizens is one portion of it, and veterans is another. So there is a considerable amount of time spent during the interim working on veterans issues. I would like to make sure that we are providing the right amount of service and consideration, but I would hate to see duplication of effort or having one committee not talking to another committee that is working on the same things.

**Assemblyman Edwards:**

I am totally in agreement; I would be more than happy to talk with you in your office. If we need to make an adjustment, I would be more than happy to do so.

**Assemblywoman Neal:**

This falls along the same line as Assemblywoman Spiegel's question. How does this bill fit into what is currently going on with the Nevada Department of Veterans Services? They produce this huge report that researches several issues. The report this year was a combination of the work of all these different commissions and advisory groups that then combined to make a report on issues. It ranged from veterans who are in re-entry, to employment, and many other issues. How does this fit into that? It seems like it is duplicative, because the existing advisory committees seemed to be researching the issues.

**Assemblyman Edwards:**

We will be making sure that we do not duplicate the effort between the two, so that we do not do research on the same issues. It will be a collaborative effort, and we will not be stepping on each other's toes.

**Assemblywoman Neal:**

I just want to know where that would be in the bill. I did not see it. Maybe you can point to a line in here where it says this committee will work cooperatively with the Interagency Council on Veterans Affairs. That was in section 4. Maybe add that we will not be duplicating any activities that the Interagency Council on Veterans Affairs is already covering. Since they are covering a wide range of topics, I think it would be helpful to make sure that we are not redoing something that has already been done. One of the big issues in government is agencies communicating with each other and information not being relayed.

**Assemblyman Edwards:**

As a fiscal conservative, I really do not want to duplicate efforts or expend unnecessary resources, so I am with you on that. We are looking to make sure we do not duplicate efforts and that we just support one another.

**Assemblyman Trowbridge:**

We have had several presentations for this Committee by Caleb Cage from the Governor's Office. How do you see your working relationship with the group that he represents?

**Assemblyman Edwards:**

This would be a very supportive effort. When I was talking about it kind of being the J2 to the J3, this would be the J2 researching what the metaphorical battlefield is like, and then handing off what needs to be done to the J3, which would be Caleb Cage and the Governor's Office, so that they can collaborate the execution of the metaphorical battle plan.

**Assemblyman Trowbridge:**

On page 2, line 10 of the mock-up, I would like to acknowledge that you distinguish between serving in a branch of the military and the naval service, and that you recognize the difference between the military and the Navy.

**Assemblyman Edwards:**

I did not want to make the bill too long, or I would have also distinguished between the Air Force as well.

**Assemblywoman Shelton:**

I was wondering about your vision for this bill. Are you thinking that this could be part of helping all the agencies concerning veterans affairs communicate with each other, since we do have some other things already started? Would this program help everybody communicate together and get everybody on the same page?

**Assemblyman Edwards:**

Absolutely. That is why we tried to have the makeup of the group be as inclusive and expansive as possible, so that we are all talking to one another. I also note that we are looking at reaching out to the interagency group in the Governor's Office so that we do not duplicate effort there, but complement it and include others. We are trying to reach out to everybody to keep everybody informed, tap into their resources, and let them tap into ours.

**Assemblywoman Shelton:**

As you speak to the different agencies, are they on board with this? What type of response have you gotten from the other agencies?

**Assemblyman Edwards:**

The response has been very positive across the board.

**Chairman Ellison:**

Are there any other questions? [There were none.] Those in favor? [There was no one.] Is there anyone in opposition? [There was no one.] Anyone neutral?

**Katherine Miller, Director, Department of Veterans Services:**

My agency was tasked to review this bill for fiscal impact. This bill does create a committee responsible to "research issues related to members and veterans of the Armed Forces of the United States residing in this State." Although the Nevada Department of Veterans Services currently supports nine commissions, councils, and committees, we have no dedicated staff to support these entities. [Ms. Miller continued to read written testimony ([Exhibit D](#)).]

**Chairman Ellison:**

With a fiscal note this big, the only thing we can do is refer it down to the floor, and it would have to go to Ways and Means. I was hoping that some of these things would be worked out so that they did not have such a large fiscal impact, but that is out of our hands.

**Katherine Miller:**

I would like to comment on the fiscal note. In the current bill, support of this requirement is split between the Office of the Military and the Nevada Department of Veterans Services. We each submitted different fiscal notes that were combined into this one. I personally think that fiscal note could be lower if I was its sole manager, but the Office of the Military is structured in a different way. I think there is some room for discussion on the size of that fiscal note, in terms of staff support.

**Chairman Ellison:**

I appreciate that. I think you are right, the numbers can be readjusted. But you would still be at about \$50,000 a year, even with the adjustment. It would still have to go back into the budget, and the only way it could get into the budget is through Ways and Means. I just do not want to see this bill go down there and die. I would rather see you help Assemblyman Edwards present it.

**Katherine Miller:**

The challenge, for us, is the inclusion of "research." Conducting a meeting where there is dialogue and discussion could be referred to us, but when you have that research component with the nine committees and councils we have right now, I have no management analyst on staff. We simply do not have that person. That required research task would go to me or one of my deputies.

**Timothy Galluzi, Member, United Veterans Legislative Council:**

I am a Marine Corps veteran who served in Iraq and Afghanistan, returned to Nevada, and began my journey as a student veteran at Western Nevada College. I have also had the honor and privilege of serving on the Governor's Student Veterans Advisory Council. I would first like to thank Assemblyman Edwards for his hard work on this bill. Anytime we can find ways to promote collaboration and dialogue throughout the veteran community and with our elected officials can only stand to aid the veteran community as a whole. Regarding A.B. 241, while we appreciate and agree with the need for aspects of the recommended committee in A.B. 241, we are concerned that the Executive Order that created the Women Veterans Advisory Committee is scheduled to sunset. We also agree with the Nevada Veterans' Service Commission Chairman Baumann's position, and feel this effort may be best applied to complement the existing veterans service commission. [Mr. Galluzi continued to read written testimony ([Exhibit E](#)).]

**Chairman Ellison:**

Assemblyman Edwards, would you like to do a closing statement?

**Assemblyman Edwards:**

I would be more than happy to add the verbiage to make sure the Women Veterans Advisory Committee does not go away. That is an easy fix, and I can get an amendment for that. In regard to the fiscal note, I would merely mention that I am the Chairman of the Public Safety, Natural Resources, and Transportation Subcommittee for Ways and Means, so I can certainly find the money for this bill. That will not be an issue.

**Chairman Ellison:**

It will be up to the Committee of the Whole, but it is most likely they will vote to send this bill to Ways and Means. I will close the hearing on A.B. 241 and open the meeting on Assembly Bill 300.

**Assembly Bill 300: Creates the Office of the Inspector General in the Department of Administration. (BDR 18-581)**

**Assemblyman Chris Edwards, Assembly District No. 19:**

This bill is to set up an Office of the Inspector General (OIG), and to fight the evils of waste, fraud, abuse, and corruption, both in the government and within the agencies and organizations that would work with the government. This is a commonsense kind of bill. One of the responsibilities that we have as legislators and as members of the community is to make sure that we are good stewards of the people's money. One way to do that is to fight things like waste, fraud, abuse, and corruption within the government since we are going

to be dealing with billions and billions of dollars. This bill does something that we do not currently have. It creates a watchdog that will oversee all the organizations that will be spending the people's money. I was surprised to find out that we only have a couple of agencies that have an inspector general (IG) within them.

What this does is create an actual Office of the Inspector General so that we will have a watchdog over all the agencies wherever we spend the people's money. As you can imagine, the potential for waste, fraud, and abuse is ever-present. The Legislative Branch has the Legislative Audit Division, and it does have an excellent reputation for auditing the different agencies. What this does is create more of an investigative body that will be able to go into the agencies much more deeply and robustly, and come up with bigger recommendations as to how correct things that are going wrong in certain agencies so that we do not waste or misspend money, or have abusive policies in place. It will be responsive to both the Governor and the Legislative Branch so that there is greater transparency throughout the entire government.

It would be great to say that we are going to eliminate all waste and abuse, but the reality is that the best we will be able to do is minimize it. This is the agency that will do exactly that. The OIG would be a position within the Executive Branch and the Department of Administration, but it will report to the Governor and the Legislature so we can have an honest discussion about any problems we find and have an honest set of solutions for anything that needs to be resolved.

The goal right now is to focus on the largest agencies that spend the most money and have the greatest potential for waste, fraud, and abuse. You can imagine that the agencies involved there would be education initiatives and Health and Human Services with Medicare and Medicaid. People often talk about the waste and abuse within Medicare and Medicaid. This will give us the instrument to find out if it is there, how much, and what we need to do about it. Those are billions of dollars, and we need to keep a good eye on them. I think this is a pretty straightforward approach to what government does. I am surprised we do not have these safeguards across the spectrum. The Governor tried to do this back in 2011, and this brings that effort back into the discussion so that we can be good stewards of the people's money.

**Assemblywoman Neal:**

I appreciate your amendment ([Exhibit F](#)), because you struck out almost everything I had concerns about.



**Assemblyman Edwards:**

The first round on the Nevada Electronic Legislative Information System (NELIS) was rather aggressive, and in further consultation, we discovered a different way to do this. Many of the initial fears that were raised as soon as this hit NELIS have already been answered with several of the cities and communities that were surprised by the nature of the first version.

**Assemblywoman Neal:**

In section 12, which you kept, you say any book, paper, report, or record received is confidential, except for a subpoena. But you struck out "sections 2 to 13" and changed it to "sections 3 to 12." Talk to me about section 8, where we are getting reports and findings from the OIG, but now they are suddenly confidential unless subpoenaed. Why did you strike it that way, and are we eliminating things we would traditionally receive without a subpoena?

**Assemblyman Edwards:**

No, the purpose is that while the investigation is going on, the information gathered is confidential, so the wrongdoers do not know what is going on. The investigation needs to be kept confidential, as far as what kind of papers and documents are being researched, until the case is made. Once the case is made, there is an open report that will be made to both the Governor and to the Legislature. That report will give the transparency that we seek.

It is a matter of timing and phasing. In the initial phase, things must be kept confidential. The reason for the information to be subpoenaed is that if two investigations are going on or the agency needs to know something, they need to be able to get the information through collaboration or by using a subpoena. But the goal is to make sure a proper investigation is done and that information is not leaked that would damage or harm the investigation. There needs to be that sense of confidentiality through that phase. But at the end of the day, there will be a report made to both the Legislature and to the Executive Branch that will reveal what has been found and what we need to do about it. Does that clarify for you?

**Assemblywoman Neal:**

That clarifies a little bit. You talked about timing. There are these "shall"s in section 12: "Shall release any such record when subpoenaed by a court of competent jurisdiction," "Shall make any such record available to the Legislative Auditor upon his or her request," and then in subsection 3 it says "May make any such record available for inspection by an authorized representative of any other state agency or local government for a matter officially before him or her." Give me the real-life example of that sentence in subsection 3, and who an

authorized representative of a state agency is, who will have this confidential ability to review these books, papers, reports, or other records received.

**Assemblyman Edwards:**

I will make the distinction between subsections 1 and 3, because that is probably the easiest way to explain it. If you are doing an investigation and a court comes in and says they need to find out what is being looked at, such as some data files taken from an agency, you have to hand over the information to the court, because they have a legal right to have that information released to them. However, if you simply have a supervisor within the Medicaid agency who asks to find out what is being investigated in the database, to release that information may or may not damage the investigation. The individuals who will be conducting that investigation need to determine whether or not that will hurt or harm the investigation. In that case, they have discretion over whether or not to release it.

**Assemblywoman Neal:**

That helps.

**Assemblyman Edwards:**

Sometimes it is complicated because you would love to get all the information out there, but you have to keep some confidential and withheld to make sure the investigation can be pursued to a logical end without missing a step. It has been surprising to me to find out just how careful you have to be as you put together a case that may need to go to court.

**Assemblywoman Neal:**

In section 8, subsection 2, and I am still referencing my questions on section 12, you have an amendment ([Exhibit F](#)) requiring a submission of the report to the Legislative Commission and the Interim Finance Committee (IFC). Then you reference timing. When does the Legislative Commission get to see what the OIG presented? What timing are you looking at? Is it in the quarterly report that the background information that led to the OIG's investigation is reported? The way it is presented in this section, it is an administrative agency that still falls under the Legislature's review of its activity. Even though you gave the appointment to the Governor, the Legislature is not excluded from the behavior, reports, or findings.

**Assemblyman Edwards:**

We are trying to deal with the fact that we are a citizen legislature, and we will not always be in session. If we are in session, the reports can come to the Legislature itself, and especially to the committee that would be involved in the situation, depending on if it would be Health and Human Services, Education, or

Government Affairs. If we are not in session, we want to make sure that the legislators continue to be informed. Since the only standing committee we have would be either the IFC or the Legislative Commission, those would be the representatives of the Legislature that would be receiving the reports so they would know what is going on.

**Chairman Ellison:**

Do you think that this is going to create another layer of bureaucracy that would put a burden back onto the state?

**Assemblyman Edwards:**

I would not say it is a burden. I think it is a necessary layer of protection for the taxpayer and the citizen. There will be a cost involved, there is no doubt about that. What we found is that in most cases, when there is an IG's office in any state, it usually pays for itself by a factor of about 10 to 20 times as much as its cost. There will be additional personnel and offices involved; however, it is a necessary agency to create a watchdog over the \$23 billion that we will be spending.

**Chairman Ellison:**

On both the fiscal note reports on NELIS, it shows no fiscal note.

**Assemblyman Edwards:**

There is not one yet, no.

**Assemblyman Trowbridge:**

I appreciate your differentiation from an audit, where an organization may get a complete, clean audit because their accounting systems work and they are in accordance with statutes. What your proposed OIG would do is take a higher-level view of what is going on and look for a potential lack of effectiveness in the statutes and the need for additional ones that make recommendations to correct those contributions to inefficiency.

**Assemblyman Edwards:**

That is a very important point. The Audit Division can look to make sure that you are following the rules, regulations, and policies regarding how things are set up to be done within an agency. What the OIG can do is look at those policies and programs and determine if there is a more efficient way to operate, things need to be changed, and list of recommendations for what should be changed. That helps reduce mismanagement and misallocation of resources, and it could save us potentially hundreds of millions of dollars. That is an important step the OIG can take that the Audit Division does not do.

**Assemblywoman Spiegel:**

In section 6, you reference "the Department," but nowhere before do you specify what "Department" means. Which department are you referring to? That paragraph then goes on to say that the office consists of the IG and any person employed in the office, and I was wondering how you envision this working. If you are creating an office, how is it staffed? How many people report to the IG? Is that office here in Carson City? Are there satellite offices in other parts of the state? How do you envision this working?

**Assemblyman Edwards:**

"The Department" in the bill means the Department of Administration. As far as how exactly the organization of the OIG would be established, we envision there would be an IG in charge of the entire office. They would most likely have a couple of deputy IGs, and then a set of investigators. Part of the challenge is that we do not know how much waste, fraud, and abuse will be out there. We did not want to put in an exact number. There will be a set of investigators, and we will probably tap into the Executive Branch's Division of Internal Audits that already exists, and exactly how often that will be utilized is still to be determined.

**Assemblywoman Spiegel:**

If this bill were to pass, what would happen on day one, after the IG received their appointment? How would anyone know where it is staffed, and how many people will be hired?

**Assemblyman Edwards:**

Those decisions would come from the Legislative Commission and also through the IFC. There will be a fiscal note coming out of Ways and Means for this. This bill is building the office itself. We do not know what we do not know. The extent of how many people will ultimately be needed is unknown at this juncture. What we do need is a basic core staff of personnel to begin the investigations within different agencies and then, depending on the need, we will have to adjust from there.

**Assemblywoman Spiegel:**

So why not study the issue first, and see if there is a need for this before setting up a whole department?

**Assemblyman Edwards:**

This is one of those things where the need for it is self-evident. Within any government agency, you ought to have some kind of a watchdog overseeing the operations, management, and execution of the money. That is what this does.

We do not know exactly how bad or how good the situation may be. So we do not want to grow too fast, but we do know we need to grow.

**Assemblywoman Spiegel:**

Right, but in the private sector, you would be developing a business plan and doing your overall market assessment and looking at how to structure things so that you could be doing them in the most cost-effective and expeditious manner. I am wondering why we are not going to that trouble to ascertain the best way to structure and set up something that is a needed service.

**Assemblyman Edwards:**

I believe that when we go through the process of creating the fiscal note on this, we will be doing that.

**Assemblywoman Joiner:**

A minute ago, there was a statement that there is not a fiscal note on this. But when I pull up the fiscal notes on NELIS, it totals zero, but in the notes on the Department of Administration's fiscal note ([Exhibit G](#)) it says there is insufficient information to determine the amount of a fiscal note. Have you been able to provide them with sufficient information so that the Department of Administration can come up with a realistic fiscal note for this?

**Assemblyman Edwards:**

This is a fast-moving train, and I have not yet been able to coordinate that aspect of it but I will, especially since I sit on Ways and Means. I will be coordinating that with them.

**Assemblywoman Joiner:**

Okay. I think that relates to some of the questions we have had about how it will be staffed.

**Assemblyman Edwards:**

Definitely. In the end, this is moving very quickly, and as everyone noticed, this session is moving a whole lot faster than previous ones. But the fiscal note will actually answer a lot of those questions.

**Assemblywoman Joiner:**

You mentioned a couple of times that you will be tapping into the current audit division. Are you referring to the Legislative Counsel Bureau (LCB) auditor?

**Assemblyman Edwards:**

No.

**Assemblywoman Joiner:**

I know the LCB Audit Division goes through a rotation in auditing the various Executive Branch agencies. I was wondering if this entity will be doing rotations like that, or if it will be complaint-based. How do you envision it interfacing with the legislative auditor, and who are you referring to when you say "the auditing agency"?

**Assemblyman Edwards:**

This is a distinction that had to be made when I was designing this. The LCB Audit Division is in the Legislative Branch. The audit agency that I am talking about is the Executive Branch Audit Committee that the Governor had set up that has not been used to its full extent. There are personnel and staff already assigned that we can tap into that can be doing a lot of the auditing functions. We also need to make the distinction between investigative personnel and audit personnel. Audit personnel will support investigative staff once they are established.

**Chairman Ellison:**

That fiscal note will have to come back here before this bill can be moved.

**Assemblywoman Dooling:**

You mentioned the savings that will come from creating this office, and that it would pay for itself. Do you have any evidence of that in other states or proof of that or something that you can give us?

**Assemblyman Edwards:**

In the review process for this, we learned that there are about 19 other states that have an OIG. As a norm, they usually save the state 10 times whatever they cost. In some cases, they save up to 20 or 30 times the amount of money that it costs to have the agency. This ultimately will pay for itself and save the state potentially hundreds of millions of dollars. On top of that, it will add efficiencies, because it can also attack mismanagement problems within different agencies that ask for it.

This is not necessarily a confrontational agency that is always being hostile to parts of government or the private sector. There are agencies that can call upon the IG to come in and take a look at their operations to make sure they are operating efficiently and effectively and ask the IG for recommendations on how to improve their practices. This can be a supportive type of effort, as well as an investigative type of effort.

**Assemblywoman Dooling:**

The words "potentially" and "usually saves" are words that make me think further. I wondered if you can clarify that the office "potentially or usually saves money."

**Assemblyman Edwards:**

I guess "potentially" is more of a matter of whether it will be 10 times or 20 times as much money saved. I cannot think of an OIG that has ever lost money for the state. "Potentially" is one of those words that slips into our vocabulary the more we are here in Carson City.

**Assemblywoman Joiner:**

I want to encourage you to meet with the LCB Audit Division. They actually do have oversight over state agencies. I want to make sure that inaccuracy is not left uncorrected on the record.

**Assemblyman Edwards:**

I actually have met with the Audit Division, and there may be times when I do not get the chain of command correct, but I will work on that. I would also add that the Audit Division is the one who recommended that I take a look at the OIG effort that had been made in 2011. I am in discussion with Paul Townsend.

**Chairman Ellison:**

Those in favor of A.B. 300, please come forward.

**Tray Abney, Director of Government Relations, Reno-Sparks Chamber of Commerce:**

We support the concept behind this bill and support the amended version of the bill. We think it is important to be as efficient as possible with taxpayer dollars. Every dollar that you can save through this process can be used to serve other purposes and serve Nevadans better. As a former state employee myself, I know that there are plenty of folks in our agencies that do a lot of good work for our state and serve the taxpayers very well. I do not want anybody to think that this is an attack on all the hardworking public servants that we have. But any organization, public or private, always has room to improve and find a better way to do things.

**Chairman Ellison:**

Are there any questions? [There were none.]

**Justin Harrison, Director, Government Affairs, Las Vegas Metropolitan Chamber of Commerce:**

I echo the comments of my colleague from northern Nevada. We are here in support of the concepts of A.B. 300 and its amended version. We believe it will bring greater transparency, which will only help the state and citizens who are interested in the process of government to better understand it.

**Chairman Ellison:**

Any questions? [There were none.] Is there anyone in opposition?

**Peter Krueger, representing the City of Fernley:**

I first want to apologize to Assemblyman Edwards for not bringing my concerns forward in a timely manner. Our city is concerned not about the concept, but the fact that this bill reaches down to the very smallest of cities. The City of Fernley has a population of about 16,000. Its city government is one deep. We have one city attorney, one city manager, and no staff. It is unclear to me, in reading the bill and the mock-up, who can bring a complaint. The concern, on behalf of Mayor Edgington, is that this could become a tool for disgruntled citizens if a third party can in fact bring a complaint. I do not see it addressed either way in section 8.

Our concern is that in a small city without staff and resources, this could become a complete vehicle to tie up city government, have political overtones, and be used for the wrong reason. We support the idea, and I think that what I will discuss with the maker of the bill afterward is adding a population cap to start with, so we deal with state agencies first to see how it goes. That is our concern and why we are opposed at this juncture. We do not know who can bring complaints, and the bill reaches out to all sizes and shapes of public agencies.

**Chairman Ellison:**

Any questions? [There were none.] Mr. Krueger, you will get together with the maker of the bill and discuss that concept?

**Peter Krueger:**

Yes, I will.

**Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:**

I would like to start off by also apologizing to Assemblyman Edwards. I did not get a chance to go by and visit him before this morning's hearing. I would also like to say that we are not nearly as opposed to the bill as we were before the amendment was introduced. The League is opposed to waste, fraud, abuse, or corruption at any level of government, be it local, state, or federal. We do still



have concerns with the bill and feel it might be overly broad. We will be happy to work with the bill's sponsor to alleviate our concerns.

**Chairman Ellison:**

I would like you to make sure to hit those avenues.

**Assemblyman Flores:**

Could you help us understand your concerns in some of the areas that you think are too broad? Can you help us decipher what auditing avenues we have now, where you see this as unnecessary?

**Wes Henderson:**

There are a few points that we are still not clear on. The bill calls for the IG to investigate every local government. There are over 300 local governments in the state, and that is a burdensome workload for any agency. It does not say when or how often to investigate. So we have concerns with that. There is also the amendment, which is giving priority to the largest state agencies and local governments at the greatest risk for waste, fraud, abuse, or corruption. Who determines that? There is no criteria within the bill. Local governments are already subject to many audits, both internally and externally. I think Mr. Cherry from the City of Henderson has some examples and can provide more hands-on experience than I can. But we are subject to many audits, both at the state level and internally, with the cities themselves.

**Chairman Ellison:**

I agree. I think those are among the duties of the Attorney General's Office. We want to make sure that we do not duplicate duties or create another layer on top of duties that already have to be performed. We will work this out and bring the bill back.

**David Cherry, Intergovernmental Relations Specialist, City of Henderson:**

The City of Henderson certainly shares the goal of preventing waste, fraud, and abuse, and is committed to serving as a good steward for the public's resources. However, the City of Henderson does have concerns regarding this legislation as it relates to city government. One of our concerns, as Mr. Henderson stated, is that we are already subject to audits at the local level. We are concerned that we may be required to duplicate some of that work, which can be time-consuming and costly for the city. We are still in the process of reviewing the amendments that were submitted and would be happy to communicate any additional concerns that we have once we have finished our review.

**Chairman Ellison:**

Did you want to address any certain concerns that Assemblyman Flores brought up?

**David Cherry:**

I would be happy to have a conversation with Assemblyman Flores and some of the folks from the city who are tasked with completing the audits and have been involved in this more directly than I have. It would be my pleasure to arrange for that conversation.

**Brian McAnallen, Government Affairs Manager, City of Las Vegas:**

We also have some concerns about this bill and know that the amendment is heading in the right direction and wish to continue working with the sponsor of this bill to further improve the language. I would like to clarify a concern of ours for the Committee. A city of our size has an independent auditor function. The city auditor reports directly to the mayor and the council, not to the city manager. The city auditor's primary function is to do internal audits for the city, work with the audit oversight committee, and provide that independent analysis. The concern is whether this city auditor's function will be duplicative of what the IG's role might be. We will continue to work with the sponsor to help improve the language.

**Chairman Ellison:**

Since you and most cities have an internal auditor, if they did find a problem or concern, where would they go with that concern? Do they take that to the Attorney General's Office?

**Brian McAnallen:**

As our auditor reports directly to the mayor and council, I think they start there before it goes to our Audit Oversight Committee, and then elevate that to a higher level at the Attorney General's Office if necessary. There are probably multiple avenues. But this office has an independent function and has that oversight on the rest of our city government.

**Chairman Ellison:**

But there are checks and balances?

**Brian McAnallen:**

Yes. That office is really one of those checks and balances on the city at its core.

**Chairman Ellison:**

Any questions? [There were none.]

**Lisa Foster, representing the City of Boulder City:**

I checked the neutral box. Boulder City is opposed to the bill as written, but I have read the amendment, and it did provide the city a little relief, as it removes some of the more alarming items. I have spoken with the sponsor of the bill a little yesterday and today. The city still has some concerns, and will continue to speak to the sponsor. They wonder how the IG would make a determination that there may have been waste. What one city council determines to be a proper use of tax dollars through building a new park or constructing public art, the IG may think is truly waste. We feel some more clarification could be given to that term, specifically.

The city also had a concern about potential conflicts with labor agreements. In the amendment, they have removed section 11, subsection 3, which deals with terminating employment. As the bill progresses, if that is not removed, having the IG fire a member of a collective bargaining group could cause a significant problem, as it may be in violation of the labor agreement. Lastly, the city believes that the election of local officials is significant, and the community chooses individuals it thinks represent their values and priorities. This bill may allow individuals to supersede the citizens' choices. The amendment helps, but Boulder City is concerned about how this may progress and will continue to work with Assemblyman Edwards on this bill.

**Chairman Ellison:**

Any questions? [There were none.]

**Tom Grady, representing the City of Fallon:**

As Ms. Foster mentioned, I also signed in as neutral. But the more I look at the amendments, the more questions I have. As Mr. Henderson mentioned, there are over 300 taxing agencies. If you get the people together that are going to do the watchdog work, as Assemblyman Edwards mentioned, how many people will there be? What expertise will they have? What are they going to do that the local governments are not doing now with internal and external audits? The current audits are sent to the Department of Taxation, where they are reviewed. They have the right of oversight. To get this done, the funding required would have to be addressed, although that is not your problem in this Committee.

If you look at the Clark County School District, how many people would it take to go in there to investigate and have the necessary oversight? That is just one example. The larger cities and counties would be the same. I just think that this would be close to a mini-Internal Revenue Service, and that we have to be very careful when we take these steps. I would like to review more about the

audit and work more with Assemblyman Edwards where we could to help make this a better bill.

**Chairman Ellison:**

I agree. I understand what the bill sponsor is trying to do, and I applaud that. I just think we need to tighten up the loopholes a little bit. He has addressed a lot of the concerns I had with his amendments. We will work on it. Questions? [There were none.]

**James R. Wells, Director, Budget Division, Department of Administration:**

We were responsible for attempting to put a fiscal note on the bill, and I will apologize in advance for not having a chance to see or review the amended version. We had some difficulties in determining what the structure of this office was to look like, the staffing levels, whether or not the current Division of Internal Audits and that staff is to be included or eliminated and replaced with a different group of people. We had a very difficult time trying to get our hands around what the concept was and how the office was to be designed.

With that, we have put together a start of a fiscal note of about \$350,000 for the position of the IG. That would pay for that person's salary, travel, office, computer setup, operating supplies, and so on. We did not submit that because, again, we had difficulties in determining exactly what the structure was intended to look like. I heard Assemblyman Edwards talk about deputy IGs and investigators. We did not have any kind of basis for determining those positions, or what those positions would look like or how many there would be. We also did not have any idea what the role of the existing Division of Internal Audits would be, whether it would be removed or supplemented.

We do have a couple of other concerns about the language that is in the bill, specifically as it relates to section 8 and the ability of any IG or audit organization to look at every single organization within the span of a year. As you have heard, that is a lot of governmental organizations for a small organization to look at on an annual basis. I think you heard some of the concerns about the elimination of personnel and fines against state agencies that were included in section 11. There is progressive discipline in state service. We had concerns about removing a state employee or placing a fine against the state agency.

We also had questions about the suspension of contractors for "not more than seven years," but there was no "less than" language. So is it a day, a week, a year? It cannot expand beyond seven years, but what is the shortest period of time that contractor would be disbarred from doing business? We had some other conceptual questions regarding the bill. The other part that we had

difficulty wrapping our heads around was when it talks about waste, fraud, and abuse, and says "has resulted or will result in the future." It is in the past tense that an IG could be able to identify waste, fraud, or abuse that has resulted in lost dollars. We had a hard time with that.

How do you determine the potential for future loss? That was referenced a couple of times throughout the bill. If that has been corrected in the revised version, I apologize, because I have not had a chance to review that. Those are some of our conceptual concerns with the bill and why we had difficulty putting a fiscal note on it. We are happy to work with the sponsor and determine what the intent was and come back with a more concrete fiscal note.

**Assemblyman Moore:**

You said the IG's salary, with benefits, that you have determined at this point was about \$350,000. Was that for one person or for his office?

**Jim Wells:**

The salary and benefits for the two-year period, using the salary for a deputy director position which is what we believe this position was intended to be in line with, is about \$117,000 per year, plus fringe benefits. So you have about \$330,000 for the salary, and another \$30,000 for setting up rent, email, computer, furnishings, and travel back and forth to various local government agencies.

**Chairman Ellison:**

Pertaining to the language in section 8, do you have a hypothetical number for all the agencies that would be investigated?

**Jim Wells:**

Reading section 8, it says "Investigate, audit and review the operation and management of each state agency and local government to determine whether any act of omission amounting to fraud, waste, abuse or corruption has occurred or may occur within that state agency or local government." There are hundreds of state agencies and hundreds of local governments. It would be a significant undertaking if a division of a department were to look at all of those hundreds of governmental units every year. It was very difficult for us to get our arms around how big this organization was intended to be in order to look at those numbers.

Further, I think that what I did not see is correlation or tie-ins to other organizations that do audits and investigations. The Department of Taxation receives certain information from local governments and is responsible for reviewing some of that. The Legislative Auditor has some abilities to audit at

the local government level. This would be new. The Division of Internal Audits currently has jurisdiction only over state agencies. Expanding this to local governments would be a new service that is not currently performed by the Division of Internal Audits.

**Assemblyman Trowbridge:**

The broad language of waste, fraud, and abuse that is included in this proposal, which I really agree with conceptually, concerns issues that are typically addressed by a financial audit. I know you are a certified public accountant. Am I correct?

**Jim Wells:**

That is correct. Jurisdictions are subject to several audits. A financial audit would be one. The state and most of the local governments are subject to what is known as the single audit, where an organization comes in and audits the finances and controls relating to the use and distribution of federal dollars. They primarily look at the internal controls over all dollars. If you had a problem with internal controls in the single audit, those are likely to be not only relative to the federal funds but also to local government revenues. Most auditors will tell you up front if they find waste, fraud, and abuse, but their audits are not specifically looking for waste, fraud, and abuse.

**Assemblyman Trowbridge:**

I think an attorney general's office could provide more emphasis in the areas of abuse. I would define abuse as using one rule over another, so you abuse resources based on your personal or organizational preference. Abuse of public monies or intent could occur that way. That is something this OIG could get involved in. What I would see them doing more is looking into the efficiencies, asking if they are doing the right thing. When you do an audit, an auditor is asking if they are doing the thing correctly.

When I was in the military, I had the occasion to serve with the OIG several times. More times than not, when we found things that needed to be corrected, it was not because they were not following the regulations. Someone would raise their hand in the back of the room or come in privately and say, What we are doing that you just passed us for doing correctly is really a stupid thing to be doing. Those are the types of things that I found out as a member of an IG's team. Working for the government the number of years that I did, those situations are somewhat covered now by whistleblower systems. There are things that might pop up in a financial audit, but that would certainly pop up for an IG. So it is not like someone just coming from the outside and looking for things.

There are more things than a normal team of several hundred could address in a year. I think this bill, while very good in its intent, should be given more focus, as the Chairman said. I would hope that if this were to be passed, some common sense would be applied, so the IG could pursue things that will have the greatest impact. I cannot see the IG going to the City of Fallon and spending a lot of time. If you really sorted it out and got the right things in place, instead of saving \$50,000, there are places you could save millions. I would expect that the intention would be to oversee the larger agencies. If there is fear from the smaller agencies, maybe the bill language could be dedicated to only opportunities to save in excess of a million, or to restrict investigations into top tier organizations or some kind of restrictive language to start off looking into large organizations. Maybe as a success record develops, and we get \$20 return for every \$1 we are investing, we can expand it because it is working so well and then look into smaller organizations.

The representative from the City of Boulder City brought up an excellent point. We have political priorities that come into play. Someone who has a bad road in front of their house might think there was an incredibly stupid decision to build a new park down the road while the road to that park is bad. So someone might write a letter to the IG saying money is being wasted building parks when the road should be repaired. I think we need to clarify the intent of this bill to address those kinds of issues, so that the IG is not looking to redo political decisions just because there is an alternative opinion.

**Jim Wells:**

You are right. Financial audits are different from an efficiency audit or an IG's review. I think you would find that the Division of Internal Audits and the LCB audits do not focus as much on the financial audits as much as efficiencies in governmental agencies. When they go out to an agency, they are not really looking to see that financial statements are properly prepared. They are looking to see whether or not there are efficiencies to be gained in the agency. Having just gone through an LCB audit about a year and a half ago, I can tell you that they do come up with things that the agency could do more efficiently to save taxpayer dollars. These efficiency audits do have their place and are effective.

**Assemblywoman Neal:**

In the legislative audits, the Legislative Commission can tell the auditors they have a specific issue that they want to go after and request information. There could be an interrelationship between a state agency and a local agency where there have been situations of fraud and abuse. I read the audits, but do you have evidence or proof that there are actual instances of waste, fraud, or abuse occurring at the local government level where there is an intergovernmental relationship, or where a legislator specifically asked for a special audit to occur?

That would be helpful. I think this bill is a good example of where an idea meets policy, and you find that policy is not necessarily going to be reflective of the idea you are trying to engage in. Here, the idea is using a top-down level of government to look to see if there is an issue or problem with government inefficiency.

**Jim Wells:**

I do not have anything with me today that would show savings that are the direct result of an audit. I am sure we could find things either through Mr. Weinberger, who is the Administrator for the Division of Internal Audits, or through Mr. Townsend, who is the Legislative Auditor, that would show they have identified inefficiencies or waste.

One of your comments brought something else to mind. On federal grants, there is a requirement if the state subgrants dollars to local organizations. There is a responsibility at the state agency to review the local governmental subgrantee to ensure they are spending the money appropriately. So you get into trying to find where the line for investigation is drawn. There are a lot of reviews at various levels of government that already occur. I think the intent here is commendable and the idea of internal audits and efficiency reviews to define these areas where we can make better use of taxpayer dollars is good, but I think there are lots of little issues out there that we need to look at and get the big picture.

**Assemblyman Stewart:**

It would be helpful to have Mr. Townsend come up and tell us what he does as far as audits are concerned. Mr. Townsend, can you tell us roughly how big your department is, how many employees you have, what your budget is, and how many agencies you are able to audit in a year with the staff you have?

**Paul Townsend, Legislative Auditor, Audit Division, Legislative Counsel Bureau:**

Currently, we have a staff of 27, and that includes two support staff. We measure our audits by the biennium. We did 26 audits over the last biennium. Our budget is roughly \$3.2 million a year. In addition to that information, I can tell a fraud story. It relates to Assemblywoman Neal's question.

There was a press release by the Attorney General within the last week, relating to an audit we did of the Employment Security Division where we found that inmates were actually able to apply for unemployment benefits in certain cases. We estimated that over a three-year period, there had been about \$5 million in unemployment benefits paid to people who were actually incarcerated. When you are incarcerated, you are obviously not able and willing to work during that



time. We did it through the data match. We matched data records from the Employment Security Division against incarceration records at the Department of Corrections as well as at the Washoe County District Court. We provided all that information to the Employment Security Division. Through following up on that, they identified a case where an employee of the Washoe County District Court had helped collude with an inmate to collect unemployment benefits. That individual has pled guilty as was recorded in the Attorney General's press release. There is an opportunity for some intergovernmental cooperation. In that case, there were investigators from the Attorney General's Office and the Employment Security Division, as well as the Washoe County Sheriff's Office. There is certainly fraud occurring in our system, and I just wanted to pass that on as an example.

**Assemblyman Stewart:**

You have 27 employees, and what was your budget again?

**Paul Townsend:**

It is \$3.2 million per year.

**Assemblyman Stewart:**

You investigate just state agencies, is that correct?

**Paul Townsend:**

Yes. Our statutory charge is to audit the Executive and Judicial Branch agencies. However, we also have statutory authority to investigate any entity that receives public money, if the Legislative Commission directs us to go into that. There are times when we do audit local entities. We have audited the Clark County School District and the Washoe County School District. We also have statutory authority, pursuant to the order of a court, to review children's facilities that have custody of children. So we go into local juvenile detention facilities. There are instances when we do go into local governments.

**Assemblyman Stewart:**

What would you estimate to be the total number of agencies that you are responsible to audit, not counting occasional cases that you go into at the request of the Legislative Commission?

**Paul Townsend:**

We do a risk assessment every two years and divide it into what we consider auditable entities. I think we have broken it down into about 120 state auditable entities. We are on a four- to eight-year cycle. We do not get around to some of the smaller agencies that often. We certainly do not do all of them

in a single year. We go where the risk is. We also go where the Legislative Commission directs us to when issues are brought to their attention.

**Assemblyman Stewart:**

So, there are over 100 entities that you are responsible for, and it would take you roughly eight years to get to all of them, is that correct?

**Paul Townsend:**

That is correct.

**Assemblyman Flores:**

I understand that audits happen and their importance. You have touched on that. But I want to focus more on the second-bite-of-the-apple type audit, where an audit has already happened. My understanding of this bill is that in certain instances there could be a determination that maybe that audit was insufficient, and this bill would give the authority to the OIG to come in and do a second audit. Are there instances where you have gone through to do your audit and then later found out you completely missed something or could have focused more time on something?

My second question would be to Assemblyman Edwards. Perhaps an auditor has a huge caseload, and the OIG can come in and help them in a collaborative effort. I just want to understand the intent of the bill and your personal experience on that.

**Paul Townsend:**

Our audits are done in accordance with auditing standards that are developed by the Comptroller General of the United States, who heads the U.S. Government Accountability Office. Every time we do an audit, we have to give some consideration to fraud and abuse. It is part of our planning. We always go through the procedure as it relates to our audit objectives and try to figure out the most likely area for fraud to occur. We are looking at a broad range of areas when we go into audits. Sometimes, we are looking at compliance for a law that has been passed by the Legislature, to make sure that law has been enacted. That may not be related to fraud. I think the OIG bill is focusing on fraud, waste, abuse, and corruption. Although it appears very broad, it is still narrow in scope just looking at those areas, whereas our audits do look at a number of things. We look at compliance, efficiency, and information security issues. There is a lot of stuff going on in the information technology world, and we make sure that personally identifying information is properly collected by the state agencies that are holding it. We have a broad range of things we look at in legislative audits, whereas the OIG would be more closely focused on fraud, waste, abuse, and corruption.

Fraud and corruption are generally illegal acts, and a law has been broken in those cases. Abuse is where someone has done something that should not normally be done. They may have taken the most expensive travel arrangements when other options were available, or purchased from the most expensive vendor when they could have gone elsewhere. Waste is an area where often poor decisions are being made, or there is mismanagement or inadequate oversight. There are a number of areas the OIG would look at.

**Assemblywoman Joiner:**

I think you have been discussing how your office will interact a little bit already. I am struggling on a philosophical level regarding why, as legislators, we would want to create a new Executive Branch entity to be the watchdog of other Executive agencies when we legislators have the constitutional obligation to adopt and pass a budget, and to make sure those entities we are giving that money to in successive sessions meet good standards for use of funds. I am trying to understand why we would need this extra entity as opposed to providing your office with more resources or expanding your duties to the second level of fraud investigation. I am trying to understand how the OIG would be beneficial to us as legislators when we have the obligation to make sure the entities we are giving funds to are using them appropriately.

**Paul Townsend:**

As legislative staff, I am neutral on the bill, but to respond to your question, I think we are always looking for more accountability. I think some of those questions were raised in 1999 when Governor Guinn created the Internal Audit Division within the Executive Branch. There was a feeling on the Executive Branch side that they needed a little more flexibility and ability to react more quickly when issues were brought to the Governor, as opposed to going through the Legislative Commission to approve one of our audits. I believe our process is a very good one for approving audits because it must be vetted. Going through the Legislative Commission avoids any potential abuse of an audit function. It does slow things down if someone wants the ability to investigate immediately.

When I get a call, if it involves an illegal act or there is a concern about an illegal act, I will facilitate a communication with the Attorney General's Office. If it is not an illegal act and just represents a concern about something that is happening in an agency, I will note that in our risk assessment, and when we make decisions on what we need to audit, I will note that we had some complaints come in on a particular entity. If it is a serious enough concern, it would be brought to the Legislative Commission in its next meeting. But I think there are different avenues of accountability and oversight, and we do our best in the Legislative Branch to provide you with the audit services you need.

**Chairman Ellison:**

The Division of Internal Audits is still in effect to this day, is that correct?

**Paul Townsend:**

That is correct.

**Assemblyman Munford:**

I wanted to know where your jurisdiction goes in terms of nonprofits. In my district, there are quite a few nonprofits and 501(c)(3) organizations that have to register with the state. Would this office have oversight over nonprofits?

**Paul Townsend:**

Our current jurisdiction in legislative audit is state agencies, but we can go into an entity that receives public monies. I would think that 501(c)(3) organizations do sometimes receive grants that flow through the state. I believe that would probably fall under the jurisdiction of the bill, and my office, if we were so directed by the Legislative Commission.

**Assemblyman Munford:**

I know there is some federal oversight of nonprofits, but I know they are registered with the state, so there might be some state oversight ability there. I hear a lot of talk and gossip in my district, and I do not know who is really checking out those organizations to see what is really going on.

**Paul Townsend:**

I can give another example. We audit state agencies, and federal grants often flow through them to a local entity. We did have an example a couple years ago where money was flowing through a grant to a nonprofit, and as part of the grant requirements, they were to submit audits every year. As we started looking at the submitted audits, we noticed that they looked a little funny. The director of the agency had been fraudulently preparing audits at the copy machine, then signing and submitting them to make it appear as if the audit requirement had been met, when it was not. He was found guilty of forgery and was forced to repay some money that was covered up as a result of that. There are times when we go into a state agency to see what controls they have in place on money that flows through to subrecipients. We may look into that. But there is a lot going on, and we are not going to catch everything.

**Assemblyman Trowbridge:**

I do think public employees are rarely publicly thanked for the job they are doing. I do want to mention that the job you did catching that unemployment insurance situation was excellent work. To answer Assemblywoman Dooling's question about returns on investment: When you can make one catch like that

and it saves more than your annual budget with just one good move, I would hope those types of numbers and cases can justify your request for additional staff. If you can only get to your auditing functions once every eight years, that is not enough. You need to do more of the good work that you have been doing. On behalf of the taxpayers, thank you.

**Steve Weinberger, Administrator, Division of Internal Audits, Department of Administration:**

I am here in a neutral capacity to answer any questions you may have about the current operations we perform. I can give you a quick overview. We have an office of 11 that includes an administrative person, myself, and a financial manager position that goes around to the state agencies and trains them on return controls. We have two auditors that go out on behalf of the State Board of Examiners and examine agency expenditures to make sure they are legitimate and properly coded and complied with in state and federal guidelines. Then there is a group of six Executive Branch auditors. They are the ones actually subject to our statute, *Nevada Revised Statutes* 353A.038. They perform audits that analyze the efficiency and effectiveness of agency management and the adequacy of their internal controls. Their audits are also presented to the Executive Branch Audit Committee, and the Executive Branch Audit Committee has oversight of this section functionally. Administratively, this section reports to the Director of the Department of Administration.

**Chairman Ellison:**

How many staff members do you have?

**Steve Weinberger:**

The office has 11. Our budget is \$1.5 million per year. We have six people devoted to the types of audits that are subject to The Executive Branch Audit Committee. One of our performance measures is computing return on investment. In our audits, we make recommendations for state agencies to do things in different ways that will save them money or possibly bring in more money without additional cost involved. We get together with the agency and come up with an estimate of how much they will save, accumulate that, and divide it by the cost of that section of that entity to come up with a return on investment. Right now, it is \$95 in benefits to the state and citizens for every \$1 spent on us.

**Assemblyman Flores:**

I am going to ask a very direct question to all three of you, and I would appreciate it if we could get a very direct answer. I feel like we are going around the question. Do we need this new OIG? Or is it that we need more resources to be allocated to you?

**Steve Weinberger:**

I am neutral, as far as this bill goes. But I should mention that by statute, we are prohibited from performing any investigations.

**Chairman Ellison:**

Is anyone else neutral? [There was no one.] I really understand what you are trying to do. We can always have a committee meeting to get these questions answered, but I think we need to work on it a little bit. We are here to help. Assemblyman Edwards, would you like to make a closing statement?

**Assemblyman Edwards:**

It is hard to bring a bill like this that causes angst, concern and anxiety when agencies hear the words "inspector general," "investigations," and so on. The fact is that we, as a government, have to investigate what we are doing to make sure we are doing it right and our people are doing it right. A lot of times, we will find out that, as Assemblyman Trowbridge indicated, there are a lot of great public servants who work hard every day to get the job done correctly. Having been in the military, there was a different attitude we took when we heard the auditor was coming versus the IG. There is a bit more attention to detail, people review what they are doing, and they make sure they are doing it right. Even if they are doing it right, they try to make it better. That is part of what a watchdog agency does. It makes people do their job better.

There were some questions about clarifying aspects of the bill. I have no problem with that and would be more than happy to work with everybody. I would like to mention that we tried to keep things as broad as we could so that we did not exclude any areas that could be investigated. We do not want to exclude any possibility of protecting the people's money as we spend it. We also do not want to exclude any areas where there might be abuse, fraud, or corruption. We want to keep this as open as we can so we can go to where the problems may exist. Some of the cities and counties are concerned that they do not have a lot of resources. But the priorities here are to look into larger agencies where the biggest amounts of money are being spent and where there is the greatest risk of loss. Although there are 300 agencies, we are not looking at investigating every one of them every year.

I find it ironic that in one of my freshman legislator training sessions, Mr. Townsend actually provided a presentation talking about the audit agency, and one of the first questions I asked him was if he has enough resources. When he told me how many audits they were doing, I did not think there were enough, especially because the government is as extensive as it is. I am sure a lot of the freshmen are learning just how extensive it is as we go through briefing after briefing from different agencies. My concern is to make sure we

have a watchdog and that watchdog can look over all the agencies and ways we spend money, so that we spend it correctly. Having an IG does that. It creates the ability to go anywhere there may be a problem, either to fix a problem that has existed or to prevent a problem that might come about. When we talked about problems that had already occurred, this is to fix those problems but also to have a preventative measure looking to the future to determine if an agency is about to make a mistake, and to recommend action.

The auditors have certain limitations as to what they can do. What we are trying to do is fill that gap by working the investigative angle. We are not looking for a duplication of efforts. If there is a situation where the Attorney General needs to step in, we would help build that case and then hand that case to the Attorney General for prosecution if that is the proper course of action.

This has been a fast-moving train. We are all trying to meet our bill draft request (BDR) deadlines and put in a lot of effort trying to create BDRs that will add value to the state and our people. I know the people in my district, from one precinct to the next, hit me hard about accountability. It was enough that I actually changed my campaign literature to reflect that. When they saw the change, they loved it, because they do want accountability. This is an effort to give them accountability and the sense that we are spending money wisely, and we are going to make sure it is spent like we intended it to be spent.

The overall effort is to make sure we are spending people's money correctly and wisely, in an efficient fashion, and that we have a watchdog agency that can make sure that happens. I will work with the agencies here to tweak the amended version of this. I know there were concerns from the initial version. This version is better, and the next one will be even better still. I would love to come back with a final version.

**Chairman Ellison:**

Yes, and if you can, bring the fiscal note with you too. Any questions? [There were none.] I really liked the dialogue and everyone voicing their concerns for and against. That is what makes this country great. I will close the hearing on A.B. 300. Is there public comment? [There was none.] We do have a bill draft request introduction, BDR S-1102 [Later introduced as Assembly Bill 417.]

**BDR S-1102** — Extends the deadline for approval of the revision of the boundary line between Storey and Washoe Counties. (Later introduced as [Assembly Bill 417](#).)

Do we have a motion?

ASSEMBLYMAN SILBERKRAUS MOVED FOR COMMITTEE  
INTRODUCTION OF BDR S-1102.

ASSEMBLYMAN CARRILLO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

With that, we will adjourn [at 10:21 a.m.].

RESPECTFULLY SUBMITTED:

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Erin Barlow  
Committee Secretary

APPROVED BY:

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Assemblyman John Ellison, Chairman

DATE: \_\_\_\_\_



**EXHIBITS**

**Committee Name:** Committee on Government Affairs

**Date:** March 20, 2015

**Time of Meeting:** 8:31 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 241	C	Assemblyman Edwards	Amendments
A.B. 241	D	Katherine Miller / Nevada Department of Veterans Services	Testimony
A.B. 241	E	Timothy Galluzi / United Veterans Legislative Council	Testimony
A.B. 300	F	Assemblyman Edwards	Amendments
A.B. 300	G	Department of Administration	Fiscal Note Document