

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE**

**Eighty-First Session
February 25, 2021**

The Committee on Revenue was called to order by Chair Lesley E. Cohen at 4:01 p.m. on Thursday, February 25, 2021, Online. 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/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Lesley E. Cohen, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen II
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblyman Tom Roberts
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Terri McBride, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant



OTHERS PRESENT:

Catherine Byrne, State Controller
Lori Hoover, Chief Deputy Controller, Office of the State Controller
Bryan Wachter, Senior Vice President, Retail Association of Nevada
Kim Wallin, Private Citizen, Washoe Valley, Nevada

Chair Cohen:

[Roll was taken and Committee rules and protocol were reviewed.] Our State Controller, Catherine Byrne, and Chief Deputy Controller, Lori Hoover, are with us today to present Assembly Bill 13. I will open the hearing on A.B. 13.

Assembly Bill 13: Revises requirements related to certain financial reporting by the State Controller. (BDR 18-353)

Catherine Byrne, State Controller:

Thank you for allowing me to speak today about the Office of the State Controller. Title 18, Chapter 227 of *Nevada Revised Statutes* (NRS) the duties and responsibilities of the State Controller, and NRS Title 31, Chapter 353C covers the collection of debts owed to the State. The Controller's Office has 41 authorized full-time positions divided into four sections consisting of Financial Reporting, Operations, Debt Collection, and Information Technology. In addition, management is composed of the State Controller, the Chief Deputy Controller, and one Executive Assistant [reading from prepared testimony, [Exhibit C](#)].

The Financial Reporting section is composed of ten full-time positions headed by one lead Comprehensive Annual Financial Report (CAFR) accountant. The financial reporting activity is provided to a broad audience. Municipal bondholders and underwriters, the Governor, the Legislature, and the public are provided with the CAFR, which is prepared using accounting principles generally accepted in the United States, and is required by State Accounting Law. The state must follow these accounting standards and standards applicable to the state and local governments issued by the Government Accounting Standards Board. States are required to produce their CAFRs in conformity with these standards, to sell municipal bonds, and to obtain federal funds, among other things.

The CAFR is required to be included in the Single Audit Report, which is an audit of the Schedule of Expenditures of Federal Awards. Also, CAFR information is used for accumulating comparable historical data, year over year and jurisdiction to jurisdiction. The CAFR is essential to the marketing and selling of state bonds as well as obtaining federal grant monies.

Another essential function of the Financial Reporting section is assisting the state agencies with providing reporting information, administering their budgets, and conducting the financial activities associated with their legislatively directed missions. We review certain accounting activity of agencies to assure their financial transactions are being recorded in accordance with State Accounting Law.

The State Controller prepares the Popular Annual Financial Report (PAFR). This report is not audited. The PAFR is a report with financial data extracted from the CAFR, communicated in plain language. It is designed to give the reader an overview of the state's finances. The report is specifically designed to be readily accessible and easily understandable by the general public and other interested parties without a background in public finance.

The Financial Reporting section is also responsible for developing the state's accounting policies and procedures, assisting agencies with accounting questions and issues, the approval of journal vouchers, and certain transactions posted in Advantage. We review and approve work programs from the Budget Division, Office of Finance, Office of the Governor. The Controller's Office prepares quarterly financial statements of the Permanent School Fund, prepares the quarterly U.S. Census Bureau reports, and prepares tables and schedules that are included in bond official statements.

The Operations section of the Controller's Office—also known as Agency Services—is composed of 14 full-time positions headed by one chief accountant. The Operations section includes the vendor services desk, which registers and maintains all vendors paid through the state's financial system. They also apply foreign vendor backup withholding and are responsible for Internal Revenue Service (IRS) information return notices and IRS levies.

The System Administration and Financial Help Desk maintains the state's financial system and assists agencies with Advantage testing and troubleshooting. This section also maintains security for Advantage and the third-party check-printing software including user setup and removal.

Federal grant reporting includes compiling and certifying the state's Single Audit Report. We train agencies in grant reporting for the Schedule of Expenditures of Federal Awards, assist agencies and outside auditors to resolve Single Audit Report audit findings, and prepare the Cash Management Improvement Act's annual report.

Agency Services also processes wires, performs check printing, cancels and reissues checks, and processes agencies' work programs and related file uploads and journal vouchers. They process deposits and wage garnishments and set up a Chart of Accounts, including budget accounts and categories for federal job numbers. Other responsibilities of Agency Services include completing the state's monthly bank reconciliation, and processing and issuing IRS Form 1099 Miscellaneous for applicable payments inside the Advantage system.

The third section I want to talk about is the Debt Collection section. It is composed of four full-time positions headed by one chief accountant. The Debt Collection section is responsible for the collection of debts owed to the State of Nevada, and is regulated by Chapter 353C of NRS and Chapter 353C of the *Nevada Administrative Code*. Debt Collection's responsibilities include collecting and managing past-due state receivables using tools such as the Debt Offset Program and private collection agencies. They provide information, training, and technical assistance to state agencies on collection-related topics

and accounts receivable processes. They process and reconcile payments received from debtors; provide reconciling reports to state agencies; help submit uncollectible accounts receivable for the State Board of Examiners' approval for write-off; and compile quarterly and year-end accounts receivable reports for the State of Nevada, which is included in the annual CAFR.

Our last section is the Information Technology (IT) section, which is composed of ten full-time positions headed by one IT manager 2. The IT section's responsibilities include systems and networking, which is responsible for the maintenance and support of IT network and server hardware, and IT support of the Controller's Office users. They are responsible for the maintenance and support of the Controller's Office databases and the Advantage financial system. They are also responsible for any program changes, maintenance, and support of the Controller's Office custom-built applications, websites, and the Advantage financial system. They are responsible for the security and the management of the Controller's Office security policies and IT security of the Controller's Office staff. This section also maintains the agencies' networks, servers, websites, applications, antivirus, Office 365, and user profiles. This concludes my presentation of the State Controller's Office. Are there any questions?

Chair Cohen:

Thank you for the information about what your office does, and about the CAFR. I appreciate knowing the CAFR is supposed to be done in a way so the average person who does not have an accounting background can understand it. How much are people in Nevada looking at the CAFR and reading it yearly? Do you know why people who are interested in it are looking at it?

Controller Byrne:

I do not know the actual number or specifics about the demographics. My usual questions come from residents who are really involved in how the government runs in the state. They will typically get a CAFR every year and they may have questions on it. We will have questions from outside-of-the-state organizations that collect this information year after year, so it is comparable data with other states. In the state, it is typically used by other auditors. It is included in the Single Audit Report. Other than that, as far as the general population, I very seldom get questions or inquiries about a CAFR. The report that is designed more for the general population is the PAFR. The CAFR is in a language for those who are experts in government financial accounting.

Chair Cohen:

Does the current law preclude you from putting the information into the CAFR that is in the new sections of the bill?

Controller Byrne:

The bill just covers verbiage. The verbiage we have presented has also been changed by the Legislative Counsel Bureau (LCB) from the original wording we had. We are trying to clean up the language. It is very general and nonspecific when we name the reports.

Lori Hoover, Chief Deputy Controller, Office of the State Controller:

I do not remember when that statute came about, but the wording in there is based on old names of reports, tables, and statements that were in the CAFR. We had originally started with changing it to what the CAFR states now, but the LCB analysts were helpful and suggested we make it very general so if it changes again we do not have to come back. It is only trying to take it up a little higher and explain in a general way what is going into the CAFR, so it is not looked at as being outdated.

Controller Byrne:

That statute is old and outdated, so the statements have changed dramatically since that statute was written.

Chair Cohen:

For the sake of clarification, I think it was actually the LCB Legal Division and not the Fiscal Analysis Division that provided the verbiage.

Assemblywoman Benitez-Thompson:

The existing CAFR report, as it is, is just over 200 pages, and it sounds like this language change is to reflect what is in the report now. As we look at that report and the information in it, would there be anything about that report that would change?

Controller Byrne:

The report is prepared in accordance with the government accounting standards. They give us much of the verbiage. It is subjective too. We have guidance on the verbiage, but we generally want in there what is relevant. Much of it is required by the standards. We do not address every single standard because some of it is not relevant. Typically, the format is not designed by the state government itself.

Assemblywoman Benitez-Thompson:

So there is not a change to the content as we see it, or what is included there. This will not affect any of the sections that are in there. It will not change the content of the report.

Controller Byrne:

That is correct. It does not change the content other than updating the information we have that year. Again, it is about what is relevant today.

Assemblyman O'Neill:

What is our percentage of recovery on debts? Is it \$25,000 more or less? Are the state agencies turning their debts over to you as I understand they are to do?

Controller Byrne:

We do struggle having the agencies follow NRS. It is a constant challenge to get the receivables on time for us to have an effective collection process for those. We have agreements with some of the larger agencies so they do their own collections. For example, the Department of Employment, Training and Rehabilitation; Department of Taxation;

and Department of Motor Vehicles do their own collections. We set up agreements with the larger agencies because they do the collection of their debts. What they turn over to us is what they feel needs to go to the State Board of Examiners for consideration of write-offs.

Assemblyman O'Neill:

How successful are you with the debts that are turned over to you?

Controller Byrne:

We have very little success with the old debts—by old, I mean anything over a year. Your odds of collecting those monies are really remote after six months or so.

Assemblyman O'Neill:

For the agencies that do turn over their current debts, how successful are you at collecting those?

Controller Byrne:

We had that scheduled to present earlier but do not have it with us right now. We have collections for Fund 101, and collections for other funds. Typically the percentage of collections is slightly different for different types of receivables.

Lori Hoover:

Unfortunately, we do not have a lot of that information in front of us. We can get you those percentages later through your LCB Fiscal Analysis Division staff. We also limited our collection efforts through the main part of the pandemic simply because we had so many Nevadans out of work. Upon Controller Byrne's request, we have started working on the large dollar-value accounts that are coming in. Anything we were doing over \$25,000 we are dropping it down to \$10,000 and going after those. It depends on the type of "stick" we have with them. If we are able to do some form of garnishment or requirement to pay us, it is a lot better. If we do not have any reason to get them to pay, sometimes it is harder.

Assemblyman O'Neill:

I would appreciate the numbers. Please let me know if there is anything we can do to assist in improving your ability to collect on those debts.

Chair Cohen:

Please send the information through staff. We will ensure the whole Committee gets it.

Controller Byrne:

We would like to give you as much data as you need, but the volume is very large. We try to get as specific as we can so it does not get so convoluted and confusing. It is a wide swath of receivables for the State. You cannot apply one process or one story to it across the board, other than maybe some processes such as collection agencies, buy-offs, and some oversight ones.

Again, I like to focus on more current and larger debts, as we will have a better return on our investments if we focus on those. We need the agencies to assist us with that because we need to know the debt quickly. You, as legislators, could help when it comes to collecting some of the business debt out of the Department of Business and Industry.

The last thing I would like to add is what Lori Hoover had touched on. During this pandemic and during the last recession, we did not get as assertive or aggressive about collecting as we would normally during better economic times. Asking people to pay a debt is hard after we have laid them off and we cannot pay them unemployment. The same goes for businesses. We have had them sacrifice so much, and then I come in and ask them for money. That does not improve our relationship with businesses and constituents. We have relationships we want to develop with these businesses and communities. You have to apply a little bit of psychology to it.

Chair Cohen:

Have you ever used amnesty programs? When the economy picks up a little, do you think you might use an amnesty program to get some of the previous debts paid and let people clear their records without fines and the possibility of the loss of any licenses?

Controller Byrne:

To my recollection we have not used any type of amnesty. We have such a wide swath of what types of revenue people owe, from Medicaid overpayments, to returned checks, to fines, and they are just not going to pay. That is just how businesses are—especially fines and penalties. It is hard, so it comes down to establishing relationships. We are going to get the money much easier that way, and then you have a better relationship with the public.

Chair Cohen:

Thank you for being cognizant of wanting to have good relationships with our businesses and that they are going through a lot financially right now, as are many of our citizens. As there are no further questions from the members of the Committee, we will move on to those in support of Assembly Bill 13.

Bryan Wachter, Senior Vice President, Retail Association of Nevada:

We would like to thank the Controller's Office for this bill. We believe it will make for a more efficient, up-to-date, and current look at some of the budget concerns we think should be influencing the legislative conversation. We appreciate the report when it is released and look forward to the update. We urge your support for this bill.

Kim Wallin, Private Citizen, Washoe Valley, Nevada:

I am speaking in support of A.B. 13. This is something I did as State Controller many times. When the standards would change, we needed to change our statutes to comply with the standards. In that way, we would have a CAFR that was in compliance and that bond rating agencies would use. It would be in conformity with GAAP [Generally Accepted Accounting Principles].

Chair Cohen:

Is there anyone else on the line in support? [There was no one.] Is there anyone in opposition? [There was no one.] Controller Byrne and Chief Deputy Controller Hoover, would you like to make any closing statements?

Controller Byrne:

I was glad we added the discussion about debt collection, how important relationships are, and how the economic times we are in have an impact on debt collections and how we do it.

Chair Cohen:

I will close the hearing on A.B. 13. We will move on to public comment. Do we have anyone on the line for public comment? [There was no one.] Do we have any comments from the members of the Committee before we adjourn? [There were none.] Our next meeting is up in the air, so please keep an eye out for that. We are adjourned [at 4:34 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Lesley E. Cohen, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is written testimony dated February 25, 2021, presented and submitted by Catherine Byrne, State Controller, regarding Assembly Bill 13.