

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Eighth Session
May 19, 2015**

The Committee on Ways and Means was called to order by Chair Paul Anderson at 3:15 p.m. on Tuesday, May 19, 2015, in Room 3137 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: 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; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Paul Anderson, Chair
Assemblyman John Hambrick, Vice Chair
Assemblyman Derek Armstrong
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblywoman Jill Dickman
Assemblyman Chris Edwards
Assemblyman Pat Hickey
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman James Oscarson
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus

COMMITTEE MEMBERS EXCUSED:

Assemblyman Randy Kirner



STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Sarah Coffman, Senior Program Analyst
Janice Wright, Committee Secretary
Cynthia Wyett, Committee Assistant

The Committee Assistant called the roll, and a quorum of the members was present.

Chair Anderson reminded the Committee, witnesses, and audience members of the Committee rules and protocols.

Chair Anderson opened public comment.

Caleb Harris, Chairman, United Veterans Legislative Council; Legislative Cochair, Disabled American Veterans-Carson City; State Legislative Deputy, Veterans of Foreign Wars, Department of Nevada; and the American Legion, testified that he supported Assembly Bill 241. Mr. Harris had met with Assemblyman Edwards and discussed the sections of the bill. He complimented Assemblyman Edwards on the bill and the amendment. The original bill created the Advisory Military and Veterans Research Committee. The amendment deleted that entity and eliminated the sunset for the Women Veterans Advisory Committee that was established by Executive Order. Mr. Harris said the amendment would add the Women Veterans Advisory Committee to the *Nevada Revised Statutes* (NRS).

Hearing no further public comments, Chair Anderson opened the hearing on Assembly Bill 241.

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

Assemblyman Chris Edwards, Assembly District No. 19, presented Assembly Bill (A.B.) 241 and Exhibit C, "Proposed Amendment 6423 to Assembly Bill No. 241." Assemblyman Edwards said the purpose of the bill was to extend the term indefinitely for the Women Veterans Advisory Committee created by Governor Sandoval through Executive Order 2014-08. The Executive Order would expire in 2016, and A.B. 241 would make the Women Veterans Advisory Committee permanent.

Assemblyman Edwards said he eliminated the fiscal note by deleting the request for two full-time personnel to provide research and related services to the Interagency Council on Veterans Affairs. He worked with Katherine Miller,

U.S. Army Col. (Ret.), Director, Department of Veterans Services, to eliminate the need for new staff.

Assemblyman Edwards said section 5.3 of the amendment ([Exhibit C](#)) created in statute the five-member Women Veterans Advisory Committee and detailed how members were appointed, the committee organization, and the term of office. Section 5.5 detailed the Committee's functions, which included locating, educating, and advocating for women veterans in Nevada; outreach efforts on problems specific to women veterans; development of women veterans-specific programs; education and promotion of women veterans problems/concerns; and submission of an annual report of activities and recommendations. Assemblyman Edwards said locating women veterans was a problem, because some were only on active duty for four to eight years and failed to identify themselves until they were sought. The Women Veterans Advisory Committee would conduct outreach to determine the needs of the women veterans. The reports would allow the state to determine how to best serve women veterans and meet their needs, as those needs were determined.

Assemblyman Edwards said section 7.5 of the amendment ([Exhibit C](#)) described how the members were appointed and how the terms of office would be staggered. He said research on the bill had been fruitful and brought to the forefront the problems facing women veterans.

Assemblywoman Bustamante Adams asked who would appoint the chair, how the Women Veterans Advisory Committee would work with other veteran entities, and to whom the annual reports would be submitted.

Assemblyman Edwards said the primary focus would be to work with the Interagency Council on Veterans Affairs and Caleb Cage, Director of Military and Veterans Policy, Office of the Governor. The Governor would appoint the members, and the members would appoint the Chair from among the members. The Director of Military and Veterans Policy, Office of the Governor, would make recommendations from each service branch to ensure that each branch was fairly represented and there was fair coverage between the urban and rural areas of Nevada. Sections 5.1 and 5.3 included the language regarding the appointments.

Assemblyman Sprinkle asked whether the amendment eliminated the two staff positions for the Office of Veterans Services budget account and eliminated the fiscal note [\$186,346 over the 2015-2017 biennium].

Assemblyman Edwards confirmed that the amendment would eliminate the fiscal note.

Assemblywoman Kirkpatrick said it was often difficult to attract persons to serve on committees without compensation. She suggested some language be included in the bill about the intent and the expectations. State employees would be allowed to receive salary and per diem reimbursement according to the amendment. Other members would receive no salary. The amendment failed to specify whether the Committee could videoconference the meetings and where the meetings would be held. Assemblywoman Kirkpatrick said the Committee members should include any veteran and not just women. The amendment should include clear legislative intent about the duties of the Committee, and the Governor should appoint members who believed in its mission.

Assemblyman Edwards said the Committee would include a diverse group of veterans. State employees would receive their salary and per diem. Other members would receive per diem reimbursement for expenses incurred while serving on the Committee. Assemblyman Edwards said section 5.3, subsection 8, stated, "Each member of the Committee:

- a) Serves without compensation, except that a member of the Committee who is a state officer or employee may receive his or her regular compensation while engaging in the business of the Committee; and
- b) While engaged in the business of the Committee, is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally."

Assemblyman Edwards said the Committee already existed and operated under Executive Order 2014-08. Section 5.5 explained that the functions of the Committee included locating and advocating for women veterans in the state, outreach efforts, and keeping women veterans' problems at the forefront through the Interagency Council on Veterans Affairs.

Assemblywoman Benitez-Thompson thought the legislative intent and policy should reflect that the majority of the members appointed by the Governor should be women. She asked about any costs that might be incurred.

Assemblyman Edwards said the state employees would also serve on the Committee and could include Katherine Miller, U.S. Army Col. (Ret.), Director, Department of Veterans Services.

Assemblywoman Titus expressed gratitude to the veterans for their service, but asked what the bill accomplished. She asked what the Women Veterans

Advisory Committee had done since it was created, what results had been produced, and whether the bill was a recommendation from the Committee.

Caleb Cage, Director of Military and Veterans Policy, Office of the Governor, testified that Executive Order 2014-08 created the Women Veterans Advisory Committee (WVAC) in 2014. The Committee produced a report with ten recommendations. One recommendation was that the WVAC be codified in statute and consist of five members.

In response to the question from Assemblywoman Titus about whether the bill was a result of the WVAC recommendations, Mr. Cage and Assemblyman Edwards agreed that the bill was the result of the recommendations of the WVAC.

Assemblywoman Dickman asked whether there was a fiscal note for the state salaries, travel, and per diem costs that would be paid.

Katherine Miller, U.S. Army Col. (Ret.), Director, Department of Veterans Services, testified that the agency currently had a woman veterans program coordinator position on staff. That state employee was an administrative assistant 3, who transcribed the minutes, developed the schedule, and conducted research for the existing Committee. The meetings were conducted via videoconference. Members served without compensation and were excited and energetic, and there was a waiting list of persons who wanted to serve on the Committee. The salary and travel costs were already included in the agency budget for the state employee position. No additional travel costs existed. Ms. Miller added that the Nevada Veterans Services Commission had a per diem budget to pay for travel costs for group meetings. The WVAC met by videoconference because most of the members were employed full-time, and it was difficult for them to travel to meetings.

Assemblyman Sprinkle had studied the history of the bill. He believed that the sunset for Executive Order 2014-08 reflected the end to the purpose of the WVAC. Because the purpose had ended, Assemblyman Sprinkle asked why the WVAC should be codified in statute and what the WVAC had produced.

Ms. Miller clarified that the purpose of the WVAC was to prepare a report due on June 1, 2015, for the Governor that identified the needs of women veterans in Nevada. The final report included some recommendations regarding the needs of women veterans. One of those recommendations was to create a committee that could continue to look into women veterans' needs. The other nine recommendations addressed various matters, including a request

that the U.S. Department of Veterans Affairs provide appropriate medical staff, including gynecologists and specialists needed for women veterans.

Ms. Miller said the WVAC conducted an information campaign that helped connect women veterans to benefits. Women veterans generally failed to attend meetings of the Disabled American Veterans, Veterans of Foreign Wars, or American Legion to receive updates. Women's patterns of socialization were different, and the agency did not focus on women veterans. Anne L. Davis, Lieutenant Colonel, former Commander of the Hawthorne Army Depot, chaired the Committee, and the final report was comprehensive. The initial surface problems were studied, but the Committee wanted to dig deeper and work on the other problems of women veterans.

Ms. Miller said initially she was not an advocate of the Committee. She spent 34 years in the military trying not to set herself apart from her male counterparts. The reality was that the problems of women veterans were different. Women veterans were more likely to be single parents. Women veterans were six times more likely to commit suicide than were their female civilian counterparts. Women veterans did not identify as veterans in the same way as male veterans. Ms. Miller was convinced of the need for the Women Veterans Advisory Committee.

Assemblyman Sprinkle said the WVAC identified ten recommendations and one was to eliminate the sunset of the WVAC. Ten recommendations were a lot to work on, and he asked whether the WVAC would find any other women's problems that had not been identified by the Committee.

Ms. Miller responded that she believed more problems would be identified, and one of the problems identified was the need for a better plan of communicating with women veterans. The WVAC members could reach out to their networks to develop a good communications plan. The work of WVAC would include identifying new problems and further developing problem areas addressed by the ten recommendations. Senator Woodhouse had discussed the problem of military sexual trauma during the 78th Session (2015). That problem had barely been addressed by the WVAC, and Colonel Davis had said the WVAC needed more time to study the problem.

Assemblywoman Swank asked about the composition of the Committee members and the distribution of women veterans in the state. There was some balance between the urban and rural areas, but that might not be the best way to ensure there was a geographical distribution of women veterans. She asked how to get the best representation on the Committee.

Ms. Miller replied the agency received a report from the U.S. Department of Veterans Affairs that provided a geographical distribution of women veterans by county. She believed the total numbers were understated by 10 to 15 percent, but the report provided a good picture. The current Committee members included two from Las Vegas three from northern Nevada: one from Gardnerville, one from Reno, and one from Elko. The agency was able to study the population base of women veterans in the state.

Assemblywoman Bustamante Adams said that the Governor created the Nevada Commission for Women to study similar problems. She suggested that the WVAC collaborate with the Nevada Commission for Women, because many of the problems were similar.

Assemblyman Edwards said he had heard discussion about the need to support veterans, but the needs of women veterans were often overlooked. The bill would focus on the needs of women veterans, and he asked for support of the bill.

Hearing no further testimony in support of, in opposition to, or neutral on the bill, Chair Anderson closed the hearing on A.B. 241 and opened the hearing on Assembly Bill 299.

Assembly Bill 299: Revises provisions relating to education. (BDR 34-582)

Assemblyman Chris Edwards, Assembly District No. 19, presented Assembly Bill (A.B.) 299 and Exhibit D, "Proposed Amendment 7498 to Assembly Bill No. 299." Assemblyman Edwards said the purpose of the bill was to provide Junior Reserve Officers' Training Corps (JROTC) units minimum financial support for the program costs. The JROTC program existed throughout Nevada, and 8,450 cadets/midshipmen were enrolled. Assemblyman Edwards met 155 of them on Veteran and Military Appreciation Day in March 2015. The JROTC provided thousands of high school students an exceptional program that focused efforts on student academic achievement; introductions to military organization, structure, and operations; and life skills. Cadets/midshipmen attended school, made good grades, and had up to 10 percent higher graduation rates than their peers. The JROTC was a highly successful program for all demographics.

Assemblyman Edwards said section 14.3 of the proposed amendment (Exhibit D), provided State General Funds of \$425,000 in each year of the 2015-2017 biennium, which equated to support of \$50 per cadet/midshipman to help cover the following JROTC costs associated with the program: travel to

military events and competitions, leadership training camps, equipment for drill competitions and physical training events, and ceremonial equipment to conduct honor ceremonies. The U.S. Department of Defense support for JROTC programs had declined because of cost-cutting measures at the federal level (general budget cuts and the automatic across-the-board cuts known as sequestration, necessitated by the Budget Control Act of 2011).

Assemblywoman Dickman said A.B. 299 was a good idea. Her nephew was brilliant, but had not been challenged, and was saved by the JROTC program.

Assemblywoman Kirkpatrick asked why \$50 was picked as the amount of support. Her children participated in the band program, which cost more than \$50 for the extracurricular activities. She had spent almost two years working with Cheyenne High School to develop a JROTC program with Nellis Air Force Base. She asked whether the funding would be provided to current students or whether the intent was to help the program grow in other schools. Assemblywoman Kirkpatrick said some Title I [of the Elementary and Secondary Act of 1965] funds as well as public/private partnerships, were used to fund the JROTC program at Cheyenne High School. She asked how the JROTC programs would be supported.

Assemblyman Edwards replied the \$50 was determined based on a recommendation from the officers in charge of various JROTC programs. The JROTC programs conducted many fund-raising activities, including car washes, and put forth a lot of effort to fund the programs themselves. The funding provided by the U.S. Department of Defense had decreased and that created problems. A JROTC program needed 100 students to start a unit, and the largest JROTC unit had about 350 students. A JROTC unit had to apply through the U.S. Department of Defense, and the Department of Defense limited the number of units. The existing JROTC units were allowed to grow, but new units would no longer be approved by the Department of Defense.

Assemblywoman Kirkpatrick said she sponsored many types of programs at schools in her district, and she encouraged other legislators to do the same. She helped sponsor Nevada Reading Week, science career fairs, and accelerated reading programs. She had never been asked to support JROTC. She said \$50 was a small amount, but the fiscal note was large and should include language stating, "as extra funds are available." Assemblywoman Kirkpatrick asked how the funds would be disbursed to the students and whether there would be a line item in the budget so the funds could be tracked. The JROTC program was school-based, but JROTC programs did not exist at every school.

Assemblyman Edwards responded that the Department of Education would receive the funding and distribute the funds throughout the school districts. Most of the school districts had a position designated at the administrative level to oversee funding for extracurricular activities.

Assemblywoman Carlton asked whether the funding would be considered a block grant to the school districts. She thought it was late in the 78th Session (2015) to add the money as a line item to The Executive Budget. She had concerns about ensuring the money was distributed to the JROTC units through block grant applications, and she suggested adding accountability to monitor how the money was spent.

Assemblyman Edwards said the Department of Education would be able to handle the funding as a block grant. There was accountability for the funds, because each JROTC unit had to account for the money as it was spent.

Assemblywoman Carlton read the following from section 14, subsection 1, paragraph (a):

Work to obtain funding, in addition to the money appropriated by section 14.3 of this act, for the State to share the cost of administrators, instructors, uniforms, equipment and transportation for such additional units to the extent required by 10 U.S.C. §§ 2031 et seq., and any regulations adopted pursuant thereto, and for the cost of competitions and training events for such units.

Assemblywoman Carlton understood that language implied that the state would be a partner to fund the JROTC programs and pay for a share of the administrators and personnel.

Assemblyman Edwards responded that the state was already involved in the program and shared in the costs of the administrator and personnel. The purpose of the language quoted by Assemblywoman Carlton was to specify that the money would be made available for trainings and competitions as well.

Assemblywoman Carlton expressed concerns about handing the Department of Education money without real accountability.

Assemblyman Armstrong asked whether the funds would be available to any charter schools because there had been discussion about a possible military school in the state.

Assemblyman Edwards said individuals enrolled in the JROTC program were eligible for the funding.

Assemblywoman Titus said the rural schools had no JROTC programs, but they had other programs that earned money through car washes, bake sales, and other events. She asked how much money the federal government provided to JROTC programs.

Assemblyman Edwards said the Department of Defense would usually pay half of the program costs, and the state paid a share of the other costs.

In response to a question from Assemblywoman Titus, Assemblyman Edwards said he was unsure of the total amount spent on the JROTC programs in the state.

Assemblyman Hambrick asked whether retired officers' associations, veterans groups, and other organizations contributed support for students for JROTC scholarships.

Assemblyman Edwards spoke to some military officers at a banquet that celebrated students. He knew that the JROTC did some fund-raising, but the officers indicated that some supplemental help was needed for the JROTC programs. Some of the simple needs included transportation, drill competitions, training camps, and other leadership training. The basic needs were not being met by the limited Department of Defense funding.

Assemblywoman Dickman asked why the charter school portion was deleted, and Assemblyman Edwards replied that the charter school needs would be met in a different fashion.

Caleb Harris, Chairman, United Veterans Legislative Council; Legislative Cochair, Disabled American Veterans-Carson City; State Legislative Deputy, Veterans of Foreign Wars, Department of Nevada; and the American Legion, testified that he supported Assembly Bill 299.

Assemblywoman Kirkpatrick thought there were veterans groups that helped pay some of the costs of the JROTC.

John Warden, member, American Legion, Department of Nevada, testified that his small post supported the JROTC programs at Carson High School and Douglas High School. His post supplied awards and small scholarships and supported the shooting program.

Hearing no further testimony in support of, in opposition to, or neutral on the bill, Chair Anderson closed the hearing on A.B. 299 and opened the hearing 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, presented Assembly Bill 300 and Exhibit E, "Proposed Amendment 7512 to Assembly Bill No. 300." He said the purpose of the bill, as stated in section 6, subsection 1, of the amendment, was to create the Office of the Inspector General to combat fraud, waste, abuse, or corruption. The duties of the Inspector General included investigations for fraud, waste, abuse, or corruption throughout the state to protect taxpayers' money, maintain controls, and ensure compliance. Section 6, subsection 2, authorized the Governor to appoint the Inspector General to a four-year term from a list of candidates submitted by the Legislature.

Assemblyman Edwards continued that section 8 of Exhibit E listed the following duties of the Inspector General: investigate for fraud, waste, abuse, or corruption; examine agencies' safeguards against fraud, waste, abuse, or corruption; submit quarterly reports; establish a program to receive, review, and investigate complaints; work with agencies to reduce redundant reports; review the management and operations of agencies; and make recommendations for improvements. Section 9 of the amendment required the Inspector General to work with state agencies and local governments collaboratively. There were many ways that the Inspector General could reach out to local communities to ensure that the right safeguards were in place, work with communities to improve their programs, and ensure communities were good stewards of the people's money.

Assemblyman Hickey asked how Assemblyman Edwards addressed concerns of local governments about interference and control. The local governments received a certain portion of state money, but they were also funded by local revenues. He expressed concern about the ability of a state Inspector General to examine the actions of a local government.

Assemblyman Edwards said local governments would not be the main focus of the Inspector General, but the Inspector General would be able to assist local communities. When instances of fraud, waste, abuse, or corruption occurred, and local governments were unable to handle the problems, the state Inspector General could provide assistance. The Inspector General would be able to help local governments prevent fraud, waste, abuse, or corruption by

ensuring the right safeguards were in place. The bill included language to ensure the Inspector General worked in a collaborative fashion with local and state government agencies.

In response to a request from Assemblyman Hickey for an explanation of the office and the budget, Assemblyman Edwards responded that he envisioned the Inspector General would begin with two or three investigators working in collaboration with the auditors in the Office of the Governor. The investigators would be located in the Office of Finance, Office of the Governor, and would work with the other auditors.

Assemblyman Hickey asked whether the position would be appointed by the Governor.

Assemblyman Edwards said the Inspector General would be appointed by the Governor, and the Legislature would offer a slate of candidates from which the Governor could select.

Assemblyman Hickey inquired about a potential conflict of interest because the Governor would appoint the Inspector General, and the Executive Branch would review itself, as opposed to conducting an independent audit with a certain degree of autonomy.

Assemblyman Edwards responded that the level of professionalism sought for the Inspector General position would preclude any conflict of interest.

Assemblywoman Dickman asked whether the amendment changed the fiscal note.

Assemblyman Edwards said the amendment would reduce the number of personnel, and the fiscal note would then be reduced by about 60 percent.

Assemblywoman Dickman asked how much money would be saved by spending \$1,695,999 for the 2015-2017 biennium.

Assemblyman Edwards said that the savings was estimated at approximately 10 to 20 times the cost of the Office of the Inspector General.

Assemblywoman Carlton asked whether Assemblyman Edwards believed there was 10 to 20 times the amount of fraud, waste, abuse, or corruption in state government, considering the excellent work of the Audit Division, Legislative Counsel Bureau. She believed the Legislature did a good job of monitoring the funding in the state.

Assemblyman Edwards replied that he thought the state had 10 to 20 times the amount of fraud, waste, abuse, or corruption. He cited an example. About six weeks ago, the Attorney General found one case of an individual who worked with the prisoners in the prison system and fraudulently collected approximately \$5 million in unemployment benefits.

Assemblywoman Carlton said she found it hard to believe that the Legislature had not done its job to the level claimed by Assemblyman Edwards. She chaired the Legislative Commission's Audit Subcommittee and worked with the auditors. She was proud of the work performed by the Legislative Counsel Bureau Audit Division, and auditors were never reluctant to address any problem. She did not believe that there was a high level of fraud, waste, abuse, or corruption. Assemblywoman Carlton expressed concerns about creating another entity to monitor the money spent.

Assemblyman Edwards said the state spent \$9 billion per year on 2,500 contracts throughout the state. The Audit Division, Legislative Counsel Bureau, did a good job, but the reality was the Division could not review every contract, and some of those contracts could include fraud, waste, abuse, or corruption. The state spent a lot of money on Medicaid, Medicare, and other programs that had the potential for fraud, waste, abuse, or corruption. He said the Audit Division, Legislative Counsel Bureau, did a good job reviewing the class-size reduction program. The Office of the Inspector General could participate in those reviews, maintain the right safeguards, and guarantee taxpayers' money was spent properly on the appropriate programs.

Assemblywoman Carlton said she would be comfortable creating an Inspector General position to hold the Office of the Governor accountable. She said the Legislative Counsel Bureau Audit Division did a good job holding state agencies accountable.

Assemblywoman Titus was curious about the economic benefit from an investment in the Inspector General. She believed existing auditor positions audited for fraud, waste, abuse, or corruption. She was not convinced that a need existed for a new agency.

Assemblyman Edwards asked Paul V. Townsend, Legislative Auditor, Audit Division, Legislative Counsel Bureau, to distinguish between auditors and inspectors, because he could better explain the value of having both types of positions to ensure that fraud, waste, abuse, or corruption were minimized.

Paul V. Townsend, Legislative Auditor, Audit Division, Legislative Counsel Bureau, advised that he would testify in a neutral position on the bill.

He explained the audit structure. The Audit Division reported to the Legislative Commission's Audit Subcommittee. The audits were conducted pursuant to a plan that was approved by the Legislative Commission. That plan focused on state agencies. The Audit Division could audit any entity that received public funds at the special direction of the Legislative Commission or the Legislature.

Mr. Townsend continued that the audits looked at a number of problems and were not limited to fraud, waste, abuse, or corruption, but included program effectiveness and compliance, internal controls, and program efficiencies. The audits were conducted in accordance with governmental and auditing standards, and part of those standards required that fraud be considered as part of the planning process. The audit teams would meet before every audit to discuss what aspects of an agency might be vulnerable to fraud, and procedures were designed to address those aspects. When an illegal act was discovered, the auditors followed procedures that were supported by statute. The procedures could be expanded to confirm the findings.

Mr. Townsend explained that the Audit Division was required by statute to notify each member of the Legislature, the Office of the Attorney General, and the Governor about audit findings. Illegal acts related to fraud were referred to the Office of the Attorney General. At that point, the duties began to change from an audit to an investigation. Auditors discussed matters with agency personnel related to their processes and the jobs they did, but auditors did not take statements from agency personnel in a manner that could be used in court as part of a criminal prosecution. When referring a case to the Attorney General, auditors were very cautious to not impede an investigation. Once an audit was referred to the Office of the Attorney General, the investigators would take over the case.

Mr. Townsend further explained that the differences between an auditor and an investigator became evident as soon as a case was referred to the Office of the Attorney General. The Inspector General would be directly responsible to the Governor and able to respond quickly to concerns the Governor might have. The Inspector General would be focused on fraud, waste, abuse, or corruption and would have the ability to respond immediately to a complaint and audit local governments. The Audit Division did not audit local governments. The Inspector General would share records with the Audit Division, and the offices would work in a collaborative manner.

Assemblyman Sprinkle asked about the fiscal note showing a cost of \$1,695,999 in the 2015-2017 biennium. He said that by decreasing the amount of employees needed, about 60 percent of the cost would be reduced.

The fiscal note stated that it was estimated that nine positions and associated operating and travel costs were necessary.

Assemblyman Edwards said he made an assumption of how much he could reduce the staffing to get the program started.

In response to a question from Assemblyman Sprinkle about whether the fiscal note was still active, Assemblyman Edwards replied that the fiscal note was current and reflected the entire nine positions needed by the Office of the Governor.

Assemblywoman Kirkpatrick expressed concern about looking at contracts and Medicaid fraud, because the Legislative Counsel Bureau Audit Division did good work with a small staff. Mr. Townsend prioritized audits based on the direction of the Legislature. The State Board of Examiners included the Governor, the Secretary of State, and the Attorney General, and the Board approved state contracts. Assemblywoman Kirkpatrick asked how the Inspector General position would prioritize the work. She did not want to add positions without providing direction, and she preferred to give Mr. Townsend additional audit staff. She asked how exempt agencies would be audited.

Assemblywoman Kirkpatrick wanted to ensure the Inspector General would report effectively and let the Legislature know about agency compliance. She suggested eliminating local governments from the Inspector General's duties because that was too much work and too difficult. She had worked for five legislative sessions on a tax expenditure report that she thought would be easy, but she only received one-third of what she wanted. Her advice was to start small with what was right, and then add to it as approved by the Legislature.

Assemblyman Edwards said the Inspector General would start out small and focus on the agencies with the greatest risk for loss of money or noncompliance. The Governor would direct the Inspector General's initial phases of work. The Inspector General would be responsible for responding to calls regarding potential risks of fraud, waste, abuse, or corruption.

Assemblyman Edwards said he had previously asked Mr. Townsend whether he had enough auditors, and Mr. Townsend was required to remain impartial and was unable to respond. Assemblyman Edwards thought Mr. Townsend needed more staff, because four or five auditors were too few. The Inspector General would assist the Audit Division and help with investigations.

Assemblywoman Kirkpatrick said the amendment in section 8, subsection 4, line 43, included language stating, "work collaboratively" and that language was ineffective. Persons generally worked as best they could, but there was always an excuse as to why they could not collaborate with each other. She asked why the Executive Branch would not be responsible for the Inspector General, pay the costs for the staff, and oversee the duties. She was unsure how to select an Inspector General and evaluate the expectations, schooling, and credentials.

Assemblywoman Kirkpatrick thought it would be best to tell the Executive Branch that it needed a third-party entity to inspect the various agencies. She thought it would be helpful to tell the Governor what the Legislature wanted audited. She expressed concern that if direction was not given, the Inspector General would pick the easy audits and avoid the more difficult problems. As an example, Assemblywoman Kirkpatrick said she would tell the Inspector General to audit the transportation dollars to ensure the state received efficiencies.

Assemblywoman Kirkpatrick said the bill lacked specific direction on what entities to audit. The Audit Division used a formula of what was expected including performance measures. She believed the Inspector General would not have that formula and would not know where to start. The bill had to provide clear direction and details. Legislators had to know the return on their investment and the expected results before they would spend money, and the bill did not provide enough detail to justify the expense. Assemblywoman Kirkpatrick suggested the Inspector General start out with one result that the Legislature wanted and then return in two years to improve on the original idea. She liked the idea of a fraud hotline, because the Legislature approved some whistle-blower protections and state employees could report fraud.

Assemblyman Edwards said section 6, subsection 2, lines 21 to 24 of the amendment designated what qualifications the Inspector General would have. Section 8 included some specific direction and focus on where the Inspector General would start. Some leeway was given to the Governor to take into account whistle-blower complaints about fraud, waste, abuse, or corruption. Those complaints would provide some additional direction about the mission of the Office of the Inspector General.

Assemblyman Hickey asked whether other states had an Inspector General position and how successful the programs had been.

Mr. Townsend said he knew a similar bill had been introduced in a prior session [Senate Bill No. 325 of the 76th Session (2011)]. Research indicated that about ten other larger states had created an Inspector General position. He did not recall the return on investment.

Assemblyman Edwards said when he reviewed other Inspector General information, the return on investment was about 10 to 20 times more than was spent on the costs of the Inspector General. If an Office of the Inspector General existed, persons paid more attention to doing their jobs correctly, ensured safeguards were in place, and followed the rules, because they did not want the Inspector General to perform an audit.

Assemblywoman Benitez-Thompson asked about section 12 and what documents would be considered public records as required in section 20. Quarterly reports would be made to the Governor and Legislative Commission. She wanted to know exactly what would be considered a public record. She thought that any work product might be a public document, but other collected items might not be considered public records.

Mr. Townsend replied that the language in the amendment ([Exhibit E](#)) was similar to the language in the audit statutes. The prepared quarterly reports would be considered public records. The documents that contained personal identifying information and health records would remain confidential.

Assemblywoman Benitez-Thompson thought the intent was to keep proprietary or health information confidential. She cited an example of an audit of a Medicaid contract. The proprietary information for the audit would remain confidential and not become a public record, but any report generated from the audit would be a public record. She expressed concern that section 12 contained language that stated any book, paper, or other record received, prepared, or maintained by the Inspector General was confidential. She wanted to add language that said that any records that were already considered confidential would remain confidential. She said any report provided to the Governor should be shared with the Legislature.

Assemblyman Edwards confirmed that was his intent.

Assemblywoman Kirkpatrick said she was willing to work with Assemblyman Edwards to help him refine the language in the bill. She thought they should use similar language to what was used in *Nevada Revised Statutes* (NRS) Chapter 354. She worried that Inspector General investigators would lack governmental budget experience. Assemblywoman Kirkpatrick said the

state could not risk getting bad national press because of a misunderstanding about how something worked within the budget process or contracts.

Assemblywoman Kirkpatrick said the state contracts were different from contracts of the private sector. State contracts appeared to be one of the areas in which there might be fraud. Assemblywoman Kirkpatrick said she supported the open request for proposal process because she thought that prevented overpricing.

Assemblywoman Kirkpatrick said she wanted to understand section 6, subsection 3, paragraph (a) of the amendment that stated, "Is not in the classified or unclassified service of the State." She asked whether there was a process to establish the salary of a nonclassified service employee.

Assemblywoman Kirkpatrick said some best practices should be included in the duties of the Inspector General. She suggested Assemblyman Edwards study the ten other states that had Inspector General positions to find out how they started and work backward from that data to develop a program for Nevada.

Assemblywoman Kirkpatrick said audits of local governments were too much work and should not be included in the scope of work for the Inspector General. The local governments were required to submit their budgets [and audits] to the state on an annual basis for review by the Department of Taxation.

Assemblywoman Kirkpatrick worried about the expectation that the state would receive a return of ten times the amount of its investment. She said if the state spent \$100,000 per investigator, it would receive a return of \$1 million per investigator, and nine employees could generate a return of \$9 million. She doubted that return was possible, because state agencies had been audited for many years. Assemblywoman Kirkpatrick appreciated Assemblyman Edwards' intentions, but believed the return on investment would be small. She advised Assemblyman Edwards to scale back the bill. She wanted to have a real discussion on policy to allow the Legislature to get the results it expected to hold the Inspector General position accountable.

Assemblyman Edwards said section 6, subsection 4, stated that the Inspector General was directly responsible to the Governor in all matters.

Assemblywoman Kirkpatrick asked where the Inspector General's office would be located. Only a few persons reported directly to the Governor. Most persons reported to the Governor's staff or cabinet, and she asked whether the Inspector General would be a cabinet member.

Assemblyman Edwards said the Inspector General would be housed in the Office of the Governor. The proposed Office of Finance, Office of the Governor, was not yet established in the statutes. However, Assemblyman Edwards said his vision was to house the Inspector General in the Office of Finance in conjunction with the internal auditors that would be housed there.

Assemblywoman Kirkpatrick asked whether there was enough room to house the Inspector General in the Office of Finance, Office of the Governor. Assemblywoman Kirkpatrick said she was not a proponent of the Office of Finance, Office of the Governor. She wanted to help Assemblyman Edwards develop a good bill and have a good discussion.

Assemblyman Edwards said he would verify where exactly the Inspector General and his staff would be housed.

Jim R. Wells, C.P.A., Interim Director, Department of Administration, testified in the neutral position on the bill and explained the fiscal note prepared by the Department of Administration. The Department lacked a clear understanding of Assemblyman Edwards' intent, and the Department proposed a structure that would provide enough staff to attain a significant result for the Office of the Inspector General.

Mr. Wells continued that the Inspector General position would be the equivalent of a deputy director in the unclassified service and cost about \$261,000 for salary and benefits for the 2015-2017 biennium. Mr. Wells proposed two deputy inspector general positions that cost about \$240,000 each for the 2015-2017 biennium. He proposed six investigative staff positions at about \$150,000 each for the 2015-2017 biennium. He proposed associated travel for a couple of trips per month for the staff and operating expenses.

Mr. Wells said he estimated the salaries, but the bill specified those positions were in the nonclassified service, which allowed the Governor to set the salaries for the Office of the Inspector General. The Office would not be subject to any specific salary criteria and would be given a block of money similar to other units in the Office of the Governor. The Inspector General would be able to hire staff with the amount of funds included in the bill.

Mr. Wells said additional positions had been approved in both the Director's Office, Department of Administration, and the Division of Internal Audits, Department of Administration. He was unable to house the nine staff positions proposed for the Office of the Inspector General in the existing space for the Department of Administration. Mr. Wells added that if the bill was approved, he would find other space for the positions.

Mr. Wells said his concerns related to coordination and duplication of existing efforts. The bill proposed a hotline for fraud, waste, abuse, or corruption, but the Division of Internal Audits, Department of Administration, already had a fraud, waste, abuse, or corruption hotline. The Division of Internal Audits, Department of Administration, had received approval to add two new additional auditor positions whose sole purpose was to audit state contracts. There were existing resources to audit local governments at the Local Government Finance Section of the Department of Taxation. The Office of the Attorney General had an inspectors unit, a Medicaid Fraud Control Unit, and a mortgage fraud unit. The state agencies were regularly audited by the Division of Internal Audits, Department of Administration, and the Audit Division, Legislative Counsel Bureau. He expressed concern about the duplication and coordination of efforts of all those entities.

Assemblyman Edwards said he believed there was an opportunity to develop a great Office of the Inspector General, and he would be happy to work with the members of the Committee to improve the bill.

Chair Anderson suggested Assemblyman Edwards work with the members of the Committee and the Department of Administration. Chair Anderson said the Committee understood the concepts and appreciated Assemblyman Edwards' work.

Hearing no further testimony in support of, in opposition to, or neutral on the bill, Chair Anderson closed the hearing on A.B. 300 and opened public comment. Hearing no public comment, Chair Anderson adjourned the meeting at 4:38 p.m.

RESPECTFULLY SUBMITTED:

Janice Wright
Committee Secretary

APPROVED BY:

Assemblyman Paul Anderson, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: May 19, 2015

Time of Meeting: 3:15 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 241	C	Assemblyman Chris Edwards, Assembly District No. 19	Proposed Amendment 6423 to Assembly Bill No. 241
A.B. 299	D	Assemblyman Chris Edwards, Assembly District No. 19	Proposed Amendment 7498 to Assembly Bill No. 299
A.B. 300	E	Assemblyman Chris Edwards, Assembly District No. 19	Proposed Amendment 7512 to Assembly Bill No. 300