

AUDIT REPORTS
of
DEPARTMENTS AND AGENCIES OF
THE STATE OF NEVADA

Issued by
THE FISCAL ANALYST

BULLETIN NO. 86



NEVADA LEGISLATIVE COUNSEL BUREAU

July 1, 1968 to June 30, 1969

Carson City, Nevada

ANNUAL REPORT
and
AUDIT REPORTS
of
DEPARTMENTS AND AGENCIES
OF THE STATE OF NEVADA

Issued by
THE FISCAL ANALYST
FOR THE FISCAL YEAR
JULY 1, 1968 TO JUNE 30, 1969

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada
July 1969

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
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* * * * *

RUSSELL W. McDONALD	Legislative Counsel
ROBERT E. BRUCE	Fiscal Analyst
ARTHUR J. PALMER, JR.	Research Director

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

July 3, 1969

THE HONORABLE PAUL LAXALT, GOVERNOR
THE LEGISLATIVE COMMISSION
THE NEVADA LEGISLATURE

Gentlemen:

In accordance with the provisions of NRS 218.830, I submit herewith the annual report of the Fiscal Analyst, which contains audits completed by this office during the period July 1, 1968 to June 30, 1969.

Audit assignments are designated by the Legislative Commission and the final report is rendered in two parts: (1) covering the financial transactions of the department or agency under review, and (2) covering recommendations and suggested corrective legislation. All reports are reviewed with department or agency heads prior to submission to the Legislative Commission, in order to obtain concurrence with all recommendations and to provide, where possible, the implementation procedures for compliance with recommendations. All recommended corrective legislation has been extracted from the reports and transmitted to the Legal Division of the Legislative Counsel Bureau for preparation and presentation to the next regular session of the Nevada Legislature for its consideration.

In addition to the audit reports contained herein, various other studies were performed by the Fiscal Analyst at the request of the Legislative Commission or individual legislators, copies of which are available at the office of the Fiscal Analyst.

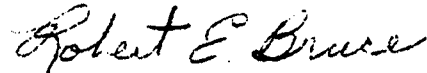
NRS 353.060 requires a quarterly money count of the State Treasury. Such counts have been performed as required, and copies of these money counts are on file with the Secretary of State and the State Treasurer.

Pursuant to NRS 218.770(10), we have assisted many state departments and agencies, at their request, in improving the system of records and accounting.

Regardless of the nature or relative significance of the accomplishments during the past year, they could not have occurred had not the members of the Legislative Commission demonstrated their confidence in the post-audit program and the work of the Fiscal and Audit Division. This acceptance is sincerely appreciated by every member of the audit staff, and we will make every effort to merit your continued confidence.

The Fiscal Analyst and his staff also acknowledge and appreciate the courtesies and cooperation extended to them by the State's executive and administrative officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert E. Bruce".

Robert E. Bruce, C.P.A.
Fiscal Analyst

REB:ss

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STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Administrative Fund of the Department of Parole and Probation for the fiscal year ended June 30, 1967, and have prepared therefrom the following exhibits and schedule:

Statement of Financial Condition,
June 30, 1967..... Exhibit A

Statement of Account with General
Fund for the Fiscal Year Ended
June 30, 1967..... Exhibit B

Statement of Basis for Appropriation
Compared with Actual Receipts and
Expenditures for the Fiscal Year
Ended June 30, 1967..... Exhibit C

Statement of Basis for Appropriation
Compared with Actual Expenditures
for the Fiscal Year Ended June 30, 1967..... Schedule 1

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Opinion

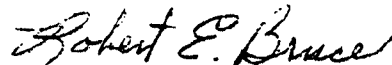
The State's accounting system is not in accordance with generally accepted accounting principles, which for governmental general fund operations is the use of the modified accrual basis of accounting. Under the modified accrual basis, revenues are accounted for when received and expenses are accounted for when the liability is incurred.

The receivables, liabilities, accrued revenues, and expenditures of the Department of Parole and Probation at June 30, 1967, as shown in the accompanying financial statements, have been estimated by us based on information available approximately one year later.

We did not review all of the department's financial transactions between June 30, 1967 and the date of the preparation of the financial statements to determine the fiscal year applicable for each such transaction because to do so would have required an inordinate amount of time. Therefore, we are not in a position to express an opinion on the fairness of the accompanying financial statements of the Department of Parole and Probation for the year ended June 30, 1967.

We submit the financial statements listed in the preceding table of contents, together with the following comments.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert E. Bruce".

Robert E. Bruce, C.P.A.
Fiscal Analyst

August 5, 1968
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967

EXHIBIT A

ASSETS

Accounts Receivable:		
Board of Pardons	\$645.00	
Department of Administration -		
Budget Division	<u>297.67</u>	\$ 942.67
Equipment		<u>1.00</u>
Total Assets		<u>\$ 943.67</u>

LIABILITIES

Accounts Payable	\$9,891.87
Reserve for Investment in Equipment	1.00
Balance of Account With General Fund, Per Exhibit B	<u>(8,949.20)</u>
Total Liabilities	<u>\$ 943.67</u>

See accompanying notes to financial statements.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
STATEMENT OF ACCOUNT WITH GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT B

CHARGES:

Support Expenditures, Per Schedule 1	\$191,725.24
--------------------------------------	--------------

CREDITS:

Net Disbursements from Funds in State Treasury	<u>191,845.21</u>
Net Change During Year - Credit	\$ 119.97
Balance June 30, 1966 - (Debit Balance)	<u>(9,069.17)</u>
Balance June 30, 1967 - (Debit Balance)	<u>\$ (8,949.20)</u>

See accompanying notes to financial statements.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
STATEMENT OF BASIS FOR APPROPRIATION COMPARED WITH
ACTUAL RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT C

	Basis for <u>Appropriation</u>	Actual Receipts and <u>Expenditures</u>	Over or (Under) <u>Basis</u>
<u>RECEIPTS:</u>			
General Fund Appropriation	\$179,329.00	\$179,329.00	\$ ---
Augmentations to Appropriations:			
Salary Adjustment	10,548.00	10,548.00	---
Board of Examiners' Emergency Fund	<u>1,496.90</u>	<u>1,496.90</u>	<u>---</u>
Total Receipts	<u>\$191,373.90</u>	<u>\$191,373.90</u>	<u>\$ ---</u>
<u>EXPENDITURES - PER SCHEDULE 1:</u>			
Payroll Costs	\$163,543.00	\$163,058.55	\$ (484.45)
Travel	12,464.00	14,382.11	1,918.11
Operating	6,933.53	11,273.95	4,340.42
Equipment	4,351.00	439.51	(3,911.49)
Return of Violators	<u>4,082.37</u>	<u>3,513.79</u>	<u>(568.58)</u>
Total Expenditures	\$191,373.90	\$192,667.91	\$ 1,294.01
Less: Unscheduled Reimbursements	<u>---</u>	<u>(942.67)</u>	<u>(942.67)</u>
Net Expenditures	<u>\$191,373.90</u>	<u>\$191,725.24</u>	<u>\$ 351.34</u>
<u>FUNDS EXPENDED IN EXCESS OF APPROPRIATION</u>		<u>\$ 351.34</u>	

See accompanying notes to financial statements.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
STATEMENT OF BASIS FOR APPROPRIATION
COMPARED WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1

<u>EXPENDITURES:</u>	<u>Basis for Appropriation</u>	<u>Actual Expenditures</u>	<u>Over or (Under) Basis</u>
Payroll Costs:			
Salaries	\$152,456.00	\$151,967.23	\$ (488.77)
Industrial Insurance	853.00	813.23	(39.77)
Retirement	8,716.00	8,639.11	(76.89)
Personnel Assessment	1,050.00	1,050.00	---
Group Insurance	468.00	588.98	120.98
Total Payroll Costs	<u>\$163,543.00</u>	<u>\$163,058.55</u>	<u>\$ (484.45)</u>
Travel:			
Out-of-State	\$ 800.00	\$ 1,027.73	\$ 227.73
In-State	11,664.00	13,354.38	1,690.38
Total Travel	<u>\$ 12,464.00</u>	<u>\$ 14,382.11</u>	<u>\$ 1,918.11</u>
Operating:			
Office Supplies	\$ 1,100.00	\$ 2,554.43	\$ 1,454.43
Postage and Freight	720.00	831.87	111.87
Telephone and Telegraph	2,660.00	4,190.16	1,530.16
Printing	804.93	955.81	150.88
Subscriptions & Reference Manuals	79.00	88.45	9.45
Dues and Registration	65.00	82.00	17.00
Insurance and Bond Premiums	95.00	980.19	885.19
Contract Services	---	42.00	42.00
Office Equipment Repair	200.00	281.31	81.31
Other Equipment Repair	---	86.14	86.14
Equipment Rental	---	440.14	440.14
Building & Grounds Maintenance	---	37.45	37.45
Medical	---	59.00	59.00
Professional Services	---	645.00	645.00
Terminal Leave	1,209.60	---	(1,209.60)
Total Operating	<u>\$ 6,933.53</u>	<u>\$ 11,273.95</u>	<u>\$ 4,340.42</u>
Equipment:			
Automobiles	\$ 4,000.00	\$ ---	\$(4,000.00)
Office Furniture	295.00	253.84	(41.16)
Office Equipment	---	53.00	53.00
Other Furniture and Equipment	56.00	132.67	76.67
Total Equipment	<u>\$ 4,351.00</u>	<u>\$ 439.51</u>	<u>\$(3,911.49)</u>

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
STATEMENT OF BASIS FOR APPROPRIATION
COMPARED WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1
(Continued)

	<u>Basis for Appropriation</u>	<u>Actual Expenditures</u>	<u>Over or (Under) Basis</u>
Return of Violators	\$ 4,082.37	\$ 3,513.79	\$ (568.58)
Total Expenditures	<u>\$191,373.90</u>	<u>\$192,667.91</u>	<u>\$ 1,294.01</u>
<u>UNSCHEDULED REIMBURSEMENTS:</u>			
Board of Pardons	\$ ---	\$ (645.00)	\$ (645.00)
Department of Administration - Budget Division	<u>---</u>	<u>(297.67)</u>	<u>(297.67)</u>
Total Reimbursements	<u>\$ ---</u>	<u>\$ (942.67)</u>	<u>\$ (942.67)</u>
Net Expenditures	<u>\$191,373.90</u>	<u>\$191,725.24</u>	<u>\$ 351.34</u>

See accompanying notes to financial statements.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1967

1. The State Controller's final Monthly Fund Status Report for the 1966-67 fiscal year showed a reversion of \$220.63 to the General Fund. However, \$571.97 of expenditures applicable to the 1966-67 fiscal year and paid out of 1967-68 fiscal year funds were filed for payment prior to August 15, 1967, the cut-off date for filing 1966-67 claims. The result of this is that the 1966-67 fiscal year appropriation was over expended \$351.34 (\$571.97 - \$220.63).
2. The department's fixed assets are valued at one dollar (\$1) because the lack of records prevented us from determining their aggregate dollar value.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
ADMINISTRATIVE FUND
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1967

GENERAL

The Department of Parole and Probation was created in two steps. Chapter 165, Statutes of Nevada, 1945, created a Department of Parole and Chapter 320, Statutes of Nevada, 1951, created the Adult Probation Department. The department supervises parolees and probationers of Nevada and, through provisions of the Interstate Compact, supervises parolees and probationers of other states who are residing in Nevada.

The Board of Parole Commissioners, which supervises the activities of the Department of Parole and Probation, was created by Chapter 69, Statutes of Nevada, 1909. The Board consists of five members who are appointed by the Governor. The Chief Parole and Probation Officer is the secretary for the Board of Parole Commissioners and the Board of Pardons.

The Chief Parole and Probation Officer is responsible for the following funds:

Department of Parole and Probation - Administrative Fund

Restitution Trust Fund

Parolees' Revolving Fund

ACCOUNTING RECORDS

The department discontinued its line expense journal for administrative expenses in November, 1966. Since that time, no accounting records have been maintained and the reconciliations with the Controller's Monthly Fund Status Reports have been infrequent.

The Controller presently is maintaining the department's expenses on a line-item basis and so reports these expenses to the department in the Monthly Fund Status Reports. We do not believe that it is necessary for the department to duplicate the work of the Controller and also maintain line-item detail on the administrative expenses. We do, however, believe that the department should maintain control accounts in general ledger fashion, in which its financial transactions are posted in summary.

Below are described the accounting records we think are necessary to account for the administrative expenses of the department. Also illustrated are some of the standard entries that would be used in recording the transactions in the accounts. These accounting records are based on the premise that all entries to the general ledger accounts will be on the double-entry basis.

GENERAL LEDGER

A general ledger should be set up, composed of the following accounts:
(A new ledger would be set up for each fiscal year.)

<u>Title</u>	<u>Normal Balance</u>
Cash on Hand	Dr
Fixed Assets	Dr
Claims Filed	Cr
Reserve for Investment in Fixed Assets	Cr
Clearing Account with Controller	Dr-Cr
Receipts - Current Fiscal Year	Cr
Disbursements - Current Fiscal Year	Dr
Prior Year's Adjustments	Dr-Cr

Typical entries to the above accounts are as follows:

Cash on Hand	XX	
Receipts - Current Fiscal Year		XX
To record receipt of miscellaneous revenue or reimbursement of expenses. (general journal)		
 Cash on Hand	 XX	
Disbursements - Current Fiscal Year		XX
To record cash receipts to be accounted for as abatements. (general journal)		
 Cash on Hand	 XX	
Prior Year's Adjustments		XX
To record cash receipts applicable to prior fiscal years. (general journal)		
 Clearing Account with Controller	 XX	
Cash on Hand		XX
To record deposit of cash receipts into Treasury. (general journal)		
 Prior Year's Adjustments	 XX	
Disbursements - Current Fiscal Year	XX	
Claims Filed		XX
To record the claims and interagency billing forms. (claims filed register)		
 Claims Filed	 XX	
Clearing Account with Controller		XX
To record the payment of the claims and interagency billing forms. (claims filed register)		
 Fixed Assets	 XX	
Reserve for Investment in Fixed Assets		XX
To record the acquisition at cost or fair market value of fixed assets. (general journal - usually a monthly entry)		
 Reserve for Investment in Fixed Assets	 XX	
Fixed Assets		XX
To record the value of assets traded in or surveyed. (general journal)		

Clearing Account with Controller (Dr or Cr)	XX	
Receipts	XX	
Disbursements		XX
Prior Year's Adjustments (Dr or Cr)		XX
Closing entry at June 30 (general journal)		

The total of the Receipts - Current Fiscal Year account should be reconciled monthly to the amount in Category 000 of the Controller's Monthly Fund Status Report.

SUBSIDIARY RECORDS

Claims Filed Register

A claims filed register should be established in which all expenditure transactions are recorded. A suggested format for the claims filed register is as follows:

<u>Date</u>	<u>Document Identification</u>	<u>Expenditures</u> Dr	<u>Prior Year's Adjustments</u> Dr	<u>Claims Filed</u>			<u>Clearing Account with Controller</u> Cr
				Dr	Cr	Balance	
_____	_____	XX	_____	_____	XX	XX	_____
_____	_____	XX	_____	_____	XX	XX	_____
_____	_____	_____	XX	_____	XX	XX	_____
_____	_____	_____	_____	XX	_____	XX	XX
_____	_____	_____	_____	XX	_____	XX	XX

ALLOTMENT - EXPENDITURE REGISTER

An allotment - expenditure register should be established so that both the unencumbered amount of each category and the balance of the encumbered amount of each category can be known at all times.

In addition to the date and document identification columns, only three other columns are required. These three columns are described as follows:

Column - Allotment

Entries:

1. Posted with the amount of the approved budget for that category.
2. Adjusted during the year by properly authorized transfers between categories.
3. Reduced by amount of encumbrances.
4. Adjusted by the difference between the amount of an encumbrance and the amount actually paid; or reduced by the amount paid if not encumbered.

Column - Encumbrances

Entries:

1. Posted with the amount of the encumbrances. This can be a specific amount such as a purchase order or, in the case of non-specific expenditures, such as telephone expense, which could be entered as a quarterly estimate.
2. Reduced by the amount of the encumbrance when a purchase encumbered is paid. In the case of a quarterly estimate, the encumbrance should not be completely eliminated until all of the expenditures applicable to that quarter are paid.

Column - Expenditures

Entries:

1. Posted with the amounts paid. The totals of all of the categories should equal the expenditure account in the general ledger.

The amounts in this allotment - expenditure register should be reconciled monthly to the amounts in the State Controller's Monthly Fund Status Reports on a category-by-category basis. In addition, the line-item amounts in the Monthly Fund Status Reports can be test-checked for accuracy.

A suggested format for the allotment - expenditure register is as follows:

Category Title_____		Number _____		
Document				
<u>Date</u>	<u>Identification</u>	<u>Expenditure</u>	<u>Encumbrance</u>	<u>Allotment</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

FIXED ASSETS INVENTORY RECORDS

Inventory records should be prepared for all fixed assets presently owned by the department and for all future fixed assets when obtained. There should be a separate card for each fixed asset. There should also be a control card which should be in agreement with the general ledger fixed asset account total. The individual inventory record cards should include the following information: (Cards on disposed property should be kept in a separate file.)

1. Acquisition cost or value
2. Date of acquisition
3. Description of property
4. Property identification numbers - manufacturer's and state's
5. Location of property
6. Person responsible or otherwise accountable
7. Disposal of property

GENERAL JOURNAL LEDGER

Immediately in front of the general ledger accounts, some two-column accounting work paper should be placed in order to record transactions in general fashion for which no subsidiary registers have been established. For example, the Treasury deposit receipts and the fixed assets entries would be journaled into the general ledger account.

RECOMMENDATION

We recommend that the Department of Parole and Probation establish the above-described accounting records for its Administrative Fund Account.

OPERATIONS

The Department of Parole and Probation's operations are financed by appropriation from the General Fund. In addition to the amount appropriated by the Legislature for the 1966-67 fiscal year, the department found it necessary to obtain reimbursements amounting to \$942.67 from other General Fund agencies for services performed for those agencies.

BUDGET

The following appropriations comprised the support budget for the year ended June 30, 1967, as shown in Exhibit C:

Chapter 489, 1965 Statutes

Section 30 - For support of the State Board of Parole Commissioners	\$179,329.00
--	--------------

Chapter 334, 1965 Statutes

Salary Adjustment	10,548.00
Board of Examiners' Emergency Fund	<u>1,496.90</u>
Total Appropriated	<u>\$191,373.90</u>

EXPENDITURE IN EXCESS OF APPROPRIATION - \$351.34

NRS 353.260 reads as follows:

- "1. It is unlawful for any state officer, commissioner, head of any state department or other employee, whether elected or appointed, to expend more money than the sum specifically appropriated by law for any such office, commission or department.
2. It is unlawful for any state officer, commissioner, head of any department or employee of this state to bind, or attempt to bind, the State of Nevada or any fund or department thereof in any amount in excess of the specific amount provided by law, or in any other manner than that provided by law, for any purpose whatever.
3. Every claim allowed in violation of the provisions of this section shall be void.
4. Every officer of the State of Nevada, elective or appointive, who violates any of the provisions of this section shall be guilty of malfeasance in office.
5. Every person other than those specified in subsection 4 who violates any of the provisions of this section shall be guilty of a misdemeanor."

We believe that the provisions of NRS 353.260 were violated by the Department of Parole and Probation for the fiscal year 1966-67 in the following manner:

Expenses in the amount of \$571.97 applicable to the 1966-67 fiscal year's operations were charged to the 1967-68 fiscal year's appropriation. This was accomplished by:

1. Warrants in the amount of \$116.00 originally charged against the 1966-67 fiscal year were canceled and rewritten, charging the 1967-68 fiscal year.
2. A billing-claim in the amount of \$378.78 for telephone service in June, 1967, was originally prepared by the Department of Administration on July 14, 1967 and submitted to the Department of Parole and Probation. This billing-claim was not processed. A subsequent billing-claim dated August 8, 1967 was prepared by the Department of Administration, which included the June, 1967 telephone service charges combined with the July, 1967 charges. This subsequent billing was improperly paid out of appropriations for the 1967-68 fiscal year.
3. Invoices for services received in the amount of \$32.44, which were originally dated by the vendor as May, 1967 and June, 1967, were submitted for payment in June, 1967. These invoices were not processed. Invoices for these same services were submitted for payment in July, after the dates had been changed at the request of the department.
4. An invoice in the amount of \$44.75 for supplies received in May, 1967, was held over and submitted for payment in July, 1967 and paid out of 1967-68 fiscal year appropriations.

Representatives of both the Department of Parole and Probation and the Department of Administration informed us that the above-described actions were taken in July, 1967 because it was estimated then that the Department of Parole and Probation's 1966-67 fiscal year appropriation was in danger of being over-expended.

A summary of the excess expenditures follows.

Item 1 - Canceled Warrants	\$116.00
Item 2 - Telephone Bill Resubmitted	378.78
Item 3 - Changed Date on Invoices	32.44
Item 4 - Bills Paid in Wrong Year	<u>44.75</u>
Total	\$571.97
Less: Amount reverted to the general fund from Parole and Probation Administrative Fund	<u>220.63</u>
Expenditure in Excess of Appropriation	<u>\$351.34</u>

UNAUTHORIZED REVISION OF WORK PROGRAMS

NRS 353.220 provides for revisions of the original work program and reads as follows:

- "1. The head of any department, institution or agency of the executive department of the state government, whenever he shall deem it necessary by reason of changed conditions, may revise the work program of his department, institution or agency at the beginning of any quarter during the fiscal year, and submit such revised program to the governor through the chief with a request for revision of the allotments of the remaining quarters of that fiscal year.
2. Every such request for revision shall be submitted to the chief at least 15 days prior to the commencement of the quarter when such revision, if approved, is to become effective. Within 10 days after submission to him the chief shall transmit the request for revision with his recommendations in writing to the governor. Within 5 days thereafter the governor shall approve or disapprove such request in writing.
3. The governor shall promptly transmit a copy of such approval or disapproval to the chief, the state controller and to the head of the department, institution or agency making the request."

The Department of Parole and Probation requested a work order revision in May of 1967 for \$500.00 and another in June of 1967 for \$75.00, both for the 1966-67 fiscal year. Both the Chief of the Department of Administration and the Governor approved these requests in June, 1967.

It appears that these requests were submitted over two months late, as they should have been submitted on or before March 15, 1967. Therefore, we believe that these requests should not have been approved.

RECOMMENDATION

We recommend that the Department of Parole and Probation and the Department of Administration comply with NRS 353.220 and discontinue the practice of making unauthorized revisions to work programs.

EXPENDITURES

The expenditures of the Administrative Fund as shown in detail in Schedule 1

are summarized and compared to the previous fiscal year as follows:

<u>Category</u>	<u>Fiscal Year 1965-66</u>	<u>Fiscal Year 1966-67</u>	<u>1966-67 Over 1965-66 Increase (Decrease) Amount</u>
Salaries and Wages	\$139,452	\$163,058	\$23,606
Out-of-State Travel	432	1,028	596
In-State Travel	10,351	13,354	3,003
Operating	9,998	11,274	1,276
Equipment	11,786	440	(11,346)
Return of Violators	<u>1,622</u>	<u>3,514</u>	<u>1,892</u>
Total	<u>\$173,641</u>	<u>\$192,668</u>	<u>\$19,027</u>

Long-Distance Phone Calls

We noted during our audit that the department did not have any control procedures over long-distance phone calls. In auditing the long-distance phone calls, we were able to identify certain phone calls as being personal calls which were paid for by the State. The State has now been reimbursed for those particular calls.

In addition, the most economical means of placing long-distance phone calls were not being used. For example, the Wide Area Telephone System (WATS) for calls to certain points in Nevada was being used on a very limited basis.

On June 5, 1968, the acting chief of the department issued instructions designed to economize, to document, and to control the department's long-distance phone calls. In order to accomplish these objectives, a form was designed on which each long-distance phone call is to be recorded. The form, however, does not provide for recording the purpose of the call, which we believe should be noted.

RECOMMENDATION

We recommend that the recently-instituted form on which long-distance phone calls are recorded be revised by adding a column in which the purpose of the call can be indicated.

Return of Violators

The department categorizes the cost of returning violators from out-of-state separately, as shown in Exhibit C. Following is a detailed analysis of the amount paid for this activity during the fiscal year 1966-67:

<u>Type of Expense</u>	<u>Amount</u>
Communications	\$ 542.06
Out-of-State Travel	2,958.73
In-State Travel	<u>13.00</u>
Total	<u><u>\$3,513.79</u></u>

ATTENDANCE AND LEAVE RECORDS

We reviewed the attendance and leave records of a portion of the department's thirty employees for the period beginning July 1, 1966 and ending December 31, 1967. This review indicated that the attendance and leave rules contained in the State Administrative Manual are not being followed.

Following is a summary of the different types of errors we found.

1. Overtime earned prior to last three months of the calendar year carried forward to the next calendar year.
2. Overtime accumulated in excess of 120 hours.
3. Annual leave in excess of 30 days carried forward from one calendar year to the next calendar year.
4. A considerable number of absences not supported by requests.

A majority of the above errors were caused by the many mathematical and posting errors we found in the attendance and leave records.

RECOMMENDATIONS

We recommend that:

1. A comprehensive review of the attendance and leave records be made to determine the correctness of the present accumulated balances of annual leave, sick leave, and accumulated overtime.

2. The attendance and leave regulations contained in the Department of Administration's State Administrative Manual be adhered to.

PROBATION SERVICE FEE

In April, 1968, the Department of Parole and Probation started to collect a probation service fee from certain probationers. After a request to charge such a fee was ruled unconstitutional in a District Court, and after the Attorney General advised the department that the fee was illegal, the department discontinued collecting the fee in June, 1968.

A total of \$510 of such fees has been collected and deposited in a special revenue fund with the State Treasurer.

RECOMMENDATIONS

1. If these fees have been collected illegally, they may be refunded to the probationers pursuant to NRS 353.110, 353.115, and 353.120, which provide that:
 - a. The probationers must file a claim for refund with the State Board of Examiners within one year from when such claim was incurred.
 - b. By its unanimous resolution, the State Board of Examiners may direct the State Treasurer to make the refund to the probationers.
 - c. The amount of the refund would be paid from the Reserve for Statutory Contingency Fund.
2. The amount of money collected in fees, \$510, which is presently in the special revenue account entitled "Probation Service Fee", account number 60-40405, will require legislative action before it can be transferred into the General Fund.

MINUTES OF PAROLE HEARINGS

Our review of the minutes of the State Board of Parole Commissioners disclosed

a lack of the following information:

1. List of board members present at each hearing.
2. Dates of each hearing.

RECOMMENDATION

We recommend that the above-listed information be included in the minutes of the board meetings.

DEPARTMENT OF PAROLE AND PROBATION
DISPOSITION OF RECOMMENDATIONS OUTLINED IN PRIOR AUDIT
REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1963

<u>Audit Item No.</u>	<u>Recommendation</u>	<u>No Action</u>	<u>Partially Implemented</u>	<u>Fully Implemented</u>
1	Claims Register	X		
2	Reconcile Claims Register to Controller Allotment Sheets	X		
3	Cash Book - Trustees Account			X
4	Cash Book - Pay the Victim Direct			X
5	Internal Control - Prenumbered Receipts			X
6	Internal Control - Separation of Duties		X	
7	Discontinue Trustee Bank Account			X
8	Officers Time Records			X
9	Equipment Inventory		X	
10	Office Supplies Purchased Other than from Purchasing		X	
	TOTAL	<u>2</u>	<u>3</u>	<u>5</u>

Note: At a meeting held August 19, 1968, between the Fiscal Analyst and the Chief Parole and Probation Officer, agreement was reached on implementation of most of the foregoing recommendations. The Chief Parole and Probation Officer's comments and exceptions are attached to this report.

STATE OF NEVADA

ADDRESS ALL COMMUNICATIONS TO
PHILIP P. HANNIFIN, CHIEF
DEPARTMENT OF PAROLE
AND PROBATION

PAUL LAXALT
GOVERNOR



BOARD OF PAROLE COMMISSIONERS
CLAYTON D. PHILLIPS, CHAIRMAN
A. LORING PRIMEAUX,
VICE-CHAIRMAN
M. E. LUNDBERG, MEMBER
FRANK PETERSEN, MEMBER
DENNIS WRIGHT, MEMBER
PHILIP P. HANNIFIN, SECRETARY

Department of Parole and Probation

DISTRICT OFFICES
RYLAND BUILDING
ROOM 308
220 SOUTH VIRGINIA STREET
RENO, NEVADA

STATE BUILDING
215 E. BONANZA STREET
LAS VEGAS, NEVADA

HENDERSON BANK BUILDING
ROOM 401
ELKO, NEVADA

NYE BUILDING • 201 SOUTH FALL
CARSON CITY, NEVADA 89701

TELEPHONE 982-7356

August 22, 1968

Mr. Robert E. Bruce
Fiscal Analyst
Legislative Counsel Bureau
Room 45, Capitol Building
Carson City, Nevada 89701

Dear Mr. Bruce:

The following comments will constitute the response of the Department of Parole and Probation to the audit report prepared by your office:

Recommendation - Establish Accounting Records for the Administrative Fund Account.

We are in full agreement that there is a desperate need for thorough fiscal controls in the administrative funds of the Department of Parole and Probation. We have no quarrel with the recommendations as made by the Auditor; we wish merely to point out that the methods recommended are somewhat new to State Government but we can see that they will be of advantage to the Department. As you are aware, this Department is making efforts to re-classify a position of a Journeyman Probation Officer to that of a Principal Account Clerk. This re-classification will be for the purpose of establishing a sound fiscal accounting system at the Department level. If and when such a position is allowed by the State Personnel Division we will attempt to establish fiscal controls and accounting methods you have recommended.

Recommendation - Unauthorized Revision of Work Programs

It will be the intent of the administration of the Department of Parole and Probation to revise work programs only in accord with applicable statutes and rules and procedures of the Department of Administration.

- Continued -

August 22, 1968

Recommendation - Document Purpose of Long Distance Phone Calls

The Department of Parole and Probation is in accord with your recommendation in this matter. We will add a column to our phone log to allow for the recording of the purpose of the individual long distance call.

Recommendation - Review Attendance and Leave Records to Determine Correctness of Present Accumulated Balances of Vacations, Sick Leave and Overtime

We have already conducted the review of leave records to determine their correctness. We have also established a new system of accounting for employee time records. We have every confidence that the new methods and procedures will meet with your approval and satisfy the recommendation made.

Recommendation - Adhere to Attendance and Leave Regulations contained in State Administrative Manual.

The new system of accounting for employee time will make it much easier to enforce adherence to regulations concerning attendance as stated in the State Administrative Manual. We fully intend to correct this deficiency as soon as possible.

Recommendation - Determine if Probation Service Fees are Refundable

The present administration of the Department of Parole and Probation has absolutely no intention of continuing the abortive practice of collecting service fees in probation cases. However, those fees which were previously collected pose a unique problem. We will contact the persons who contributed such service fees and ask them to make application to the State Board of Examiners for refund. We cannot guarantee the results of this procedure.

Recommendation - Record Attendance of Board Members in Minutes of Meetings

This recommendation is well taken and instructions have been presented to the staff so that such attendance data will in the future be present in the minutes of all Parole Board meetings.

- Continued -

Mr. Robert E. Bruce

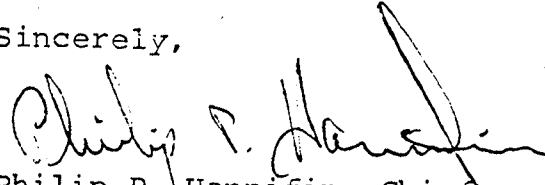
- 3 -

August 22, 1968

We appreciate the cooperative efforts that have gone into the compilation of this audit. Its general tenor is helpful to the Department and there are no recommendations that do not meet with our general approval. We especially appreciate the concise and pertinent format of the audit.

Please accept our thanks for your efforts and cooperative spirit.

Sincerely,

A handwritten signature in dark ink, appearing to read "Philip P. Hannifin". The signature is fluid and cursive, with a large, sweeping initial "P" and a long, horizontal stroke extending to the right.

Philip P. Hannifin, Chief
Parole and Probation Officer

PPH:amw

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
PAROLEES' REVOLVING LOAN FUND
AUDIT REPORT
FOR THE PERIOD JULY 1, 1967 TO APRIL 30, 1968

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Parolees' Revolving Loan Fund of the Department of Parole and Probation for the period July 1, 1967 to April 30, 1968, and have prepared therefrom the following exhibits:

Statement of Financial Condition.....Exhibit A

Statement of Operations.....Exhibit B

Scope of Examination

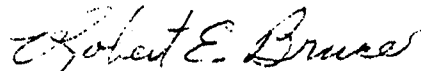
Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not confirm the balances of the loans receivables. We did, however, satisfy ourselves as to the reasonableness of the balances by alternative procedures.

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of the Parolees' Revolving Loan Fund of the Department of Parole and Probation at April 30, 1968, and the results of its operations for the period July 1, 1967 to April 30, 1968, in accordance with generally accepted accounting principles.

We submit the financial statements listed in the preceding table of contents, together with the following comments.

Respectfully submitted,



Robert E. Bruce, C.P.A.
Fiscal Analyst

August 12, 1968
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
PAROLEES' REVOLVING LOAN FUND
STATEMENT OF FINANCIAL CONDITION
APRIL 30, 1968

EXHIBIT A

ASSETS

Fund in Treasury	\$1,901.67
Loans Receivable	<u>799.08</u>
Total Assets	<u>\$2,700.75</u>

LIABILITIES AND FUND BALANCE

Claims Filed with State Controller	\$ 200.00
Fund Balance, Per Exhibit B	<u>2,500.75</u>
Total Liabilities and Fund Balance	<u>\$2,700.75</u>

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
PAROLEES' REVOLVING LOAN FUND
STATEMENT OF OPERATIONS
JULY 1, 1967 TO APRIL 30, 1968

EXHIBIT B

Fund Balance July 1, 1967 - Appropriation Per Chapter 312, 1967 Statutes	\$2,500.00
Additions:	
Interest Income	<u>.75</u>
Fund Balance April 30, 1968	<u>\$2,500.75</u>

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
PAROLEES' REVOLVING LOAN FUND
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE PERIOD JULY 1, 1967 TO APRIL 30, 1968

GENERAL

The Parolees' Revolving Loan Fund was created by Chapter 312, Statutes of 1967, in the amount of \$2,500. It is to be used for making loans to parolees to assist them in purchasing tools or equipment, transportation to home or job, or for food and rent until a steady income can be obtained.

The fund is administered by the Department of Parole and Probation. The department is authorized to set the terms of the loan, secured by a promissory note, with interest not to exceed four percent (4%) per year. Loans to one individual may not exceed \$300. Loan collections and interest earned are returned to the fund to provide capital for making additional loans, except that if the cash balance of the fund exceeds \$2,500 at the end of a fiscal year, the excess shall revert to the General Fund.

The costs of administering the fund are paid from the Administrative Fund Account of the Department of Parole and Probation.

ACCOUNTING RECORDS

The accounting records of the Parolees' Revolving Loan Fund consist entirely of a receivable ledger maintained by the Department of Parole and Probation and a "fund account" maintained by the State Controller.

We believe that a more formal set of accounting records should be maintained, in which all of the accounting transactions of the fund are recorded. Below are described the accounting records we think are necessary to account for the fund's operations. Also illustrated are some of the standard entries that would be used in recording the transactions in the accounts. These accounting records are based on the premise that all entries to the general ledger accounts will be on the double-entry basis.

GENERAL LEDGER

A general ledger should be set up, composed of the following accounts:

<u>Title</u>	<u>Normal Balance</u>
Cash on Hand	Debit
Fund in Treasury	Debit
Loans Receivable	Debit
Claims Filed	Credit
Fund Balance	Credit
Interest Income	Credit
Defaulted Loan Principal	Debit

Typical entries to the above accounts are as follows:

	<u>Debit</u>	<u>Credit</u>
Loans Receivable	XXX	
Claims Filed		XXX
To record principal amount of loans granted during month. (Entry is from transactions register)		
Claims Filed	XXX	
Fund in Treasury		XXX
To record payment of claims filed against Fund in Treasury. (general journal)		

	<u>Debit</u>	<u>Credit</u>
Cash on Hand	XXX	
Interest Income		XX
Loans Receivable		XXX
To record payments received on loans during month. (Entry is from transactions register)		
Fund in Treasury	XXX	
Cash on Hand		XXX
To record Treasurer's deposit receipts. (general journal)		
Defaulted Loan Principal	XXX	
Loans Receivable		XXX
To record loans determined to be uncollectable. (general journal)		
Interest Income	XX	
Defaulted Loan Principal		XX
Fund Balance (Dr or Cr)		XX
Closing entry at June 30 (general journal)		

SUBSIDIARY RECORDS

Transactions Register

A transactions register should be established in which would be recorded the routine transactions. Monthly, the totals would be posted to the affected general ledger accounts. A suggested format for the transactions register is as follows:

<u>Disbursements</u>								<u>Receipts</u>
Claims Filed (Cr)	Loans Receivable (Dr)	Date	Parolee's Name	Document Identification	Cash on Hand (Dr)	Loans Receivable (Cr)	Interest Income (Cr)	
_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____

Loans Receivable Ledger

A loans receivable ledger should be established. There should be a separate subsidiary record for each loan and a control account which should agree at all times with the general ledger loans receivable account balance. Most of the postings to the loans receivable ledger would be made from the transactions register. A suggested format for an individual loans receivable record is as follows:

Name of Parolee _____ Responsible Officer _____
 Amount of Loan _____ Interest Rate _____
 Period of Loan _____ Monthly Payment _____ Principal _____ Interest _____

<u>Date</u>	<u>Document Identification</u>	<u>Transactions</u>		<u>Principal Balance</u>
		<u>Debit</u>	<u>Credit</u>	
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

General Journal Ledger

Immediately in front of the general ledger accounts, some two-column accounting work papers should be placed in order to record transactions in general journal fashion for which no subsidiary registers have been established. For example, the Treasurer's deposit receipts and warrant registers would be journaled into the general ledger accounts.

RECOMMENDATION

We recommend that the Department of Parole and Probation establish the above-described accounting records for the Parolees' Revolving Loan Fund.

OPERATIONS

CASE RECORDS

Twenty-one loans were granted to parolees between July 1, 1967 and April 30, 1968. In reviewing the loan files in the central office, we noted that while there were written requests on file stating what the money was to be used for, seven of the case files did not contain invoices or receipts detailing the actual expenditures.

The total amount of loans granted during this period was \$1,235.01. Repayment in the total amount of \$436.68 has been collected from the parolees.

RECOMMENDATION

We recommend that the department document the actual expenditures in all of the central office case files.

LOANS TO OUT-OF-STATE PAROLEES

The department granted a loan to an out-of-state parolee who is residing in Nevada. The Legislative Counsel advised us that under the provisions of NRS 213.145(2) loans are not permitted to be made to out-of-state parolees because the State of Nevada cannot prevent such a parolee from being released, even if he has not repaid such loan.

RECOMMENDATION

We recommend that the department discontinue the practice of granting loans to out-of-state parolees under the provisions of NRS 213.145.

INTERNAL CONTROL

RECEIPTS

Payments are either made directly to the central office in Carson City or to supervising officers in the field who forward the payments to central office through the district offices. We believe that all payments should be sent directly to the central office by the payors.

The central office should prepare a four-part receipt for each payment received and distribute the copies of the receipts as follows:

1. Central office accounting
2. Payor
3. Responsible district office
4. Retain in receipt book

The receipt books should be maintained by the central office employee who opens the mail and not by the central office employee who is responsible for maintaining the accounting records.

RECOMMENDATION

We recommend that:

1. All loan payments be sent directly to the central office by the payors.
2. The receipt books be maintained by the mailroom clerk.

PAYMENTS TO SUPERVISING OFFICERS

The department issued twenty-one warrants for those twenty-one loans. Twelve of the warrants were payable to vendors, five were payable jointly to the parolee and his supervising officer, and four were made payable only to the supervising officer.

RECOMMENDATION

We recommend that from an internal control standpoint the department

discontinue the practice of making the warrants payable only to the parolee's supervising officer.

Note: At a meeting held August 19, 1968, between the Fiscal Analyst and the Chief Parole and Probation Officer, agreement was reached on implementation of most of the foregoing recommendations. The Chief Parole and Probation Officer's comments and exceptions are attached to this report.

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
RESTITUTION TRUST FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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Multiple victim restitution payment to be sent directly to the central office.....	3.11
Receipt books be maintained by mailroom clerk.....	3.11

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Restitution Trust Fund of the Department of Parole and Probation for the fiscal year ended June 30, 1967, and have prepared therefrom the following exhibits:

Statement of Financial Condition.....Exhibit A

Cash Receipts and Disbursements.....Exhibit B

Scope of Examination

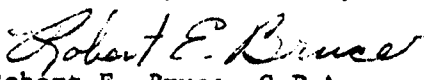
Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not confirm the balances of restitution receivables. We did, however, satisfy ourselves as to the reasonableness of the balances by alternative procedures.

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of the Restitution Trust Fund of the Department of Parole and Probation at June 30, 1967, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year and applicable state laws.

The results of our examination are presented in this report which includes, in addition to the preceding listed financial statements, our comments and explanatory detail.

Respectfully submitted,


Robert E. Bruce, C.P.A.
Fiscal Analyst

August 12, 1968
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
RESTITUTION TRUST FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967

EXHIBIT A

ASSETS

Fund in Treasury Per Exhibit B	\$ 2,217.12	
Restitutions Receivable (Multiple Victims)	<u>25,011.73</u>	
Total Assets		<u>\$27,228.85</u>

FUND BALANCE

Fund Balance		<u>\$27,228.85</u>
--------------	--	--------------------

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
RESTITUTION TRUST FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT B

Fund in Treasury July 1, 1966	\$3,919.56
<u>Receipts:</u>	
Restitution Money Received	<u>3,904.80</u>
Total	\$7,824.36
<u>Expenditures:</u>	
Restitution Money Disbursed	<u>5,607.24</u>
Fund in Treasury July 1, 1967	<u>\$2,217.12</u>

STATE OF NEVADA
DEPARTMENT OF PAROLE AND PROBATION
RESTITUTION TRUST FUND
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1967

OPERATIONS

Probationers are sometimes required to make restitution to injured victims, the amount being established by the courts.

When there is only one victim involved, the payments are made to the Department of Parole and Probation, which in turn forwards them on to the injured party. The district offices and central office maintain only memorandum records on these transactions.

When there is more than one victim involved, the payments are also made to the department, but they are accounted for by the central office and deposited in the State Treasury. When the full amount of the restitution has been paid, the central office draws checks in favor of the victims.

The costs of administering this fund are paid from the Administrative Fund Account of the Department of Parole and Probation.

ACCOUNTING RECORDS

The accounting records of the Restitution Trust Fund consist entirely of a receivable ledger maintained by the Department of Parole and Probation and a "Fund Account" maintained by the State Controller.

We believe that a more formal set of accounting records should be maintained, in which all of the accounting transactions of the fund are recorded. Below are described the accounting records we think are necessary to account for the fund's operations. Also illustrated are some of the standard entries that would be used in recording the transactions in the accounts. These accounting records are only for multiple victim transactions and are based on the premise that all entries to the general ledger accounts will be on the double-entry basis.

GENERAL LEDGER

A general ledger should be set up, composed of the following accounts:

<u>Title</u>	<u>Normal Balance</u>
Cash on Hand	Dr
Fund in Treasury	Dr
Restitutions Receivable	Dr
Claims Filed	Cr
Fund Balance	Dr-Cr
Receipts	Cr
Disbursements	Dr
Defaulted Restitutions Receivable	Dr

Typical entries to the above accounts are as follows:

Restitutions Receivable	XX	
Fund Balance		XX
To record amount of restitution per court order. (general journal)		
Cash on Hand	XX	
Receipts		XX
To record cash received. (cash register)		

Fund in Treasury	XX	
Cash on Hand		XX
To record Treasurer's deposit receipts. (cash register)		
Disbursements	XX	
Claims Filed		XX
To record claims filed. (transaction register)		
Claims Filed	XX	
Fund in Treasury		XX
To record payment of claims. (transaction register)		
Defaulted Restitutions Receivable	XX	
Restitutions Receivable		XX
To record adjustments in amount of restitutions receivable. (general journal)		
Fund Balance (Dr or Cr)	XX	
Receipts	XX	
Disbursements		XX
Defaulted Restitutions Receivable		XX
Closing entry June 30. (general journal)		

SUBSIDIARY RECORDS

Cash Register

A cash register should be established in which would be recorded all cash received and eventually deposited in the Treasury. A suggested format for the cash register is as follows:

<u>Cash Receipts</u>				<u>Deposits in Treasury</u>	
Cash on Hand	Receipts		Document	Fund in Treasury	Cash on Hand
<u>Dr</u>	<u>Cr</u>	<u>Date</u>	<u>Identification</u>	<u>Dr</u>	<u>Cr</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Transaction Register

A transaction register should be established in which would be recorded the claims lists transactions. A suggested format for the transaction register is as follows:

Expenditures	Claims		Documentation	Claims	Fund in
Dr	Filed	Date	Identification	Filed	Treasury
	Cr			Dr	Cr

Restitution Receivable Ledger

A restitution receivable ledger should be established. There should be a separate subsidiary record for each restitution payor and a control account which should agree at all times with the general ledger restitution receivable account balance. Most of the postings to the restitution receivable ledger would be made from the claims lists and the cash receipt forms. A suggested format for an individual restitution receivable record is as follows:

Name of Payor _____ Responsible Officer _____
Amount of Restitution _____ Period of Payment _____
Injured Parties _____

	Date	Document Identification	Dr	Cr	Balance

General Journal Ledger

Immediately in front of the general ledger accounts, some two-column accounting work papers should be placed in order to record transactions in general journal fashion for which no subsidiary records have been established. For example, a restitution receivable determined to be uncollectable would be journaled into the general ledger accounts.

RECOMMENDATION

We recommend that the Department of Parole and Probation establish the above-described accounting records to account for multiple victim transactions in the Restitution Trust Fund.

INTERNAL CONTROL

RECEIPTS - MULTIPLE VICTIMS

Payments from Nevada probationers under supervision in other states are received by the central office in Carson City. Payments by Nevada probationers in the State of Nevada are received in the district offices and then forwarded to the central office. We believe that all payments should be sent directly to the central office by the payors.

The central office should prepare a four-part receipt for each payment received and distribute the copies of the receipt as follows:

1. Central office accounting
2. Payor
3. Responsible district office
4. Retain in receipt book

The receipt books should be maintained by the central office employee who opens the mail and not by the central office employee who is responsible for maintaining the accounting records.

RECOMMENDATIONS

We recommend that:

1. All multiple victim restitution payments be sent directly to the central office in Carson City.
2. The receipt books be maintained by the mailroom clerk.

Note: At a meeting held August 19, 1968, between the Fiscal Analyst and the Chief Parole and Probation Officer, agreement was reached on implementation of most of the foregoing recommendations. The Chief Parole and Probation Officer's comments and exceptions are attached to this report.

STATE OF NEVADA
FISH AND GAME COMMISSION
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Fish and Game Commission for the fiscal year ended June 30, 1967 and have prepared therefrom the following exhibits and schedule:

Statement of Financial Condition,
June 30, 1967.....Exhibit A

Statement of Income and Expenditures
and Changes in Balances of Commission's
Surplus Account and Funds for the Fiscal
Year Ended June 30, 1967.....Exhibit B

Statement of Adjusted Basis for Authorization
Compared with Actual Expenditures for the
Fiscal Year Ended June 30, 1967.....Schedule 1

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not confirm the balances of the accounts receivables. We did, however, satisfy ourselves as to the reasonableness of the balances by alternative procedures.

Opinion

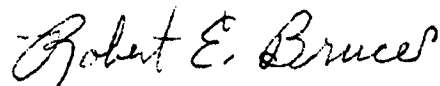
The accounting system of the Fish and Game Fund is not in accordance with generally accepted accounting principles, which for Special Revenue Funds is the use of the modified accrual basis of accounting. Under the modified accrual basis, expenditures are recorded at the time liabilities are incurred and revenues are recorded when received in cash, except when either material or available revenues should be accrued to properly reflect the revenues earned.

The receivables, liabilities, and accrued revenues and expenditures of the Fish and Game Commission at June 30, 1967, as shown in the accompanying financial statements, have been estimated by us based upon information available approximately one year later.

We did not review all of the Commission's financial transactions between June 30, 1967 and the date of the preparation of the financial statements to determine the fiscal year applicable for each such transaction, on a modified accrual basis, because to do so would have required an inordinate amount of time. Therefore, we are unable to express an opinion on the fairness of the accompanying financial statements of the Fish and Game Commission for the year ended June 30, 1967

We submit the financial statements listed in the preceding table of contents, together with the following comments.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert E. Bruce".

Robert E. Bruce, C.P.A.
Fiscal Analyst

September 12, 1968
Carson City, Nevada

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967

EXHIBIT A

	Funds				
	Total	Commission's Accounts	Fish and Game Reserve	Fish and Game	Bond and Refund
<u>ASSETS</u>					
Cash:					
On Hand	\$ 74,375.80	\$ 74,375.80	\$ ---	\$ ---	\$ ---
In Banks	52,685.89	52,685.89	---	---	---
In State Treasury	<u>22,926.41</u>	<u>---</u>	<u>---</u>	<u>22,796.41</u>	<u>130.00</u>
Total Cash	<u>\$ 149,988.10</u>	<u>\$ 127,061.69</u>	<u>\$ ---</u>	<u>\$ 22,796.41</u>	<u>\$130.00</u>
Accounts Receivable:					
Federal Aid	\$ 101,129.00	\$ 35,984.30	\$ ---	\$ 65,144.70	\$ ---
License Agents	29,512.92	29,512.92	---	---	---
Leases - Rents - Tests	3,635.45	3,635.45	---	---	---
Vehicle Sales	4,801.50	4,801.50	---	---	---
Boat - Motor Fuel	2,500.00	---	---	2,500.00	---
Fleischmann Fund Donation	1,000.00	---	---	1,000.00	---
Commission Accounts	34,000.00	---	---	34,000.00	---
Interest Receivable	<u>37,884.15</u>	<u>---</u>	<u>37,884.15</u>	<u>---</u>	<u>---</u>
Total Receivables	<u>\$ 214,463.02</u>	<u>\$ 73,934.17</u>	<u>\$37,884.15</u>	<u>\$102,644.70</u>	<u>\$ ---</u>
Investments:					
Time Certificates of Deposit	<u>\$1,168,915.81</u>	<u>\$1,140,000.00</u>	<u>\$28,915.81</u>	<u>\$ ---</u>	<u>\$ ---</u>
Fixed Assets:					
Land	\$ 1.00	\$ 1.00	\$ ---	\$ ---	\$ ---
Building	1.00	1.00	---	---	---
Equipment	<u>1.00</u>	<u>1.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Fixed Assets	<u>\$ 3.00</u>	<u>\$ 3.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total Assets	<u><u>\$1,533,369.93</u></u>	<u><u>\$1,340,998.86</u></u>	<u><u>\$66,799.96</u></u>	<u><u>\$125,441.11</u></u>	<u><u>\$130.00</u></u>
<u>LIABILITIES</u>					
Accounts Payable:					
Lists and Claims	\$ 104,455.69	\$ ---	\$ ---	\$104,455.69	\$ ---
Arizona Fish & Game	66,555.10	66,555.10	---	---	---
Fish and Game Fund	<u>34,000.00</u>	<u>34,000.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Accounts Payable	<u>\$ 205,010.79</u>	<u>\$ 100,555.10</u>	<u>\$ ---</u>	<u>\$104,455.69</u>	<u>\$ ---</u>

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967

EXHIBIT A
(Continued)

	<u>Total</u>	<u>Commission's Accounts</u>	<u>Fish and Game Reserve</u>	<u>Funds</u> <u>Fish and Game</u>	<u>Bond and Refund</u>
<u>LIABILITIES (Cont.)</u>					
Deferred Income:					
Arizona Receipts for 1966 Sales	\$ 40,125.80	\$ 40,125.80	\$ ---	\$ ---	\$ ---
1967-68 License Sales	<u>683.00</u>	<u>683.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Deferred Income	<u>\$ 40,808.80</u>	<u>\$ 40,808.80</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Reserves:					
Accounts Receivable	\$ 111,485.82	\$ 73,601.67	\$37,884.15	\$ ---	\$ ---
Fixed Assets	<u>3.00</u>	<u>3.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Reserves	<u>\$ 111,488.82</u>	<u>\$ 73,604.67</u>	<u>\$37,884.15</u>	<u>\$ ---</u>	<u>\$ ---</u>
Balances of Commission's Surplus Account and Funds Per Exhibit B	<u>\$1,176,061.52</u>	<u>\$1,126,030.29</u>	<u>\$28,915.81</u>	<u>\$ 20,985.42</u>	<u>\$130.00</u>
Total Liabilities	<u>\$1,533,369.93</u>	<u>\$1,340,998.86</u>	<u>\$66,799.96</u>	<u>\$125,441.11</u>	<u>\$130.00</u>

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF INCOME AND EXPENDITURES AND CHANGES IN
BALANCES OF COMMISSION'S SURPLUS ACCOUNT AND FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT B
Page 1 of 2

	Total	Commission's Surplus	Funds	
			Fish and Game Reserve	Fish and Game
INCOME:				
Sale of Licenses	\$1,034,081.72	\$1,027,640.72	\$ ---	\$ ---
Nevada Stamps Sold by Arizona	35,399.15	35,399.15	---	---
Miscellaneous Receipts	86,274.92	86,264.92	---	10.00
Federal Receipts:				
Bureau of Reclamation	315,542.71	---	---	315,542.71
Dingell-Johnson, Pittman- Robertson Acts	314,702.61	---	---	314,702.61
Fleischmann Fund Donation	6,000.00	---	---	6,000.00
Boat - Motor Fuel	30,000.00	---	---	30,000.00
Interest Income	34,994.89	---	34,994.89	---
Deposits for Specification	363.30	---	---	---
Total Receipts	\$1,857,359.30	\$1,149,304.79	\$ 34,994.89	\$ 666,255.32
EXPENDITURES: (See Schedule 1)				
Operating	\$1,334,547.68	\$ ---	\$ ---	\$ 1,334,547.68
Capital Improvements	105,637.97	---	---	105,637.97
Arizona Stamps Sold by Nevada	64,961.00	---	---	64,961.00
Transfers to Planning Board	630,531.16	---	---	630,531.16
Predatory Control	40,000.00	---	---	40,000.00
Refunds	30,198.80	---	---	---
Total Expenditures	\$2,205,876.61	\$ ---	\$ ---	\$ 2,175,677.81
EXCESS OR (DEFICIT) OF RECEIPTS OVER EXPENDITURES	\$ (348,517.31)	\$1,149,304.79	\$ 34,994.89	\$(1,509,422.49)
TRANSFERS (DEBIT) - CREDIT:				
Frenchy Lake	\$ ---	\$ ---	\$(12,100.00)	\$ 12,100.00
Daniels Ranch	---	---	(11,250.00)	11,250.00
Sunnyside	---	---	(27,000.00)	27,000.00
Las Vegas Office	---	---	(7,000.00)	7,000.00
Receipts to Be Refunded	---	(23,524.50)	---	---
Net Transfers	\$ ---	\$ (23,524.50)	\$(57,350.00)	\$ 57,350.00
NET CHANGE FOR YEAR	\$ (348,517.31)	\$1,125,780.29	\$(22,355.11)	\$(1,452,072.49)
BALANCE JULY 1, 1966	1,524,578.83	250.00	51,270.92	1,473,057.91
BALANCE JUNE 30, 1967	\$1,176,061.52	\$1,126,030.29	\$ 28,915.81	\$ 20,985.42

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF INCOME AND EXPENDITURES AND CHANGES IN
BALANCES OF COMMISSION'S SURPLUS ACCOUNT AND FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT B
Page 2 of 2

	Funds	
	Bond and Refund	Receipts and Refund
<u>INCOME:</u>		
Sale of Licenses	\$ ---	\$ 6,441.00
Nevada Stamps Sold by Arizona	---	---
Miscellaneous Receipts	---	---
Federal Receipts:		
Bureau of Reclamation	---	---
Dingell-Johnson, Pittman-Robertson Acts	---	---
Fleischmann Fund Donation	---	---
Boat - Motor Fuel	---	---
Interest Income	---	---
Deposits for Specification	<u>363.30</u>	<u>---</u>
Total Receipts	<u>\$363.30</u>	<u>\$ 6,441.00</u>
<u>EXPENDITURES:</u> (See Schedule 1)		
Operating	\$ ---	\$ ---
Capital Improvements	---	---
Arizona Stamps Sold by Nevada	---	---
Transfers to Planning Board	---	---
Predatory Control	---	---
Refunds	<u>233.30</u>	<u>29,965.50</u>
Total Expenditures	<u>\$233.30</u>	<u>\$ 29,965.50</u>
<u>EXCESS OR (DEFICIT) OF RECEIPTS OVER EXPENDITURES</u>	<u>\$130.00</u>	<u>\$(23,524.50)</u>
<u>TRANSFERS (DEBIT) - CREDIT:</u>		
Frenchy Lake	\$ ---	\$ ---
Daniels Ranch	---	---
Sunnyside	---	---
Las Vegas Office	---	---
Receipts to Be Refunded	<u>---</u>	<u>23,524.50</u>
Net Transfers	<u>\$ ---</u>	<u>\$ 23,524.50</u>
<u>NET CHANGE FOR YEAR</u>	<u>\$130.00</u>	<u>\$ ---</u>
<u>BALANCE JULY 1, 1966</u>	<u>---</u>	<u>---</u>
<u>BALANCE JUNE 30, 1967</u>	<u>\$130.00</u>	<u>\$ ---</u>

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF ADJUSTED BASIS FOR AUTHORIZATION
COMPARED WITH ACTUAL EXPENDITURES
FISH AND GAME FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1

<u>EXPENDITURES</u>	<u>Adjusted Basis for Authorization</u>	<u>Actual Expenditures</u>	<u>Over (Under) Authorization</u>
Operations:			
Payroll Costs:			
Salaries	\$ 771,699.00	\$ 747,234.37	\$ (24,464.63)
Industrial Insurance	6,049.00	5,227.65	(821.35)
Retirement	44,741.00	42,654.91	(2,086.09)
Personnel Assessment	5,200.00	4,949.78	(250.22)
Group Insurance	2,952.00	4,050.14	1,098.14
Total Payroll Costs	<u>\$ 830,641.00</u>	<u>\$ 804,116.85</u>	<u>\$ (26,524.15)</u>
Travel:			
Out-of-State	\$ 8,785.00	\$ 7,289.02	\$ (1,495.98)
In-State	117,000.00	97,890.35	(19,109.65)
Total Travel	<u>\$ 125,785.00</u>	<u>\$ 105,179.37</u>	<u>\$ (20,605.63)</u>
Operating:			
Office Supplies	\$ 8,170.00	\$ 7,870.33	\$ (299.67)
Postage and Freight	12,915.00	10,694.75	(2,220.25)
Telephone Rental	6,443.00	7,321.45	878.45
Telephone - Tolls/Telegraph	7,580.00	7,407.14	(172.86)
Printing - Annual Reports	925.00	1,173.40	248.40
Printing - Operational	21,405.00	22,938.21	1,533.21
Subscriptions and Reference			
Manuals	807.00	637.68	(169.32)
Dues and Registration	503.00	391.00	(112.00)
Bonds and Insurance Premiums	3,400.00	10,002.92	6,602.92
Contract Services	9,690.00	13,127.88	3,437.88
Attorney General Services	6,000.00	6,000.00	---
Office Equipment - Repair and			
Maintenance	1,425.00	1,938.80	513.80
Equipment Repair - Other	20,872.00	18,178.27	(2,693.73)
Equipment Rental	5,530.00	5,298.00	(232.00)
Building Space Rental	18,140.00	17,893.00	(247.00)
Heat	4,200.00	6,612.61	2,412.61
Power	18,595.00	17,576.72	(1,018.28)
Water	300.00	265.31	(34.69)
Other Utilities	50.00	348.00	298.00
Janitorial Supplies	920.00	238.63	(681.37)
Building Maintenance	6,315.00	2,959.34	(3,355.66)
Grounds Maintenance	5,951.00	3,534.92	(2,416.08)
Airplane Operation	5,800.00	8,078.85	2,278.85

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF ADJUSTED BASIS FOR AUTHORIZATION
COMPARED WITH ACTUAL EXPENDITURES
FISH AND GAME FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1
(Continued)

	Adjusted Basis for Authorization	Actual Expenditures	Over (Under) Authorization
Operating: (Continued)			
Uniform Allowance	4,150.00	2,637.47	(1,512.53)
Food - Fish and Game	52,785.00	46,859.08	(5,925.92)
Instructional Supplies	---	---	---
Improvements and Betterments	---	4,154.88	4,154.88
Advertising	650.00	767.00	117.00
Professional Services	---	81.00	81.00
Licenses and Fees	490.00	506.50	16.50
Taxes and Assessments	11,592.00	11,915.47	323.47
Radio Maintenance Supplies	3,500.00	3,428.92	(71.08)
Electronic Data Processing Expense	11,256.00	6,709.25	(4,546.75)
Prisoners' Stipends	430.00	181.00	(249.00)
Photos, Prints, and Maps	4,525.00	4,940.01	415.01
Laboratory or Technical Supplies	4,130.00	3,962.53	(167.47)
Special Services or Projects	37,545.00	30,594.45	(6,950.55)
Project Supplies	19,315.00	13,096.78	(6,218.22)
Public Information	750.00	---	(750.00)
Farming	5,800.00	5,063.44	(736.56)
Transfer - Fish and Wildlife Service	36,000.00	35,968.96	(31.04)
Other Governmental Divisions	4,000.00	710.69	(3,289.31)
Refunds	300.00	527.20	227.20
Contingency	41,900.00	---	(41,900.00)
Total Operating	<u>\$ 405,054.00</u>	<u>\$ 342,591.84</u>	<u>\$ (62,462.16)</u>
Equipment:			
Automobiles	\$ 2,700.00	\$ 2,733.88	\$ 33.88
Trucks	46,300.00	48,301.79	2,001.79
Office Furniture	3,100.00	---	(3,100.00)
Office Equipment	1,985.00	2,200.00	215.00
Other Furniture and Equipment	34,501.00	29,423.95	(5,077.05)
Total Equipment	<u>\$ 88,586.00</u>	<u>\$ 82,659.62</u>	<u>\$ (5,926.38)</u>
Total Operations Expenditures	<u>\$1,450,066.00</u>	<u>\$1,334,547.68</u>	<u>\$ (115,518.32)</u>

STATE OF NEVADA
FISH AND GAME COMMISSION
STATEMENT OF ADJUSTED BASIS FOR AUTHORIZATION
COMPARED WITH ACTUAL EXPENDITURES
FISH AND GAME FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1
(Continued)

	<u>Adjusted Basis for Authorization</u>	<u>Actual Expenditures</u>	<u>Over (Under) Authorization</u>
Capital Improvements:			
Improvements	\$ 226,378.00	\$ 15,609.47	\$(210,768.53)
Frenchy Lake Purchase	48,400.00	45,028.50	(3,371.50)
Daniels Ranch Purchase	<u>48,000.00</u>	<u>45,000.00</u>	<u>(3,000.00)</u>
Total Capital Improvements	<u>\$ 322,778.00</u>	<u>\$ 105,637.97</u>	<u>\$(217,140.03)</u>
Arizona Stamps Sold by Nevada	<u>\$ 65,002.00</u>	<u>\$ 64,961.00</u>	<u>\$ (41.00)</u>
Transfers:			
Planning Board:			
Ruby Hatchery	\$ 722,400.00	\$ 624,961.16	\$ (97,438.84)
Sunnyside Management	27,700.00	2,770.00	(24,930.00)
Fish and Game Office - Las Vegas	28,000.00	2,800.00	(25,200.00)
Fish and Game Office - Reno	53,700.00	---	(53,700.00)
Kingston Canyon Management	<u>38,500.00</u>	<u>---</u>	<u>(38,500.00)</u>
Total Transfers	<u>\$ 870,300.00</u>	<u>\$ 630,531.16</u>	<u>\$(239,768.84)</u>
Predatory Control	<u>\$ 40,000.00</u>	<u>\$ 40,000.00</u>	<u>\$ ---</u>
Total Expenditures	<u><u>\$2,748,146.00</u></u>	<u><u>\$2,175,677.81</u></u>	<u><u>\$(572,468.19)</u></u>

STATE OF NEVADA
FISH AND GAME COMMISSION
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

GENERAL

The present Fish and Game Commission was created by Chapter 101, Statutes of Nevada, 1947. There are 17 commissioners - one elected from each county in the State. The commission has a variety of responsibilities in the fish and game area. In 1965 the commission was assigned the responsibility of the Nevada Boat Act.

The commission's financial transactions are accounted for in a variety of records. In addition to its own books, it is responsible for the four funds listed below:

Fish and Game Reserve Fund, in which is accounted the interest earned on the investment of certain receipts.

Fish and Game Fund, in which all of the operating transactions are accounted for.

Bond and Refund Fund, in which deposits for contract specifications are held in trust.

Receipts and Refund Fund, in which receipts from special hunt drawings are accounted.

ACCOUNTING RECORDS

The accounting records of the Fish and Game Commission for the 1966-67 fiscal year were extremely poor. However, during the 1967-68 fiscal year, the records were improved considerably. A general ledger on a double-entry system was established, along with several important subsidiary registers.

We reviewed these recently-established records during the course of our audit. As a result of that review, we recommend the following modifications to the existing records, along with some additional subsidiary registers.

The most important part of our recommendation is the establishment of accounts for receivables and payables. This will enable the accounting records to reflect the financial operations of the Fish and Game Commission on a modified accrual basis.

GENERAL LEDGER

1. Additional Accounts to Be Created:

- Accounts Receivable - Federal
- Advances to Planning Board
- Investment in Land
- Investment in Buildings
- Accounts Payable
- Claims Filed
- Reserve for Investment in Fixed Assets
- Reserve for Advances to Planning Board
- Expenditures
- Prior Year's Adjustments

2. Accounts to Be Eliminated:

Expense Accounts which are part of the Expenditure Register.

3. An adjusting entry transferring the amount of the Investment in Land account out of the Surplus account into the proposed Reserve for Investment in Fixed Assets account should be made.

4. There are receivable accounts already in the general ledger, but additional accounts should be established to properly categorize all receivables. The main receivable account to be established is the one for federal funds.

5. Presently, when amounts are transferred to the Planning Board, an expenditure account is debited and the Fund in Treasury account is credited. We believe that at the same time two balance sheet accounts should be posted with the amount transferred - Advances to Planning Board and Reserve for Advances to Planning Board. When the project is completed, sometimes two or three years after it is started, a reversing entry will be made for the amounts originally transferred on the project. The difference between the amount transferred and the actual cost can be treated either as an abatement or as a miscellaneous receipt.

6. The Accounts Payable account will generally be used only at the end of the year.

7. Expenditures which are paid during one fiscal year but which are actually charges against a different fiscal year should be recorded in the proposed Prior Year's Adjustment account. A comparable situation regarding income would also be reflected in this account.

SUBSIDIARY RECORDS

1. Additional Subsidiary Records:

Claims Filed Register

A claims filed register should be established in which are recorded the claims and lists as they are submitted for payment and the resulting notice of payment. The general ledger accounts would be posted monthly.

Claims Filed Cr	Expenditures Dr	Date	Document Identification	Claims Filed Dr	Fund in Treasury Cr
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

2. Modification of Subsidiary Records:

a. Accounts Receivable Register

The existing accounts receivable register should be expanded so that the general ledger receivable account and related income account can be posted from the accounts receivable register for each type of major receivable.

Date	Document Identification	Description	Amount	Sales Miscellaneous Dr A/C 104 Cr A/C 262	Federal Aid Pr & Dj Dr A/C Cr A/C 182	As Needed	Other Amount A/C
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

b. Expenditure Register

The expenditure register, which is posted in the bookkeeping machine, should be modified as follows:

1. A control card should be established and posted accordingly. This control card should at the end of the month be in agreement with the amount in the proposed expenditures account in the general ledger.
2. Each claim and list should be posted individually to the proposed control card, the category control cards, and the line-item cards.

RECOMMENDATION

We recommend that the Fish and Game Commission make the above-described changes in its account records.

OPERATIONS

The Fish and Game Commission's operations are financed from a variety of sources. Operating expenses are financed primarily from the sale of hunting, fishing, and boat license sales. Capital construction projects are financed from 50 percent to 75 percent by the Federal Government. Income from leased land, distribution of boat fuel taxes, sales of publications, etc., account for other minor and miscellaneous receipts.

BUDGET

The following authorizations comprised the budget for the year ended June 30, 1967, as shown in Schedule 1:

Chapter 488, 1965 Statutes	\$1,636,003
Chapter 12, 1965 Statutes (Ruby Hatchery)	668,000
Chapter 519, 1965 Statutes, Section 14 - Various Projects	202,300
Augmentations:	
Federal Government	200,040
Fish and Game Reserve Fund	24,100
License Sales	<u>17,703</u>
Total Authorized	<u>\$2,748,146</u>

EXPENDITURES

The expenditures of the Fish and Game Fund as shown in detail in Schedule 1 are summarized and compared to the previous fiscal year as follows:

	Fiscal Year		1966-67 Over 1965-66 Increase (Decrease)
	1965-66	1966-67	
Operations:			
Salaries and Wages	\$ 809,972	\$ 804,117	\$ (5,855)
Out-of-State Travel	8,045	7,289	(756)
In-State Travel	107,518	97,890	(9,628)
Operating	346,928	342,592	(4,336)
Equipment	81,567	82,660	1,093
Total Operations	<u>\$1,354,030</u>	<u>\$1,334,548</u>	<u>\$ (19,482)</u>
Construction:			
Eagle Valley Dam	\$ 57,947	\$ ---	
Ruby Hatchery	50,000	624,961	
Sunnyside Headquarters	8,807	2,770	
Frenchy Lake	---	45,029	
Daniels Ranch	---	45,000	
Fish and Game Office - Las Vegas	---	2,800	
Improvements	---	15,609	
Total Construction	<u>\$ 116,754</u>	<u>\$ 736,169</u>	<u>\$619,415</u>
Other:			
Predatory Animal Control	\$ 40,000	\$ 40,000	
Arizona Stamps Sold by Nevada	53,001	64,961	
Total Other	<u>\$ 93,001</u>	<u>\$ 104,961</u>	<u>\$ 11,960</u>
Total Expenditures	<u>\$1,563,785</u>	<u>\$2,175,678</u>	<u>\$611,893</u>

Refunds on License Agents' Bonds

Pursuant to N.R.S. 502.040, license agents are required to provide a faithful performance bond. The cost of these bonds is paid from the Fish and Game Fund.

All of the license agents are covered under one bond. New agents appointed during the year were properly reported to the bonding company. However, the bonding company was not notified when license agents terminated their services.

A premium credit or refund is available if the bonding company is notified of a termination.

RECOMMENDATION

We recommend that when a license agent terminates his service, a notice of this termination and a request for a refund be immediately submitted to the bonding company.

Expenses Charged to Wrong Fiscal Year

Because expenditures are not recorded at the time liabilities are incurred, we noted instances of expenses being charged to the wrong fiscal year. For example, our tests revealed that 1966-67 claims and lists included expenses applicable to the 1965-66 and 1967-68 fiscal years; the amounts were small, being \$228.90 and \$212.33, respectively. We also noted that expenses applicable to the 1966-67 fiscal year were included on 1967-68 fiscal year claims and lists. Here again, the amount was not material, but expenses applicable to a particular fiscal year should be reported as part of that fiscal year's activity, even though they were paid in another fiscal year.

RECOMMENDATION

We recommend that the accounting records of the Fish and Game Commission reflect the operating expenses of a given fiscal year in the fiscal year in which the liabilities are incurred and not when the expenses are paid.

INCOME

Bids for Interest Rates on Investments

The commission invests certain monies collected during a fiscal year. During the fiscal year 1966-67, the commission invested approximately \$1,140,000. All of this money was invested by purchasing time certificates of deposit from banks which were asked to submit bids regarding the interest rate offered.

The commission did not request such bids from the savings associations in Nevada.

RECOMMENDATION

We recommend that bids for payment of interest on deposits be requested from banks and savings associations in the State of Nevada, in order to obtain the highest rate of interest on the monies invested.

Transfer from Invested Funds to the Fish and Game Fund for Operations

Certain receipts collected during the fiscal year are invested by the commission when received. At the beginning of the next fiscal year, a lump-sum transfer is made from the commission's invested funds into the Fish and Game Fund maintained by the State Controller, pursuant to N.R.S. 501.255.

If the invested funds were transferred periodically during the fiscal year on an "as needed" basis instead of being transferred in a lump-sum at the beginning of the fiscal year, additional interest income could be earned.

We have determined that if the above-described method had been in force during the year of audit, an additional \$17,000 in interest from investments in time certificates of deposit, or \$20,000 to \$24,000 from investments with savings associations, could have been earned.

RECOMMENDATION

We recommend that N.R.S. 501.255 be amended to provide that transfers to the Fish and Game Fund account maintained by the State Controller shall be on an "as needed" basis instead of on an annual basis.

Federal Funds - Reimbursement for Overhead Charged to Federal Projects

In order to obtain federal matching funds under the terms of the Pittman-Robertson Act and the Dingell-Johnson Act, the commission provides all of the funds expended on projects which have had prior federal approval. After the project has been completed, the commission is reimbursed by the Federal Government for 75 percent of the total cost.

One of the approved federal projects under both acts is called the Coordination Project, which consists of the overhead costs involved in administering the other federal-aid projects.

It is our opinion that additional expenses for supervisory personnel and operating costs could be properly charged as overhead to the Coordination Project.

RECOMMENDATION

We recommend that the maximum amount of properly prorated expenses for supervisory personnel and operating costs be charged to the Coordination Project.

Deposit of Receipts

A check in the amount of \$40,125.80 was received by the commission on June 21, 1967. This check was held by the commission until after the end of the fiscal year and deposited in July, 1967. As a result of this action, the money was invested and was not available for spending until July, 1968.

Receipts from the sale of licenses in June, 1967 in the amount of \$683 were not transferred to the Fish and Game Fund at June 30, 1967.

RECOMMENDATION

We recommend that all receipts be deposited in the proper bank account or Fish and Game Fund with the State Treasurer at the time the money is received.

ADMINISTRATIVE PROCEDURES ACT

The commission is not consistent in filing all of its orders and regulations in accordance with the Administrative Procedures Act, N.R.S. 233. Many of its orders and regulations, when filed in accordance with provisions of N.R.S. 501, are supposed to become effective immediately upon publication. In order for such regulations to be effective under the provisions of the Administrative Procedures Act, they would either have to be filed with the Secretary of State 30 days prior or bear the approval of the Governor.

RECOMMENDATION

We recommend that the Fish and Game Commission file its orders and regulations in accordance with the provisions of the Administrative Procedures Act, N.R.S. 233, and pursuant to the provisions contained in its governing statutes.

NEVADA BOAT ACT

In 1965, the Fifty-third Session of the Legislature transferred the administration and enforcement of the Nevada Boat Act to the Fish and Game Commission under the provisions of Senate Bill 269. We have reviewed the operations of the commission with respect to the Nevada Boat Act, and our findings are as follows:

Accounting for Income and Expenditures

Subsection 3 of N.R.S. 501.255 states in part: "...The fish and game fund shall be used for and be subject to:(f) The payment of the expenses incurred in the administration and enforcement of the provisions of chapter 488 of NRS (Nevada Boat Act), but total expenditures from the fish and game fund for this purpose shall not exceed the total sums received by the commission pursuant to the provisions of NRS 365.535 and 488.075."

The commission does properly account for the expenditures of enforcement and administration of the Nevada Boat Act separately from the other fish and game expenditures as required by N.R.S. 501.255. A comparison of income with the expenditures which would indicate that the expenditures do not exceed the allotted income is not being prepared.

RECOMMENDATION

We recommend that the commission maintain a comparison of income with the expenditures regarding the Nevada Boat Act and that this comparison be incorporated in the monthly reports.

Receipts and Expenditures for the Nevada Boat Act

We have prepared the following analysis which reflects the actual receipts and expenditures regarding the Nevada Boat Act for the first two fiscal years as indicated:

	<u>Fiscal Year Ended</u>		<u>Combined</u>
	<u>June 30, 1966</u>	<u>June 30, 1967</u>	<u>Totals</u>
<u>FUNDS AVAILABLE</u>			
<u>Receipts:</u>			
Registration and			
Transfer Fees	\$30,559.10	\$32,249.50	\$ 62,808.60
Boat Fuel Tax	<u>30,000.00</u>	<u>30,000.00</u>	<u>60,000.00</u>
Total Funds Available	\$60,559.10	\$62,249.50	\$122,808.60
 <u>FUNDS EXPENDED</u>	 <u>30,651.52</u>	 <u>64,875.25</u>	 <u>95,526.77</u>
 <u>EXCESS (DEFICIT) OF RECEIPTS</u>			
<u>OVER EXPENDITURES</u>	<u>\$29,907.58</u>	<u>\$(2,625.75)</u>	<u>\$ 27,281.83</u>

N.R.S. 501.255(2) requires the commission to deposit at interest in a bank or savings association the money received from registration and transfer fees and boat fuel tax. The principal so deposited shall be transferred annually to the fish and game fund between June 1 and June 30, for the use of the commission during the next succeeding fiscal year. This statute would appear to prevent the commission from spending money received during a current fiscal year in that same fiscal year.

This interpretation, however, would conflict directly with N.R.S. 501.243, which provides in part "On and after July 1, 1965, the commission shall execute, administer and enforce and perform the functions and duties provided in Chapter 488 of NRS (Nevada Boat Act)."

N.R.S. 501.255(3)(f) limits the total expenditures from the fish and game fund incurred for the purpose of administration and enforcement of the Nevada Boat Act to the total sums received by the commission for registration and transfer fees and boat fuel tax. This limitation, however, is not expressed in terms of individual fiscal years.

The Legislative Counsel has stated in an opinion prepared for us that the commission acted correctly when it disbursed money received during a fiscal year in the same fiscal year.

RECOMMENDATION

We recommend that:

1. N.R.S. 501.255 be amended to remove the internal conflict.
2. The Legislature clearly express its intent as to whether the limitation of N.R.S. 501.255(3)(f) is to be applied separately for each fiscal year or cumulatively.

Agents' Commission Fees

Agents who issue temporary registrations for motor boats are allowed the same commission fee as when they sell hunting and fishing licenses. The NRS does not provide for such a commission fee.

RECOMMENDATION

We recommend that N.R.S. 488.115 be amended to allow for such payments to be made.

FIXED ASSETS

The carrying values for the commission's land and buildings have not been developed and are not reflected in the commission's general ledger. Representatives of the commission informed us that they are currently trying to develop the historical cost of the land.

RECOMMENDATION

We recommend that the commission develop the carrying values of the land and buildings and record those values in the proposed general ledger accounts.

DISPOSITION OF RECOMMENDATIONS AND SUGGESTED
LEGISLATION OUTLINED IN PREVIOUS AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1964

<u>Audit Item No.</u>	<u>Administrative Recommendations</u>	<u>No Action</u>	<u>Partially Implemented</u>	<u>Fully Implemented</u>
1.(a)	Deposit of Drawing Application Receipts			X
(b)	Use Prenumbered Commercial License			X
(c)	Establish an Accounts Receivable Ledger		X	
(d)	Reconcile Sales Made by License Office		X	
2.	Machine Post All Accounting Records		X	
3.	Commission Meetings be Held in Reno			X
4.	Consistent Account Coding			X
5.	Reports of Damage by Game Animals			X
6.(b)	Deposit in Federal Savings Associations	(R) X		
7.	Reserve Fund General Ledger			X
10.	Limited Use of Petty Cash Fund		X	
12.	Live Bait License			X
16.	In-Lieu Taxes - Tickler File		X	
17.	Property Holdings - File with Land Registrar - Agreements Approved by Attorney General			X X X
18.	Individual Travel Claim Folders			X
20.	Payment from Proper Fiscal Year			X
20.	Part-time Employees Earn Annual & Sick Leave			X
	Time Clerk Indicate on NPD 21 Amount of Hours Earned			X
	New Employees Annual & Sick Leave Earned Postings			X X
22.	Possible N.I.C. Claim			X
	Changes to Filing System		X	
<u>Legislative Recommendations</u>				
11.	Amend NRS 503.200 - Sale of Legbands		X	
13.	Amend NRS 503.590 - Animal, Bird & Reptile Permits			X
	TOTALS	<u>1</u>	<u>7</u>	<u>16</u>

(R) Recommendation repeated in current audit report.

Note: At a meeting held October 15, 1968, between the Director of the Fish and Game Commission and the Fiscal Analyst, agreement was reached on implementation of most of the foregoing recommendations. The Director's comments and exceptions are attached to this report.

STATE OF NEVADA
FISH AND GAME COMMISSION

FRANK W. GROVES, DIRECTOR

1100 VALLEY ROAD, RENO, NEVADA • TELEPHONE 784-6214

MAIL: P.O. BOX 10678, RENO, NEVADA 89510

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IN REPLY REFER TO:

October 28, 1968

Legislative Council Bureau
Carson City, Nevada 89701

Attention: Mr. Robert Bruce, CPA

Dear Sirs:

The representatives of the Legislative Council Bureau, Mr. Bob Bruce and Mr. John Crosley, met with the Director and staff of the Fish and Game Commission on Tuesday, October 15th, and presented the audit report for the fiscal year ended June 30, 1967. The following comments are presented concerning each recommendation made by the auditors:

(1) Accounting Records:

The report recommended that ten additional accounts be created and that the expense account be eliminated from the record and that a Claims File Register and an Accounts Receivable Register should be maintained and that the Expenditures Register be modified to include a control card in addition to the present cards maintained. These recommendations, wherever possible, will be included in the current year's records and where not possible this year, in the records for the future year commencing July 1, 1969.

(2) Refunds on License Agents Bonds:

These refunds are now being obtained as a matter of routine and terminated agents are reported to the bonding company.

(3) Expenses Charged to Wrong Fiscal Year:

Certain minor operating expenses such as gasoline purchased on credit cards, for example, have not been charged in the fiscal year in which the expenses occurred. This is a most difficult problem to correct since the bills are received after the close of the fiscal year's business by the Controller's Office. The net effect is about the same each year and, therefore, the expenses are not badly

Conservation Is Everybody's Job

distorted but since a bill received in September cannot be charged to the last fiscal year's monies by the Controller, the problem can only be solved by having the Controller and the Budget Office recognize an account's payable amount for several months after the close of the fiscal year. We will endeavor to correct the situation if possible.

(4) Income:

The recommendation is that we seek bids from banks and savings associations in order to obtain the highest rate of interest on invested funds. We are presently getting 5½% on increments over \$100,000 invested for more than 180 days and 5% for increments less than \$100,000 for the same period. Our monies are banked in the same bank from which we buy time certificates and a checking account is maintained for daily deposits. In the past, the Board of Examiners were reluctant to permit investments in savings and loan associations but we will endeavor to see if the associations can comply with the law which requires a deposit in a third bank of 110% in securities to protect our investment.

(5) Transfer of Invested Funds for Operations:

This would require a change of law by the Legislature and we have been informed the Council Bureau will recommend such a change.

(6) Federal Funds - Reimbursements for Overhead:

This item has been corrected in the current fiscal year and we are charging as much overhead to the Federal Aid Projects as the Federal Government will permit. Our main problem with the Federal funds is lack of state matching money.

(7) Deposit of Receipts:

The \$ 40,125 check received from Arizona was held for nine days in order that two deposits from Arizona would not be deposited in the same year. If they are deposited twice in the same year, (they are usually received in August or September) then two year's operating funds would be distorted by this amount. We believe that this is the only time Arizona has made this payment as early as June. In the current year, it was received in September.

(8) Administrative Procedures Act:

We have requested a revision to the Fish and Game code which will eliminate the conflicts which exist between the code and the Procedures Act. We have considered that the Procedures Act supercedes N.R.S. 501 in the adoption of regulations and we are complying with the Administrative Procedures Act.

(9) Nevada Boating Act:

We acknowledge the apparent discrepancy in the Boating Act concerning financing of boating operations in N.R.S. 501.225. The recommendation indicates that the section will be amended if the Legislature concurs and we assume the Council Bureau will initiate the necessary legislation.

(10) Agents Commission Fees:

We understand that the Legislative Council Bureau will request an amendment to N.R.S. 488.155 to authorize a commission to agents selling temporary boat registrations. We have considered them to be the same as any other licenses or permit issued by the Commission through their agents and we have paid a 10¢ fee for each temporary registration issued.

(11) Fixed Assets:

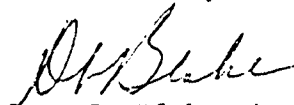
We are completing an inventory of our fixed assets such as land, buildings and permanent fixtures and we will record their acquisition value in our records prior to the end of this fiscal year.

The Nevada Fish and Game Commission appreciates the spirit and cooperation in which this audit of our activities was completed. We are all interested in improving the efficiency of our operations and your comments and suggestions are appreciated.

Sincerely,

FRANK W. GROVES, DIRECTOR

By



Dean L. Blake, Acting

DLB:rd

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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Statement of Cash Receipts and Expenditures and Changes in Funds' Balances for the Fiscal Year Ended June 30, 1967.....	B 5.7
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SUMMARY OF RECOMMENDATIONS

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Adhere to attendance and leave regulations contained in State Administrative Manual.....	5.12
Establish and maintain detail inventory records on equipment and furniture.....	5.12
Report and withdraw certification of provisional appointees who have served more than six months.....	5.13
Report cases of suspension of competition in biennial report.....	5.14

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Personnel Division of the Department of Administration for the fiscal year ended June 30, 1967, and have prepared therefrom the following exhibits and schedule:

Statement of Financial Condition..... Exhibit A

Statement of Cash Receipts and Expenditures
and Changes in Funds' Balances for the
Fiscal Year Ended June 30, 1967..... Exhibit B

Personnel Operating Fund Account, Statement
of Adjusted Basis for Authorization
Compared with Actual Expenditures for
the Fiscal Year Ended June 30, 1967.....Schedule 1

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Denial of Opinion

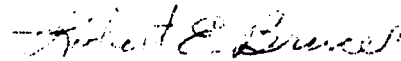
The State's accounting system is not in accordance with generally accepted accounting principles, which for Intragovernmental Service Funds is the use of the accrual basis of accounting. Under the accrual basis, revenues are recorded in the accounts at the time they are earned, and expenditures are recorded when the liability for them is initially incurred.

The receivables, liabilities, accrued revenues, and expenditures of the Personnel Division at June 30, 1967, as shown in the accompanying financial statements, have been estimated by us based on information available approximately one year later.

Because the accounting system is not in accordance with generally accepted accounting principles, and because it would have required an inordinate amount of time for us to review all of the division's financial transactions between June 30, 1967 and the date of the preparation of the financial statements to determine the fiscal year applicable for each such transaction, we are unable to express an opinion on the fairness of the accompanying financial statements of the Personnel Division of the Department of Administration for the year ended June 30, 1967.

We submit the financial statements listed in the preceding table of contents, together with the following comments.

Respectfully submitted,



Robert E. Bruce, C.P.A.
Fiscal Analyst

October 14, 1968
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967

EXHIBIT A

		<u>Fund Accounts</u>	
		<u>Personnel</u>	<u>Personnel</u>
		<u>Operating</u>	<u>Receipts</u>
<u>ASSETS</u>	<u>Total</u>		
<u>Cash</u>			
In State Treasury	\$16,888.86	\$15,904.16	\$984.70
<u>Accounts Receivable</u>			
Governmental Agencies:			
Personnel Assessments	2,760.63	2,760.63	---
Reproduction Services	401.42	401.42	---
Personnel Receipts Fund Account	246.40	246.40	---
<u>Equipment and Furniture</u>	1.00	1.00	---
Total Assets	<u>\$20,298.31</u>	<u>\$19,313.61</u>	<u>\$984.70</u>
<u>LIABILITIES</u>			
<u>Accounts Payable</u>			
Operating Expenses	\$16,077.16	\$16,077.16	\$ ---
State Agencies - Personnel Assessment	3,216.57	3,216.57	---
Personnel Operating Fund Account	246.40	---	246.40
<u>Reserve for Investment in Equipment and Furniture</u>	1.00	1.00	---
<u>Fund Balances, Per Exhibit B</u>	757.18	18.88	738.30
Total Liabilities	<u>\$20,298.31</u>	<u>\$19,313.61</u>	<u>\$984.70</u>

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
AND CHANGES IN FUNDS' BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

EXHIBIT B

		<u>Fund Accounts</u>	
	<u>Total</u>	<u>Personnel Operating</u>	<u>Personnel Receipts</u>
<u>RECEIPTS:</u>			
Personnel Assessments	\$214,820.27	\$214,820.27	\$ ---
Nevada Industrial Commission Rebate	159.44	159.44	---
Maintenance Responsibility Fees	637.50	---	637.50
Total Receipts	<u>\$215,617.21</u>	<u>\$214,979.71</u>	<u>\$ 637.50</u>
<u>EXPENDITURES:</u>			
Personnel Operating Fund - Schedule 1	\$211,990.66	\$211,990.66	\$ ---
Refund of Excess Personnel Assessments	3,216.57	3,216.57	---
Total Expenditures	<u>\$215,207.23</u>	<u>\$215,207.23</u>	<u>\$ ---</u>
<u>EXCESS OF RECEIPTS OVER EXPENDITURES</u>	\$ 409.98	\$ (227.52)	\$ 637.50
<u>INTER-FUND TRANSFERS</u>	---	246.40	(246.40)
<u>INCREASE IN FUNDS' BALANCES DURING YEAR</u>	\$ 409.98	\$ 18.88	\$ 391.10
<u>FUNDS' BALANCES, JULY 1, 1966</u>	347.20	---	347.20
<u>FUNDS' BALANCES, JULY 1, 1967</u>	<u>\$ 757.18</u>	<u>\$ 18.88</u>	<u>\$ 738.30</u>

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION
PERSONNEL OPERATING FUND ACCOUNT
STATEMENT OF ADJUSTED BASIS FOR AUTHORIZATION
COMPARED WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1967

SCHEDULE 1

	Adjusted Basis for Authorization	Actual Expenditures	Over or (Under) Basis
<u>PAYROLL COSTS:</u>			
Salaries	\$160,747.00	\$160,089.73	\$ (657.27)
Industrial Insurance	1,012.00	757.85	(254.15)
Retirement	9,618.00	8,853.60	(764.40)
Group Insurance	1,140.00	744.30	(395.70)
Total Payroll Costs	<u>\$172,517.00</u>	<u>\$170,445.48</u>	<u>\$(2,071.52)</u>
<u>TRAVEL:</u>			
Out-of-State	\$ 550.00	\$ 498.32	\$ (51.68)
In-State	4,600.00	4,545.34	(54.66)
Total Travel	<u>\$ 5,150.00</u>	<u>\$ 5,043.66</u>	<u>\$ (106.34)</u>
<u>OPERATING:</u>			
Office Supplies	\$ 2,420.00	\$ 4,831.54	\$ 2,411.54
Postage and Freight	2,904.00	2,561.90	(342.10)
Communications	5,808.00	6,229.73	421.73
Printing - Operational	5,560.00	4,660.43	(899.57)
Subscriptions and Reference Manuals	300.00	802.83	502.83
Dues and Registrations	360.00	375.00	15.00
Bond and Insurance Premiums	75.00	175.54	100.54
Contract Services	2,000.00	250.00	(1,750.00)
Office Equipment Repairs	355.00	615.75	260.75
Equipment Rental	2,420.00	3,294.16	874.16
Advertising	8,800.00	6,009.38	(2,790.62)
Proctor Fees	---	810.77	810.77
Special Reports	3,229.00	2,834.13	(394.87)
Special Services	825.00	244.65	(580.35)
Building Maintenance	---	243.41	243.41
Transfer to Office Equipment	(739.41)	---	739.41
Total Operating	<u>\$ 34,316.59</u>	<u>\$ 33,939.22</u>	<u>\$ (377.37)</u>
<u>EQUIPMENT:</u>			
Office Furniture	\$ 486.00	\$ 330.63	\$ (155.37)
Office Equipment	1,159.41	1,264.77	105.36
Other Furniture and Equipment	---	10.90	10.90
Total Equipment	<u>\$ 1,645.41</u>	<u>\$ 1,606.30</u>	<u>\$ (39.11)</u>
<u>RECRUITMENT:</u>			
Travel	\$ 1,000.00	\$ 956.00	\$ (44.00)
Total Expenditures	<u>\$214,629.00</u>	<u>\$211,990.66</u>	<u>\$(2,638.34)</u>

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
PERSONNEL DIVISION
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1967

GENERAL

The State personnel system was established by Chapter 351, Statutes of Nevada, 1953. The purposes of the system, as defined in N.R.S. 284.010, are as follows:

- " . . . 1. To provide all citizens a fair and equal opportunity for public service;
2. To establish conditions of service which will attract officers and employees of character and ability;
3. To establish uniform job and salary classifications; and
4. To increase the efficiency and economy of the agencies in the executive department of the State government by the improvement of methods of personnel administration. . . ."

The Personnel Division of the Department of Administration is the governmental unit in which the above-stated purposes are carried out.

Chapter 351 also created an Advisory Personnel Commission, which supervises the activities of the Personnel Division. The commission consists of five members who are appointed by the Governor. The Chief of the Personnel Division is the secretary for the Advisory Personnel Commission.

The number of employees in the Executive Branch of State Government at December 31, 1967, as shown by the records maintained by the division, was as follows:

	<u>Number</u>
Classified	4,599
Unclassified	<u>225</u>
Total	<u><u>4,824</u></u>

ACCOUNTING RECORDS

The Personnel Division's accounting records are maintained by the Administrative Accounting Unit of the Department of Administration. This accounting unit maintains the accounting records for all of the Department of Administration's divisions. Because this audit encompassed only the Personnel Division's operations, we are deferring any recommendations concerning its accounting records until such time as we make a comprehensive review of the operations of the Administrative Accounting Unit of the Department of Administration.

OPERATIONS

The cost of administrating the Personnel system is borne by assessments of the State agencies. At the beginning of each fiscal year, each agency is assessed an amount for each one of its classified employees. For the 1966-67 fiscal year, this amount was \$50. At the end of the fiscal year, the difference between the assessment and the operating costs is refunded to the agencies.

These assessments and the operating expenditures of the Personnel Division are accounted for in the Personnel Operating Fund Account.

BUDGET

The following authorization comprised the support budget for the year ended June 30, 1967, as shown in Schedule 1:

Chapter 488, 1965 Statutes	
Department of Administration	
Personnel Division	<u>\$214,629</u>

Executive changes which did not require additional funds were made during the year by transfers between categories.

EXPENDITURES

The expenditures of the Personnel Operating Fund Account are shown in detail in Schedule 1 and are summarized and compared to the previous fiscal year as follows:

<u>Category</u>	<u>Fiscal Year</u>		<u>1966-67 over 1965-66 Increase (Decrease) Amount</u>
	<u>1965-66</u>	<u>1966-67</u>	
Salary Costs	\$153,494	\$170,446	\$16,952
Out-of-State Travel	658	498	(160)
In-State Travel	2,990	4,545	1,555
Operating	28,514	33,939	5,425
Equipment	4,934	1,606	(3,328)
Recruitment Travel	462	956	494
Total	<u>\$191,052</u>	<u>\$211,990</u>	<u>\$20,938</u>

ATTENDANCE AND LEAVE RECORDS

We reviewed the attendance and leave records of the employees of the Personnel Division and observed the following:

1. The accrued annual leave time records of 13 employees were incorrect arithmetically.
2. Four employees were permitted to accumulate more than 90 days of sick leave.
3. Three employees were allowed to carry overtime earned prior to the last three months of a calendar year into the next calendar year.

RECOMMENDATION

We recommend that the attendance and leave regulations be administered pursuant to the State Administrative Manual.

EQUIPMENT AND FURNITURE

The Personnel Division does not maintain detail records of the equipment and furniture. Much of the equipment does not contain property identification numbers as assigned by the Purchasing Division.

RECOMMENDATION

We recommend that the Division establish and maintain on a current basis inventory records for all of its equipment and furniture.

The inventory records should include the following information:

1. Acquisition cost or value
2. Date of acquisition
3. Description of property
4. Property identification number - manufacturer's and State's
5. Location of property
6. Person responsible or otherwise accountable
7. Disposal of property

PROVISIONAL APPOINTMENTS

N.R.S. 284.310(2) provides that no person shall receive more than one provisional appointment or serve more than six months in any twelve-month period as a provisional appointee.

We observed many instances where provisional appointees were allowed to serve for a period in excess of six months within the same twelve-month period.

On May 1, 1968, there were 52 persons holding provisional appointments. Nineteen of the 52 persons had served in excess of six months.

In another example, a person served as a provisional appointee for almost two years before gaining a permanent employee status.

RECOMMENDATION

We recommend that the Personnel Division advise the appointing authorities that provisional appointees cannot be employed in excess of a six-month period and that the certification of such employees will be withdrawn at the end of this period.

TURNOVER STATISTICS

Our examination included an analysis of the classified state employee turnover percentages as reported in the Personnel Division's biennial reports. Submitted herewith are the turnover percentages as determined by the auditors:

<u>Fiscal Year Ended</u>	<u>Turnover Percentage</u>	
	<u>Per Biennial Report</u>	<u>Per Audit</u>
June 30, 1964	36%	30%
June 30, 1965	25%	19%
June 30, 1966	29%	25%
June 30, 1967	22%	22%

SUSPENSION OF REQUIREMENTS OF COMPETITION

N.R.S. 284.320(1) permits the Personnel Division to suspend the requirements of competition in case of a vacancy in a position where peculiar and exceptional qualifications of a scientific, professional, or expert character are required. Subsection 2 requires all such cases of suspension and the justifying circumstances shall be reported in the biennial report of the Personnel Division with the reasons for the same.

The division has suspended the requirements of competition under the statute of vacancies occurring in the positions of senior psychiatrist, senior physician, and physician. These suspensions were not reported separately in the division's biennial report to the Director of Administration.

RECOMMENDATION

We recommend that all cases of suspension of competition be included in Personnel Division's biennial report, as provided by N.R.S. 284.320(2).

Note: At a meeting held October 25, 1968, between the Fiscal Analyst and the Administrator of the Personnel Division, agreement was reached on implementation of most of the foregoing recommendations. The Administrator's comments and exceptions are attached to this report.



NEVADA

STATE PERSONNEL DIVISION

PAUL LAXALT
GOVERNOR

HOWARD E. BARRETT
DIRECTOR OF ADMINISTRATION

PERSONNEL ADVISORY
COMMISSION

WALTER D. JOHNSON
CHAIRMAN

ORAN K. GRAGSON

ROBERT T. McADAM

MRS. HANNAH PALLUDAN

ORVILLE R. WILSON

MES F. WITTENBERG
PERSONNEL ADMINISTRATOR

CARSON CITY

November 14, 1968

Mr. Robert E. Bruce
Fiscal Analyst
Fiscal and Auditing Division
Legislative Counsel Bureau
Carson City, Nevada

Dear Mr. Bruce:

This is in response to the audit report of the Personnel Division for the fiscal year ending June 30, 1967.

Persuant to NRS 218.810 (3) we are submitting a written statement of explanation regarding your audit report.

We intend to comply with your recommendations regarding maintenance of attendance and leave records, and have taken steps so that such oversights will not occur in the future.

In reviewing our records, we find that no misuse of sick leave or overtime occurred.

We intend to comply with your recommendations regarding establishment and maintenance of inventory records for all equipment and furniture.

A number of provisional appointments have exceeded a six months period of time for a number of reasons. Provisional appointments during the past several years have been maintained at or less than 1% of the total number of State employees. We have attempted to allow provisional appointments only in emergency situations when we are unable to respond immediately through recruitment and examining to fill the vacancies with regular probationary appointments. In our efforts to minimize provisional appointments we occasionally let those that have been approved exceed the six month limitation. This sometimes is due to other practical problems such as location when vacancies occur in the outlying areas of the State. When making trips to the outlying locations, we attempt to cover as many areas as possible in examining. This necessitates consolidation of several exams at a particular time which in some cases causes a delay. We also attempt to anticipate and assess future needs and provide those examinations at the same time, so that in-State travel funds will be utilized in the most efficient manner.

In the case of the one specific provisional appointment cited which exceeded a two year period of time, the following sequence of events caused the delay in the examination process. (1) Due to an inadvertant error in our records section the provisional appointment was not properly identified as such until the appointment had approached one year in duration. At that point we discussed the examination procedure with the hiring authority and reached agreement that a written examination was essential. (2) We found valid examination material very difficult to obtain, and this caused additional delays in scheduling the exam. Also, other recruitment priorities were established for vacant positions as a result of an unusually large number of vacancies in manpower shortage areas. Recruitment efforts were directed in those areas and this provisional continued much longer than it should have.

We are very conscious of this problem and will eliminate such conditions in the future.

With reference to the question regarding our turnover figures as compared to the turnover figures found by your staff, we can offer the following as an explanation: the methodology used in figuring the 1964, 1965 and 1966 turnover accounts for the differential of up to 5%. The formula used for figuring turnover is as follows:

$$\frac{\text{Total separations - unavoidable separations}}{\text{Total number of State employees}} \times 100$$

Unavoidable separations include such reasons as death, retirement, military service, leaving the State to accompany spouse, etc. In the years 1964-1966 the total separations included limited term, temporary and seasonal separations. In 1967 the seasonal separations were not included in our turnover figures. As we had not maintained the working sheets for the past years, we are unable to adjust the 1964-1966 figures.

As you know, there are a number of methods of determining turnover. Although the overall turnover percentage is important the general trend is more significant. The specific percentage is more important when analyzing the turnover by each occupational area.

I am hopeful that this will answer in a satisfactory manner your questions.

Best regards,



James F. Wittenberg
State Personnel Administrator

JFW:sm

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
AUDIT REPORT
FEDERAL GRANT NUMBER NEV. CAP. CG-0578-A
PROGRAM YEAR A
FOR THE PERIOD BEGINNING FEBRUARY 3, 1965 AND ENDING MARCH 31, 1968

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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Establish required accounting system.....	6.12
Request advice as to how to reimburse Federal Government for unapplied funds.....	6.13
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Utilize leave and attendance forms prescribed in State Administrative Manual (S.A.M.).....	6.16

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Office of Economic Opportunity, an agency of the Department of Health, Welfare and Rehabilitation, for the Federal Grant Number NEV. CAP. CG-0578-A, which ended March 31, 1968, and have prepared therefrom the following exhibits and schedule:

Statement of Financial Condition,
March 31, 1968..... Exhibit A

Statement of Revenues and Expenditures
for the Period Beginning February 3, 1965
and Ending March 31, 1968..... Exhibit B

Statement of Budgeted and Incurred Costs
for the Period Beginning February 3, 1965
and Ending March 31, 1968..... Exhibit C

Schedule of Expenditures for the Period
Beginning February 3, 1965 and Ending
March 31, 1968..... Schedule 1

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Denial of Opinion

The accounting system of the Office of Economic Opportunity is not in accordance with the following:

1. Generally accepted principles of accounting.
2. Federal Community Action Program accounting requirements.

The accounting records of the Office of Economic Opportunity consist of a listing of actual cash received and disbursed. All disbursements are recognized

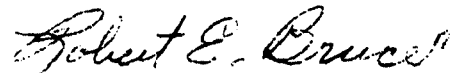
as expenses only. A general ledger is not maintained. The following items were not accounted for:

1. Assets
2. Liabilities
3. Fund Balances
4. Accrued Expenses
5. In-Kind Contributions and Expenses
6. Budget - As Approved

Because the accounting records were in extremely poor condition, we had to develop a material amount of the accounting records in order to prepare the attached financial statements, and we are unable to render an independent opinion as to the fairness of the accompanying financial statements of the Office of Economic Opportunity, Federal Grant Number NEV. CAP. CG-0578-A for the Program Year A ended March 31, 1968.

We submit the comments contained in the attached supplemental letter to the audit report.

Respectfully submitted,



Robert E. Bruce, C.P.A.
Fiscal Analyst

Carson City, Nevada
November 12, 1968

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
STATEMENT OF FINANCIAL CONDITION
GRANT NUMBER NEV. CAP. CG-0578-A
MARCH 31, 1968

EXHIBIT A

ASSETS

CURRENT ASSETS

Cash in State Treasury	\$21,824.91	
Accounts Receivable	66.60	
Prepaid Expenses	<u>543.70</u>	
Total Current Assets		\$22,435.21

FIXED ASSETS

Furniture and Equipment		<u>477.48</u>
Total Assets		<u>\$22,912.69</u>

LIABILITIES

ACCOUNTS PAYABLE		\$ 1,575.57
RESERVE FOR INVESTMENT FIXED ASSETS		477.48
FUND BALANCE - Per Exhibit B:		
Federal Grant Unapplied	\$17,552.23	
State's Appropriation Unapplied	<u>3,307.41</u>	<u>20,859.64</u>
Total Liabilities		<u>\$22,912.69</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
STATEMENT OF REVENUES AND EXPENDITURES
GRANT NUMBER NEV. CAP. CG-0578-A
FOR THE PERIOD BEGINNING FEBRUARY 3, 1965 AND ENDING MARCH 31, 1968

EXHIBIT B

FUNDS AVAILABLE

State of Nevada

Cash Contribution

General Fund Appropriation

\$ 13,618.00

Less Transfer to Rural Community

Action Program

(6,075.00)

Total State Cash

\$ 7,543.00

In-Kind Contribution (Non-Cash)

14,425.58

Total State Contribution

\$ 21,968.58

Federal Government - Cash

140,182.00

Total Funds Available

\$162,150.58

FUNDS EXPENDED

Program Expenditures - Per Exhibit C

Personnel

\$93,409.47

Consultant and Contract Services

6,678.25

Travel

14,108.25

Space Costs and Rentals

9,428.34

Consumable Supplies

1,473.16

Rental, Lease, or Purchase of Equipment

8,248.55

Other

7,491.92

Total Program Expenditures

\$140,837.94

Non-Program Expenditures

453.00

Total Funds Expended

\$141,290.94

EXCESS OF FUNDS AVAILABLE OVER EXPENDITURES

\$ 20,859.64

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
STATEMENT OF BUDGETED AND INCURRED COSTS
GRANT NUMBER NEV. CAP. CG-0578-A
FOR THE PERIOD BEGINNING FEBRUARY 3, 1965 AND ENDING MARCH 31, 1968

EXHIBIT C

<u>BUDGET CATEGORIES</u>	<u>Federal Approved Budget</u>	<u>Cash Disbursements and In-Kind Costs</u>	<u>Accrual Adjustments Required</u>	<u>Total Incurred Costs</u>	<u>Costs (Over) Under Budget</u>
<u>FEDERAL SHARE:</u>					
Personnel	\$ 99,573.00	\$ 92,646.34	\$ 763.13	\$ 93,409.47	\$ 6,163.53
Consultant and Contract Services	7,210.00	6,678.25	---	6,678.25	531.75
Travel	25,741.00	13,810.29	297.96	14,108.25	11,632.75
Space Costs and Rentals	2,934.00	2,574.80	(543.70)	2,031.10	902.90
Consumable Supplies	1,075.00	1,424.81	48.35	1,473.16	(398.16)
Rental, Lease, or Purchase of Equip.	568.00	1,220.21	---	1,220.21	(652.21)
Other	7,405.00	7,025.79	466.13	7,491.92	(86.92)
Total	\$144,506.00	\$125,380.49	\$1,031.87	\$126,412.36	\$18,093.64
Less Non-Federal					
Cash Contra Below *	(4,324.00)	(3,751.58)	(31.01)	(3,782.59)	(541.41)
Total Federal Share	\$140,182.00	\$121,628.91	\$1,000.86	\$122,629.77	\$17,552.23
Percentages - Federal	<u>100.0%</u>	<u>86.8%</u>	<u>.7%</u>	<u>87.5%</u>	<u>12.5%</u>
<u>NON-FEDERAL SHARE:</u>					
Space Costs and Rentals	\$ 9,290.00	\$ 7,397.24	\$ ---	\$ 7,397.24	\$ 1,892.76
Rental, Lease, or Purchase of Equip.	2,669.00	7,028.34	---	7,028.34	(4,359.34)
Other	45.00	---	---	---	45.00
Cash - Contra Above *	4,324.00	3,751.58	31.01	3,782.59	541.41
Total Non-Federal Share	\$ 16,328.00	\$ 18,177.16	\$ 31.01	\$ 18,208.17	\$(1,880.17)
Percentages - Non-Federal	<u>100.0%</u>	<u>111.3%</u>	<u>.2%</u>	<u>111.5%</u>	<u>11.5%</u>
<u>GRAND TOTALS</u>	<u>\$156,510.00</u>	<u>\$139,806.07</u>	<u>\$1,031.87</u>	<u>\$140,837.94</u>	<u>\$15,672.06</u>
<u>PERCENTAGES - GRAND TOTALS</u>	<u>100.0%</u>	<u>89.3%</u>	<u>.7%</u>	<u>90.0%</u>	<u>10.0%</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
SCHEDULE OF EXPENDITURES
GRANT NUMBER NEV. CAP. CG-0578-A
FOR THE PERIOD BEGINNING FEBRUARY 3, 1965 AND ENDING MARCH 31, 1968

SCHEDULE 1

PROGRAM EXPENDITURES

SALARY AND EMPLOYEE BENEFITS

Salaries	\$ 87,687.76
Employee Benefits	<u>5,721.71</u>
Total Salary and Employee Benefits	<u>\$ 93,409.47</u>

TRAVEL EXPENSE

Out-of-State Travel	\$ 3,958.38
In-State Travel	<u>10,149.87</u>
Total Travel Expense	<u>\$ 14,108.25</u>

OPERATING EXPENSE

Operating Supplies	\$ 1,473.16
Postage and Freight	363.75
Telephone	5,697.71
Printing	283.34
Subscriptions	609.80
Insurance and Bond Premium	131.27
Contract Services	6,678.25
Office Equipment Repair	103.05
Equipment Rental:	
Cash	\$ 742.73
In-Kind	<u>7,028.34</u>
Building Rent:	7,771.07
Cash	\$2,031.10
In-Kind	<u>7,397.24</u>
Dues and Registration	303.00
Total Operating Expense	<u>\$ 32,842.74</u>

EQUIPMENT PURCHASED

\$ 477.48

Total Program Expenditures	\$140,837.94
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NON-PROGRAM EXPENDITURES

Travel Expense in Excess of Federal Allowance	<u>453.00</u>
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Total Expenditures for Period	<u>\$141,290.94</u>
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STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
OFFICE OF ECONOMIC OPPORTUNITY
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE PERIOD BEGINNING FEBRUARY 3, 1965 AND ENDING MARCH 31, 1968

HISTORY

The basis for the existence of the Office of Economic Opportunity is contained in Title II-A, Section 209(b), of the Federal Economic Opportunity Act of 1964, which states:

"The Director is authorized to make grants to, or to contract with, appropriate State agencies for the payment of the expenses of such agencies in providing technical assistance to communities in developing, conducting, and administering community action programs."

The 1965-67 Executive Budget included a recommendation for an Office of Coordinator of Economic Opportunity. This was not approved by the Legislature.

On January 20, 1965, the Governor designated the Executive Office of the Governor as the state agency to conduct the technical assistance program defined in the Economic Opportunity Act of 1964. On August 16, 1965, the Governor transferred the responsibility of the program from his office to the State Department of Health, Welfare and Rehabilitation, which is still the grantee agency.

During Program Year A, February 3, 1965 to March 31, 1968, the expenditure ratio was 90 percent from federal funds and 10 percent from state contributions. The State was allowed to use some "in-kind" contributions, i.e., office space, janitor service, use of equipment, for which the Office of Economic Opportunity did not have to pay cash. The State did not have to contribute cash until July, 1967.

For the Program Year B, which starts April 1, 1968 and ends June 30, 1969, the expenditure ratio will be 80 percent from federal funds and 20 percent from state contributions. The state contributions will be composed of cash and in-kind amounts.

We observed that the Nevada Revised Statutes do not define the functions, duties, and responsibilities of the Office of Economic Opportunity.

RECOMMENDATION

If this program is to be continued, we recommend the required legislative action which will provide in the Nevada Revised Statutes a definition of the Office of Economic Opportunity's functions, duties, and responsibilities.

ACCOUNTING RECORDS

The accounting records of the Office of Economic Opportunity were of extremely poor quality and incomplete. These accounting records should comply with the State's regulations and the Federal Government's requirements.

As a condition of receiving federal funds for the operation of the Office of Economic Opportunity, the Director of the Department of Administration was required to file the following statement with the Federal Office of Economic Opportunity:

"I am the chief financial officer of the State of Nevada and, in this capacity, I will be responsible for providing financial services adequate to insure the establishment and maintenance of an accounting system for the State Technical Assistance Office (Department of Economic Opportunity), which is a State agency charged with carrying out the State Technical Assistance office functions in the State of Nevada. The accounting system will have internal controls adequate to safeguard the assets of such agency, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies of the agency."

The accounting records do not comply with the Federal Government's requirements.

RECOMMENDATION

We recommend that the accounting system and records of the Office of Economic Opportunity be established which will comply with the federal accounting requirements as established in the following federal publications:

1. "CAP Management Guide, Grantee Financial Control Techniques"
2. "CAP Management Guide, Grantee Accounting"

OPERATIONS

FEDERAL GRANT UNAPPLIED

The Office of Economic Opportunity did not use \$17,552.23 of federal funds received during Program Year A, as illustrated in the following schedule:

Total Federal Funds Received, Per Exhibit B:		\$140,182.00
Total Program Expenditures, Per Exhibit B:	\$140,837.94	
Less: Non-Federal Share, Per Exhibit C:	<u>18,208.17</u>	
Total Federal Share of Expenditures, Per Exhibit C:		<u>122,629.77</u>
Amount of Federal Funds Unapplied		<u>\$ 17,552.23</u>

RECOMMENDATION

We recommend that the Office of Economic Opportunity request advice from the Federal Office of Economic Opportunity as to how the Federal Government is to be reimbursed for the unapplied federal funds in the amount of \$17,552.23.

EXPENDITURES

Duplicate Travel Claims

During the course of our audit, we noted that a control is not maintained to prevent duplicate travel expenses from being processed. We did locate some duplicate travel claims, most of which the State has already been reimbursed for.

We believe that a control should be established to prevent further duplicate travel expenditures. A separate page in a ledger should be established for each employee on travel status. The column headings on each employee's page should include at least the following:

<u>List Number</u>	<u>Dates Traveled</u>	<u>Type of Transportation</u>	<u>Total Amount</u>	<u>Program Share</u>	<u>State Share</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

RECOMMENDATION

We recommend that a travel control register such as described above be established to prevent the duplicate payment of travel claims.

Expenditure in Excess of Federal Regulations

Cash expended for the rental, lease, or purchase of equipment exceeded the maximum allowed by the federal regulations as illustrated below:

Cost of Federal Share of Rental, Lease, or Purchase of Equipment - Per Exhibit C		\$1,220.21
Approved Budget	\$568.00	
Overexpenditure Allowable (20% of \$1,323.26, or \$500.00)	<u>500.00</u>	<u>1,068.00</u>
Expenditure in Excess of Federal Regulations		<u>\$ 152.21</u>

The Federal Government may take exception for this excess overexpenditure and may disallow it from federal fund participation.

In order to avoid disallowance of this type in the future, the Office of Economic Opportunity should exercise care in categorizing expenses when preparing the federal budget requests.

RECOMMENDATION

We recommend that expenditures be compared monthly to the budget as approved by the Federal Government.

Non-Program Expenditures - Travel

Section 611 of the Standardized Governmental Travel Regulations, Revised Effective March 1, 1965, states that for continuous travel of more than 24 hours a day, the calendar day (midnight to midnight) will be the unit, and for the fractional parts of a day at the commencement or ending of such continuous travel,

constituting a travel period, one-fourth of the rate for a calendar day will be allowed for each period of 6 hours or fraction thereof.

State travel regulations provide an allowance for breakfast, lunch, dinner, and lodging while in travel status. The State's travel day unit is usually from around 6:00 a.m. of one day to 6:00 a.m. of the following day.

The maximum daily amount of meals and lodging the Federal Government will consider as program costs is \$16. The State maximum daily rate for out-of-state travel is \$25 and for in-state travel is \$20. The State has agreed not to consider the excess daily costs as part of the program costs and to fund them entirely. We determined that the amount of these excess travel costs due to the State's higher per diem rates was \$453 for Program Year A, which ended on March 31, 1968.

We were informed by the Federal Office of Economic Opportunity that in determining the amount of the excess costs, the total amount allowable in accordance with the Federal Travel Regulations should be compared to the amount paid by the State for each trip, i.e., each trip is considered a single unit.

We were also informed that the State's meal allowances paid for one-day trips are acceptable to the Federal Government in lieu of any conflicting statements in its travel regulations.

FIXED ASSETS

The State's required contribution to the program could be met either by "in-kind" contributions or cash. The "in-kind" contributions utilized by the Department of Economic Opportunity during Program Year A were the value of the space occupied and the monthly rental value of furniture and equipment borrowed.

The documentation of the "in-kind" items was extremely poor. We were unable to determine accurately when some of the equipment was obtained, from whom it was obtained, and when it was returned. The monthly amount of the "in-kind" contributions was not being posted to the accounting records.

RECOMMENDATION

We recommend that:

1. A complete physical inventory be taken of all of the fixed assets owned and borrowed by the Office of Economic Opportunity.
2. Inventory cards should be prepared for each fixed asset item indicating at least the following:
 - a. Acquisition cost or value
 - b. Date of acquisition
 - c. Description of property
 - d. Property identification numbers - manufacturer's and state's
 - e. Location of property
 - f. Person responsible or otherwise accountable
 - g. Monthly "in-kind" charge
 - h. Disposal of property
 - i. Source from which loaned equipment was obtained

ATTENDANCE AND LEAVE RECORDS

Separate attendance and leave records are maintained for each employee of the Office of Economic Opportunity. However, we were unable to find supporting documentation for overtime worked or overtime, sick leave, and leave time taken. We were informed that no written documentation is retained for these types of personnel transactions.

RECOMMENDATION

We recommend that the leave and attendance regulations contained in the State Administrative Manual (S.A.M.) be adopted by the Office of Economic Opportunity and that the prescribed forms be utilized to document personnel transactions.

Note: At a meeting held November 18, 1968, between the Fiscal Analyst, the Director of the Department of Health, Welfare and Rehabilitation, and the Director of the Office of Economic Opportunity, agreement was reached on implementation of most of the foregoing recommendations. The Director's comments and exceptions are attached to this report.



PAUL LAXALT
GOVERNOR

STATE OF NEVADA
DEPARTMENT OF ECONOMIC OPPORTUNITY

BLASDEL BUILDING, ROOM 203
MUSSEY AND FALL STREETS
CARSON CITY, NEVADA 89701

WILLIE J. WYNN
DIRECTOR

November 18, 1968

Mr. Robert E. Bruce
Legislative Counsel Bureau
Room 45, Capitol Building
Carson City, Nevada 89701

Dear Robert:

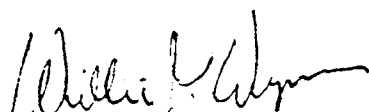
Received your letter and copy of Annual Audit Report.

Many things that the report revealed are very true and may need to be rectified. I can only apologize for the manner of our books and the manner in which they were kept; however, since I inherited these problems I would certainly like to work with you and the Federal Government to rectify each item that has been questioned.

I accept your offer for some assistance from your office to help us set up directly the type of ledger that would satisfy both State and Federal Government.

At your convenience, please notify Mrs. Beth Taylor and set up an appointment to carry out the above.

Sincerely,


Willie J. Wynn
Director

WJW:BT:ws

STATE OF NEVADA
NEVADA EDUCATIONAL COMMUNICATIONS COMMISSION
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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Obtain approval on all business forms and vouchers pursuant to S.A.M. 6022.....	7.14
Establish and maintain detail inventory records on fixed assets.....	7.14

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the records of the Nevada Educational Communications Commission for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits and schedule:

Statement of Financial Condition
June 30, 1968..... Exhibit A

Statement of Authorization Compared
with Actual Revenues and Expenditures
for the Fiscal Year Ended June 30, 1968..... Exhibit B

Statement of Expenditures for the
Fiscal Year Ended June 30, 1968..... Schedule 1

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other accounting procedures as we considered necessary in the circumstances.

Denial of Opinion

The accounting records of the Nevada Educational Communications Commission are maintained on a cash basis of accounting. This is not in accordance with generally accepted principles of accounting, which for general or special revenue funds require the use of the modified accrual basis of accounting.

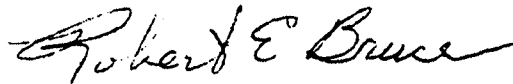
The accounting records of the Nevada Educational Communications Commission consist of a listing of cash receipts and disbursements. All disbursements are recognized as expenses only. A general ledger is not maintained. The following items were not accounted for:

1. Assets
2. Liabilities
3. Fund Balances

Because of the lack of certain accounting records, we had to develop a material amount of the accounting records in order to prepare the attached financial statements, and we are unable to express an independent opinion as to the fairness of the accompanying financial statements of the Nevada Educational Communications Commission for the fiscal year ended June 30, 1968.

We submit the comments contained in the attached supplemental letter to the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert E. Bruce".

Robert E. Bruce, C.P.A.
Fiscal Analyst

November 14, 1968
Carson City, Nevada

STATE OF NEVADA
NEVADA EDUCATIONAL COMMUNICATIONS COMMISSION
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

DEPOSITS WITH STATE TREASURER

Unexpended Project Innovate Funds	\$23,611.47
County School Districts' Deposits	6,720.00

ACCOUNTS RECEIVABLE

Department of Education	2,240.00
Clark County School District	8,960.00
Refunds Due Project Innovate	508.00

FIXED ASSETS

Equipment	<u>15,797.98</u>
Total Assets	<u>\$57,837.45</u>

LIABILITIES

ACCOUNTS PAYABLE

Project Innovate Operations	\$ 9,885.07
Teletrainer Units	17,920.00
Clark County School District -	
Unexpended Balance of Project	
Innovate Funds, Per Exhibit B	14,234.40

RESERVE FOR INVESTMENT IN FIXED ASSETS

Total Liabilities	<u>\$57,837.45</u>
-------------------	--------------------

STATE OF NEVADA
NEVADA EDUCATIONAL COMMUNICATIONS COMMISSION
 STATEMENT OF AUTHORIZATION COMPARED WITH
 ACTUAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

<u>REVENUES:</u>	<u>Authorization</u>	<u>Actual Revenues and Expenditures</u>	<u>Over or (Under) Authorization</u>
Clark County - Project Innovate	\$136,310.00	\$ 91,315.36	\$(44,994.64)
Clark County School Districts - Teletrainer Units Purchased	<u>11,005.00</u>	<u>47,040.00</u>	<u>36,035.00</u>
Total Revenues	<u>\$147,315.00</u>	<u>\$138,355.36</u>	<u>\$ (8,959.64)</u>
 <u>EXPENDITURES - PER SCHEDULE 1:</u>			
Payroll Costs	\$ 41,590.00	\$ 18,685.79	\$(22,904.21)
Out-of-State Travel	2,000.00	1,850.08	(149.92)
In-State Travel	9,500.00	3,361.99	(6,138.01)
Operating	<u>94,225.00</u>	<u>100,223.10</u>	<u>5,998.10</u>
Total Expenditures	<u>\$147,315.00</u>	<u>\$124,120.96</u>	<u>\$(23,194.04)</u>
Excess of Revenue Over Expenditures - Amount Payable to Clark County - Project Innovate		<u>\$ 14,234.40</u>	<u>\$(14,234.40)</u>

STATE OF NEVADA
NEVADA EDUCATIONAL COMMUNICATIONS COMMISSION
 STATEMENT OF EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 1

<u>EXPENDITURES</u>	<u>Total</u>	<u>Project Innovate</u>	<u>Teletrainer Units</u>
<u>Payroll Costs</u>			
Salaries	\$ 11,369.52	\$11,369.52	\$
Industrial Insurance	112.09	112.09	
Retirement	683.99	683.99	
Personnel Assessment	165.00	165.00	
Group Insurance	51.24	51.24	
Non-Professional Salaries	5,881.25	5,881.25	
Non-Professional Retirement	337.30	337.30	
Non-Professional Group Insurance	85.40	85.40	
Total Payroll Costs	<u>\$ 18,685.79</u>	<u>\$18,685.79</u>	
<u>Travel</u>			
Out-of-State	\$ 1,850.08	\$ 1,850.08	
In-State	3,361.99	3,361.99	
Total Travel	<u>\$ 5,212.07</u>	<u>\$ 5,212.07</u>	
<u>Operating</u>			
Office Supplies	\$ 742.95	\$ 742.95	
Postage and Freight	372.84	372.84	
Telephone - Combined	1,426.25	1,426.25	
Printing	476.63	476.63	
Subscriptions and Reference Manuals	62.75	62.75	
Dues and Registrations	86.00	86.00	
Contract Services	20,059.74	20,059.74	
Office Equipment Repair	208.32	208.32	
Equipment Rental	125.00	125.00	
Instructional Supplies	2,115.98	2,115.98	
Professional Services	1,450.17	1,450.17	
Photo, Prints, Maps	23.25	23.25	
Special Services or Projects	25,566.00	25,566.00	
Accounting Service Charge - Department of Education	467.22	467.22	
Purchase of Teletrainer Units	47,040.00		47,040.00
Total Operating	<u>\$100,223.10</u>	<u>\$53,183.10</u>	<u>\$47,040.00</u>
Total Expenditures	<u>\$124,120.96</u>	<u>\$77,080.96</u>	<u>\$47,040.00</u>

STATE OF NEVADA
NEVADA EDUCATIONAL COMMUNICATIONS COMMISSION
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

The Nevada Educational Communications Commission was created by Chapter 475, Statutes of Nevada, 1967. The general purposes of the commission, as defined in N.R.S. 398.090, are as follows:

1. To promote noncommercial educational facilities and programs, noncommercial educational radio, and all other noncommercial educational electronic communications devices and systems utilized in formal education at all levels of instruction and in the general distribution of information to the citizens of the State of Nevada; and
2. To advise the governor on educational communications matters.

The members of the commission are appointed by the Governor and include the following persons:

1. One member of the board of trustees of the Washoe County School District;
2. One member of the board of trustees of the Clark County School District;
3. One member of a board of trustees of the remaining 15 county school districts;
4. A member of the faculty of the University of Nevada or Nevada Southern University recommended by the Board of Regents; and
5. A representative of the State Department of Education.

The executive director, who is appointed by the members of the commission, serves as an ex officio member of the commission.

The principal functions accomplished by the commission during the fiscal year 1967-68 were assuming part of the administration of the final phase of Project Innovate, a federal program for which the Clark County School District had obtained a grant, and being the fiscal intermediary between a vendor and the various purchasers of teletrainer units.

OPERATIONS

The commission received money during the fiscal year 1967-68 primarily as a result of its contract with Clark County for Project Innovate. The Chief of the Budget Division, by virtue of his delegated authority under the provisions contained in Chapter 440, Section 4, Statutes of Nevada, 1967 and N.R.S. 353.302, approved a work program for the fiscal year 1967-68, thus granting the commission authority to expend money from the State Treasury.

BUDGET

The following authorizations comprised the budget for the year ended June 30, 1968, as shown in Exhibit B:

Work Program	\$136,310
Augmentation:	
School Districts' Teletrainer Payments	<u>11,005</u>
Total Authorized	<u>\$147,315</u>

Work Program Revisions

The commission submitted and received approval on two work program revisions during fiscal year 1967-68 - one in May, 1968 and the other in July, 1968. One of the work programs provided for an augmentation of the budget and is in accordance with Chapter 440, Section 4, Statutes of Nevada, 1967. Both of these work program revisions, however, also transferred amounts between categories. We have not reflected these inter-category transfers in the authorization column of Schedule B of the accompanying financial statements because they were made in violation of N.R.S. 353.220.

N.R.S. 353.220 states that requests for work program revisions shall be submitted 15 days prior to the commencement of the quarter when such revision, if approved, is to become effective.

RECOMMENDATION

We recommend that the Nevada Educational Communications Commission submit work program requests for budgetary changes between categories in accordance with N.R.S. 353.220.

REVENUE

The revenue of the commission was \$138,355.36 for the fiscal year ended June 30, 1968, as shown in Exhibit B. The following analysis describes the source of this revenue:

Clark County - Funds Advanced to the
Commission for the Administration and
Operation Costs of Project Innovate

\$ 91,315.36

Reimbursement for Cost of Teletrainer
Units Purchased After the Lease Period
Expired:

	<u>No. of Units</u>	
Department of Education	1	\$ 2,240.00
County School Districts:		
Clark	9	20,160.00
Douglas	1	2,240.00
Elko	1	2,240.00
Humboldt	1	2,240.00
Lyon	1	2,240.00
Mineral	1	2,240.00
Ormsby	1	2,240.00
Pershing	1	2,240.00
Washoe	3	6,720.00
White Pine	<u>1</u>	<u>2,240.00</u>
Totals	<u>21</u>	<u>47,040.00</u>
Total Revenue		<u>\$138,355.36</u>

Because the State's accounting system does not provide for the recording of revenues in the period earned, regardless of when it is received, it was necessary for us to review the transactions of two fiscal years in order to properly account for the revenue earned for the fiscal year ended June 30, 1968, as illustrated in the following analysis:

	Recorded as Revenue		
	For the Fiscal Year Ended		
	<u>June 30, 1968</u>	<u>June 30, 1969</u>	<u>Total</u>
<u>Per Commission's Records:</u>			
Clark County - Funds Advanced to the Commission for the Administration Costs of Project Innovate	\$ 91,315.36	\$ ---	\$ 91,315.36
Reimbursement for Cost of Teletrainer Units Purchased After the Lease Period Expired	<u>35,840.00</u>	<u>11,200.00</u>	<u>47,040.00</u>
Totals	<u>\$127,155.36</u>	<u>\$11,200.00</u>	<u>\$138,355.36</u>

EXPENDITURES

Expenditures for the fiscal year 1967-68 amounted to \$124,120.96, as shown in Schedule 1. These expenditures represent the total costs paid at the State level for Project Innovate and for the payments for the purchase of 21 of the 25 teletrainer units leased under Project Innovate.

The State's accounting system does not provide for the recording of an expenditure when the liability is incurred, regardless of when paid. Therefore, it was necessary for us to review the transactions of two fiscal years in order to accumulate all of the costs associated with Project Innovate, as illustrated in the following schedule:

	Expenditures Recorded in Fiscal Year		
	<u>1967-68</u>	<u>1968-69</u>	<u>Total</u>
<u>Per Commission's Records:</u>			
Project Innovate:			
Salaries and Wages	\$ 18,685.79	\$ ---	\$ 18,685.79
Out-of-State Travel	1,850.08	---	1,850.08
In-State Travel	3,355.21	6.78	3,361.99
Operating	<u>52,393.10</u>	<u>790.00</u>	<u>53,183.10</u>
Total Project Innovate	<u>\$ 76,284.18</u>	<u>\$ 796.78</u>	<u>\$ 77,080.96</u>
Teletrainer Units:			
Purchased for School Districts	<u>\$ 29,120.00</u>	<u>\$17,920.00</u>	<u>\$ 47,040.00</u>
Total Expenditures	<u>\$105,404.18</u>	<u>\$18,716.78</u>	<u>\$124,120.96</u>

APPROVAL OF DOCUMENTS FOR PAYMENT

The commission has authorized its chairman and its executive director to approve all commission business forms and vouchers. During our review of the paid claims, we noted that many of the claims lists did not bear either the approval of the chairman or the executive director. These claims were approved by a representative of the Department of Education.

RECOMMENDATION

We recommend that all business forms and vouchers be approved either by the chairman of the commission or the executive director pursuant to the State Administrative Manual regulation # 6022.

FIXED ASSETS

The commission has borrowed desks, files, typewriters, and other necessary office furnishings from the Department of Education. In addition, our audit of the expenditures disclosed apparent acquisitions of State property as follows:

Video Tapes	\$15,677.98
Tape Recorder	<u>120.00</u>
Total Purchased Fixed Assets	<u>\$15,797.98</u>

Inventory records have not been established by the commission to record and control either the borrowed or purchased fixed assets.

RECOMMENDATION

We recommend that the commission establish and maintain fixed assets records which properly identify and control State property. Such records should include the following information:

1. Acquisition cost
2. Date acquired
3. Description of property
4. Manufacturer's and State's identification numbers
5. Location of property
6. Person accountable or responsible for property
7. Disposal of property
8. Source from which borrowed equipment was obtained

FISCAL YEAR 1968-69 OPERATIONS

Project Innovate terminated on June 30, 1968, and the commission returned \$14,234.40 to the Clark County School District in October, 1968. In order to finance part of the fiscal year 1968-69 operations, the commission entered into a contract with the Department of Education to receive federal funds under the provisions of Title V, Section 503 of the Federal Elementary and Secondary Education Act of 1965 (as amended). We have not audited or reviewed the commission's revenues and expenditures applicable to the above-stated contract with the Department of Education.

ACCOUNTING RECORDS

In our denial of opinion and in the preceding narrative, we have commented upon the inadequacy of the accounting records. The accounting records we are making reference to are those of the Department of Education, because the commission has made arrangements with that department for accounting services. Rather than develop a separate accounting system for the commission now, we are deferring any recommendations concerning the commission's accounting requirements until we have completed our audit of the Department of Education.

TERMINATION AUDIT REQUIREMENT

Section C, Paragraph 3, of the contract between Clark County School District and the Educational Communications Commission of the State of Nevada dated June 28, 1967, contains the following requirement:

"A termination audit shall be submitted by the Commission in conformance with the laws and regulations set forth in paragraph 2 of this section. Said audit shall include a release of all uncommitted funds to the District."

This audit report as submitted by the Fiscal Analyst to the Legislative Commission is not intended to satisfy the above-mentioned contractual requirement.

Note: At a meeting held November 25, 1968, between the Fiscal Analyst and the Executive Director of the Nevada Educational Communications Commission, agreement was reached on implementation of most of the foregoing recommendations. The Executive Director's comments and exceptions are attached to this report.



STATE OF NEVADA

EDUCATIONAL COMMUNICATIONS COMMISSION

Carson City, Nevada 89701

November 27, 1968

Hugh J. Smith
Executive Director

John R. Gamble
Chairman
First Assistant Superintendent
of Public Instruction
Heroes Memorial Building
Carson City, Nevada 89701

Commissioners
Donald G. Potter, Ed.D.
Director
Audio Visual Communications
Getchell Library
University of Nevada
Reno, Nevada 89507

C. Donald Brown
Member
Clark County School Board
2332 East Flamingo Road
Las Vegas, Nevada

Lloyd Diedrichsen, D.D.S.
Member
Washoe County School Board
425 East Ninth Street
Reno, Nevada 89502

Mr. Allen J. Brinkerhoff
Member
Pershing County School Board
P.O. Box 389
Lovelock, Nevada 89419

Mr. Robert E. Bruce
Fiscal Analyst
State of Nevada Legislative Counsel Bureau
Room 45, Capitol Building
Carson City, Nevada

Dear Mr. Bruce:

In response to your recently-submitted report of the Nevada Educational Communications Commission, we are in accord with the information and recommendations presented therein.

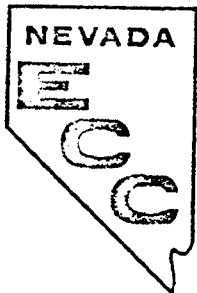
We wish to point out, however, that ownership of the video tapes referred to on page 7.14 under "Fixed Assets" is assumed to be vested in the Commission because their acquisition was by action of the Commission office under its agreement with Clark County, relating to administration of "Project Innovate". We still need to clarify whether title to these tapes is held by the Federal Government, Clark County School District, or the Nevada Educational Communications Commission.

We shall keep you informed of any information pertinent to this item.

Sincerely,

Hugh J. Smith
Executive Director

HJS/gj



Telephone (702) 882-7135

STATE OF NEVADA
PERMANENT SCHOOL FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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SUMMARY OF RECOMMENDATIONS

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The State Controller establish and maintain on a current basis, a proper and complete accounting system.....	8.17
Amend NRS 387 to require the State Controller to prepare, quarterly, a complete financial report of the Permanent School Fund.....	8.18
Amend Funds Consolidation Law to provide the correct definition of the term "fund".....	8.18
Amend NRS 355.060(1) to require the State Controller to notify the State Board of Finance monthly of the amount of uninvested moneys.....	8.19
State Board of Finance to maintain the maximum level of investment of moneys.....	8.19
Transfer \$18,185.39 to the Surety Bond Trust Fund.....	8.21
Transfer \$94,734.89 to the Distributive School Fund.....	8.23
Record investment transactions in accordance with generally accepted accounting principles and applicable State laws.....	8.23

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Permanent School Fund for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits and schedules:

Statement of Financial Condition,
June 30, 1967 and June 30, 1968..... Exhibit A

Statement of Receipts and Changes
in Fund Balance for the Fiscal
Years Ended June 30, 1967 and
June 30, 1968..... Exhibit B

Statement of Cash Balances, Receipts,
and Disbursements for the Fiscal
Year Ended June 30, 1968..... Exhibit C

Schedule of Investments Owned at
June 30, 1968..... Schedule 1

Schedule of the Disposition of Lands
Granted to the State of Nevada by
the United States of America Through
the Fiscal Year Ended June 30, 1968..... Schedule 2

Schedule of Adjustments Required for
Unrecorded Transactions for the
Fiscal Year Ended June 30, 1968..... Schedule 3

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Due to the nature of our findings, we extended the audit period to include the last five fiscal years, which is the practical limit for obtaining documents and records relating to the transactions of this fund.

Denial of Opinion

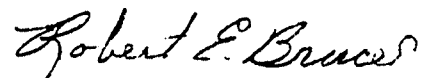
Our examination disclosed material departures from generally accepted accounting principles and applicable State laws regarding the investment transactions of the Permanent School Fund. These departures are described as follows:

1. Bond discounts were recognized as a return of principal instead of interest income. This amounted to \$163,445.15 during the 5-year audit period.
2. Principal used to purchase accrued interest on bonds acquired between interest dates was not recovered from interest payments received. This amounted to \$3,971.48 on currently-owned securities.
3. Interest received on land contracts of sale was not deposited to the Permanent School Fund, which is in violation of Article 11, Section 3, of the Nevada Constitution. This amounted to \$20,166.16 during the 5-year audit period.
4. The State's 5 percent share of the proceeds from the sale of federal land was not deposited in the Permanent School Fund, which is in violation of Article 11, Section 3, of the Nevada Constitution. This amounted to \$44,572.62 during the 5-year audit period.
5. Investments in bonds of Nevada school districts, cities, and towns, which cost \$1,671,460.52, were purchased between 1952 and 1961. The purchase of these bonds was in violation of Article 11, Section 3, of the Nevada Constitution.
6. A general ledger is not maintained and, accordingly, the following items are not accounted for:
 - a. Assets
 - b. Liabilities
 - c. Fund Principal

Because of the lack of certain accounting records, we had to develop a material amount of the accounting records in order to prepare the attached financial statements, and we are unable to express an independent opinion as

to the fairness of the accompanying financial statements of the Permanent School Fund for the fiscal year ended June 30, 1968.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert E. Bruce".

Robert E. Bruce, C.P.A.
Fiscal Analyst

December 30, 1968
Carson City, Nevada

STATE OF NEVADA
PERMANENT SCHOOL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1967 AND JUNE 30, 1968

EXHIBIT A

	<u>June 30,</u>		Increase or (Decrease) Over
	<u>1967</u>	<u>1968</u>	<u>F/Y/E 6/30/67</u>
<u>ASSETS</u>			
CASH DEPOSITED WITH STATE TREASURER - EXHIBIT C	\$ 248,714.45	\$ 214,196.94	\$(34,517.51)
INVESTMENTS - SCHEDULE NO. 1			
Bonds - Par Value	\$6,821,787.51	\$7,188,608.34	\$366,820.83
Unamortized Premium on Bonds	27,014.68	27,014.68	---
Unamortized Discount on Bonds	(169,825.68)	(195,754.32)	(25,928.64)
Cost of Investments	<u>\$6,678,976.51</u>	<u>\$7,019,868.70</u>	<u>\$340,892.19</u>
LAND CONTRACTS RECEIVABLE	\$ 48,435.86	\$ 43,714.06	\$ (4,721.80)
UNENCUMBERED SCHOOL LAND - SCHEDULE NO. 2 2,706.13 Acres - Cost	\$ ---	\$ ---	\$ ---
Total Assets	<u>\$6,976,126.82</u>	<u>\$7,277,779.70</u>	<u>\$301,652.88</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Due to Distributive School Fund	\$ 97,338.05	\$ 94,734.89	\$ (2,603.16)
Due to Surety Bond Trust Fund	<u>18,185.39</u>	<u>18,185.39</u>	<u>---</u>
Total Liabilities	<u>\$ 115,523.44</u>	<u>\$ 112,920.28</u>	<u>\$ (2,603.16)</u>
FUND BALANCE - EXHIBIT B	<u>\$6,860,603.38</u>	<u>\$7,164,859.42</u>	<u>\$304,256.04</u>
Total Liabilities and Fund Balance	<u>\$6,976,126.82</u>	<u>\$7,277,779.70</u>	<u>\$301,652.88</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
 STATEMENT OF RECEIPTS AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND JUNE 30, 1968

EXHIBIT B

	Fiscal Year Ended June 30,		Increase or (Decrease) Ove F/Y/E 6/30/67
	<u>1967</u>	<u>1968</u>	
<u>RECEIPTS</u>			
FINES - VIOLATION OF STATE PENAL LAWS:			
District Courts	\$ 10,087.00	\$ 12,104.00	\$ 2,017.00
Justice Courts	242,994.67	247,084.26	4,089.59
Total Fines	\$ 253,081.67	\$ 259,188.26	\$ 6,106.59
STATE'S 5% SHARE OF PROCEEDS FROM SALE OF FEDERAL LAND	18,449.75	42,402.62	23,952.87
INTEREST FROM SCHOOL LAND CONTRACTS	3,656.32	2,663.16	(993.16)
LAND OFFICE FEES	<u>4.00</u>	<u>2.00</u>	<u>(2.00)</u>
Total Receipts	\$ 275,191.74	\$ 304,256.04	\$ 29,064.30
<u>FUND BALANCE - BEGINNING OF FISCAL YEAR</u>	<u>6,585,411.64</u>	<u>6,860,603.38</u>	<u>275,191.74</u>
<u>FUND BALANCE - END OF FISCAL YEAR</u>	<u>\$6,860,603.38</u>	<u>\$7,164,859.42</u>	<u>\$304,256.04</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
STATEMENT OF CASH BALANCES, RECEIPTS, AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT C

<u>CASH BALANCE, JUNE 30, 1967</u>		\$ 248,714.45
<u>FUNDS RECEIVED</u>		
<u>REVENUES</u>		
Fines - Violation of State Penal Laws:		
District Courts	\$ 12,104.00	
Justice Courts	247,084.26	
Total Fines	<u>\$ 259,188.26</u>	
State's 5% Share of Proceeds from Sale of		
Federal Land	42,402.62	
Interest from School Land Contracts	2,663.16	
Land Office Fees	<u>2.00</u>	
Total Revenues Received		304,256.04
<u>INVESTMENT TRANSACTIONS</u>		
Investments Redeemed:		
Bonds (cost)	\$2,275,865.49	
Land Contracts (Principal Collected)	<u>4,721.80</u>	
Total Investment Transaction Receipts		<u>2,280,587.29</u>
Total Funds Available		\$2,833,557.78
<u>FUNDS DISBURSED AND ADJUSTMENTS REQUIRED</u>		
INVESTMENTS PURCHASED - (COST)	\$2,616,757.68	
<u>ADJUSTMENTS REQUIRED</u>		
Revenues Deposited to Distributive School		
Fund in Error	2,663.16	
Discount Earned Deposited to Permanent		
School Fund in Error	<u>(60.00)</u>	
Total Funds Disbursed and Adjustments		<u>2,619,360.84</u>
<u>CASH BALANCE, JUNE 30, 1968</u>		<u>\$ 214,196.94</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
 SCHEDULE OF INVESTMENTS OWNED
AT JUNE 30, 1968

SCHEDULE NO. 1

	<u>Cost</u>	<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Par Value</u>
<u>UNITED STATES SECURITIES</u>				
U.S. Treasury Bonds	\$ 642,500.00	\$ ---	\$ ---	\$ 642,500.00
U.S. Treasury Bills	3,566,082.53	---	194,917.47	3,761,000.00
Fed. Mtge. Assn. Part. Certs.	284,263.15	---	736.85	285,000.00
Total	<u>\$4,492,845.68</u>	<u>\$ ---</u>	<u>\$195,654.32</u>	<u>\$4,688,500.00</u>
<u>STATE OF NEVADA SECURITIES</u>				
Min. Sec. Prison Bonds	\$ 290,000.00	\$ ---	\$ ---	\$ 290,000.00
State Office Bldg. Bonds	95,000.00	---	---	95,000.00
Total	<u>\$ 385,000.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 385,000.00</u>
<u>OTHER STATES' SECURITIES</u>				
St. of N.Y. - Elim. of R.R. Cross Bonds	\$ 77,412.50	\$22,412.50	\$ ---	\$ 55,000.00
St. of Calif. - S.F. Harbor Impr. Bonds	14,900.00	---	100.00	15,000.00
Total	<u>\$ 92,312.50</u>	<u>\$22,412.50</u>	<u>\$ 100.00</u>	<u>\$ 70,000.00</u>
<u>COUNTIES OF NEVADA SECURITIES</u>				
<u>General:</u>				
Clark Co. Airport Bonds	\$ 274,000.00	\$ ---	\$ ---	\$ 274,000.00
Nye Co. Public Hosp. Bonds	16,250.00	---	---	16,250.00
White Pine Co. Swimming Pool Bonds	88,000.00	---	---	88,000.00
Total	<u>\$ 378,250.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 378,250.00</u>
<u>NEVADA SCHOOL DISTRICTS'</u>				
<u>SECURITIES</u>				
Churchill Co.	\$ 163,000.00	\$ ---	\$ ---	\$ 163,000.00
Clark Co.	169,590.55	3,590.55	---	166,000.00
Elko Co.	89,511.63	511.63	---	89,000.00
Lyon Co.	24,500.00	500.00	---	24,000.00
Ormsby Co.	155,000.00	---	---	155,000.00
Pershing Co.	86,000.00	---	---	86,000.00
Washoe Co.	308,000.00	---	---	308,000.00
White Pine Co.	304,000.00	---	---	304,000.00
Total (Note No. 1)	<u>\$1,299,602.18</u>	<u>\$ 4,602.18</u>	<u>\$ ---</u>	<u>\$1,295,000.00</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
 SCHEDULE OF INVESTMENTS OWNED
AT JUNE 30, 1968

SCHEDULE NO. 1
 (Continued)

	<u>Cost</u>	<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Par Value</u>
<u>CITIES AND TOWNS OF NEVADA</u>				
<u>SECURITIES</u>				
City of Caliente	\$ 6,000.00	\$ ---	\$ ---	\$ 6,000.00
City of North Las Vegas	198,000.00	---	---	198,000.00
City of Reno	12,000.00	---	---	12,000.00
City of Sparks	12,000.00	---	---	12,000.00
City of Winnemucca	8,858.34	---	---	8,858.34
City of Henderson	100,000.00	---	---	100,000.00
Town of Gardnerville	35,000.00	---	---	35,000.00
Total (Note No. 1)	<u>\$ 371,858.34</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 371,858.34</u>
 Grand Total	 <u>\$7,019,868.70</u>	 <u>\$27,014.68</u>	 <u>\$195,754.32</u>	 <u>\$7,188,608.34</u>

Note No. 1:

These investments were purchased in violation of Article 11, Section 3,
 of the Nevada Constitution and NRS 355.060(2).

STATE OF NEVADA
PERMANENT SCHOOL FUND
 SCHEDULE OF THE DISPOSITION OF LANDS GRANTED TO THE
 STATE OF NEVADA BY THE UNITED STATES OF AMERICA
THROUGH THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE NO. 2

	<u>Date of Grant</u>	<u>Acres Granted</u>	<u>Acres Approved</u>
<u>ACRES SELECTED BY STATE</u>			
Sixteenth & Thirty-Sixth Sections	2-26-1859	63,249.00	63,249.00
Mining & Mechanics Arts College	7- 2-1862	90,000.00	90,065.31
Indemnity (Lieu Lands)	3-21-1864	9,228.62	9,228.62
Public Buildings	3-21-1864	12,800.00	12,704.79
State Prison	3-21-1864	12,800.00	12,732.96
University Grant	7- 4-1866	46,080.00	46,062.51
Two Million Acres	6-16-1880	2,000,000.00	2,000,005.50
Internal Improvement	9- 4-1841	500,000.00	499,998.50
Totals		<u>2,734,157.62</u>	<u>2,734,047.19</u>
<u>Less: Adjustments</u>			
State Approved Acreage Lost Due to Selection of Double Minimum Lands (Central Pacific Railroad Grant Lands)		(99,801.96)	
Section 8, Taylor Grazing Act Acreage Lost Due to Equal Value Exchange		(403.89)	
Exchange Grant, 6-8-26-Acres to be Selected		(90.29)	
Acreage Discrepancies in the Original Clear List of Land Grants		<u>(107.68)</u>	<u>(100,403.82)</u>
Total Acres Selected by the State of Nevada			2,633,643.37
<u>LAND WITHDRAWALS BY STATE</u>			
Humboldt County - Act of 1936 (Chapt. 69)		(40.00)	
Rye Patch Reservoir		(1,519.13)	
State Highway Dept. - Gravel Pit - Act of 1935		(40.00)	
State Parks - Act of 1935		(9,249.75)	
State Prison - Act of 1963		(80.00)	
State Building & Grounds - Act of 1965		<u>(20.00)</u>	<u>(10,948.88)</u>
<u>ACRES AVAILABLE FOR SALE</u>			2,622,694.49
<u>SALE OF LANDS AND LANDS PENDING LEGAL ACTION</u>			
Acres Sold & Patented as of June 30, 1968		(2,585,442.55)	
Land Contracts of Sale as of June 30, 1968:			
School Land Contracts		(33,625.81)	
Mining College Land Contracts		(240.00)	
State Lands Pending Legal Action		<u>(680.00)</u>	<u>(2,619,988.36)</u>
<u>NUMBER OF ACRES OF OPEN STATE LANDS, JUNE 30, 1968</u>			<u>2,706.13</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
 SCHEDULE OF ADJUSTMENTS REQUIRED FOR UNRECORDED TRANSACTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE NO. 3

	<u>Balances Per</u> <u>Controller's</u> <u>Records</u>	<u>Adjustments</u> <u>Required for</u> <u>Unrecorded</u> <u>Transactions</u>	<u>Adjusted</u> <u>Balances</u> <u>June 30, 1968</u>
<u>ASSETS</u>			
CASH DEPOSITED WITH STATE TREASURER	<u>\$214,196.94</u>	<u>\$ ---</u>	<u>\$ 214,196.94</u>
INVESTMENTS:			
Bonds - Par Value	\$ ---	\$7,188,608.34	\$7,188,608.34
Unamortized Premium on Bonds	---	27,014.68	27,014.68
Less: Unamortized Discounts on Bonds	---	<u>(195,754.32)</u>	<u>(195,754.32)</u>
Total Cost of Investments	<u>\$ ---</u>	<u>\$7,019,868.70</u>	<u>\$7,019,868.70</u>
LAND CONTRACTS RECEIVABLE	<u>\$ ---</u>	<u>\$ 43,714.06</u>	<u>\$ 43,714.06</u>
UNENCUMBERED SCHOOL LAND			
2,706.13 Acres - Cost	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
Total Assets	<u><u>\$214,196.94</u></u>	<u><u>\$7,063,582.76</u></u>	<u><u>\$7,277,779.70</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Due to Distributive School Fund	\$ ---	\$ 94,734.89	\$ 94,734.89
Due to Surety Bond Trust Fund	---	18,185.39	18,185.39
Total Liabilities	<u>\$ ---</u>	<u>\$ 112,920.28</u>	<u>\$ 112,920.28</u>
FUND BALANCE - PER EXHIBIT B	<u>\$214,196.94</u>	<u>\$6,950,662.48</u>	<u>\$7,164,859.42</u>
Total Liabilities and Fund Balance	<u><u>\$214,196.94</u></u>	<u><u>\$7,063,582.76</u></u>	<u><u>\$7,277,779.70</u></u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

NEVADA CONSTITUTION

Article 11, Section 3, of the Nevada Constitution provides for an irreducible trust composed of certain proceeds from which the interest only shall be used for educational purposes. Chapter 32, Statutes of Nevada, 1956, defined this trust as the Permanent School Fund.

PRINCIPAL - DEFINITION AND SOURCE

	<u>N.R.S.</u>
1. a. All monies accruing to the state from the sale of lands given or bequeathed for public school purposes.	387.010
b. All fines collected under the penal laws of the state.	
c. All estates which may escheat to the state.	
2. Excess income of Protestant Episcopal Churches.	82.380
3. Surplus on sale of unclaimed freight to pay charges of common carriers and warehousemen.	108.430
4. Surplus on sale of property to pay charges of bailees for hire.	108.460
5. Escheated moneys.	154.140
6. Fees of state land register.	321.065
7. Portion of gross receipts from toll roads and bridges.	416.060
8. Banks - Penalties for failure to make reports.	665.060

INTEREST

The interest received on the investments owned by the Permanent School Fund is deposited in the Distributive School Fund.

STATUTORY RESPONSIBILITIES

The responsibilities for the administration of the Permanent School Fund are defined as follows:

<u>N.R.S.</u>	<u>State Officer or Agency</u>	<u>Fund Responsibility</u>
321.010	Land Office	Collection of proceeds from sale of state lands.
355.050	Board of Finance	Investment of funds.
387.015	State Treasurer	Custodian of the securities.
387.035	State Controller	Maintain separate and distinct accounting records.

ACCOUNTING RECORDS AND PROCEDURES

ACCOUNTING RESPONSIBILITY

The responsibility for maintaining the accounting records for the Permanent School Fund is defined and assigned to the State Controller. NRS 387.035 requires the State Controller to keep a separate and distinct account of the following:

1. The state Permanent School Fund.
2. The interest and income of the state Permanent School Fund.
3. All monies derived from special appropriations or otherwise for the support of public schools.

INADEQUATE ACCOUNTING RECORDS

Our examination disclosed the following serious deficiencies in the accounting records for the Permanent School Fund:

1. The Permanent School Fund is not accounted for as a separate trust fund.
2. Proper and complete accounting for the assets, liabilities, and fund balance is non-existent. Schedule No. 3 reflects the values listed below, which were unrecorded at June 30, 1968:

	<u>Unrecorded Transactions</u>
Assets	<u>\$7,063,582.76</u>
Liabilities	<u>\$ 112,920.28</u>
Fund Balance	<u>\$6,950,662.48</u>

3. The accounting for cash receipts is incorrect and incomplete.
4. The accounting for investment transactions is incorrect and incomplete.

RECOMMENDATIONS

We recommend that:

1. The State Controller establish and maintain, on a current basis, a proper and complete accounting system for the Permanent School Fund, as described in Appendix A of this report.

2. NRS 387 be amended to add the following requirement:

The State Controller shall prepare quarterly, a complete financial report of the Permanent School Fund. A copy of this report shall be submitted to the State Board of Finance and to the Fiscal and Audit Division of the Legislative Counsel Bureau.

3. The Funds Consolidation Law, NRS 353.290 - 353.374, be amended to provide proper and complete definitions for fund accounting for the State of Nevada.

FINANCIAL CONDITION

UNINVESTED CASH - \$214,196.94

At June 30, 1968, cash in the amount of \$214,196.94 was not invested. Whenever there is a sufficient amount of money for investment, the State Board of Finance is required to proceed to negotiate for the investment of the same.

The following analysis reflects the balance of the uninvested cash on hand at the end of each month during the fiscal year ended June 30, 1968:

<u>Month</u>	<u>Uninvested Cash at End of Month</u>
July, 1967	\$305,328
August	\$122,863
September	\$119,240
October	\$123,240
November	\$186,589
December	\$186,589
January, 1968	\$241,737
February	\$124,069
March	\$186,769
April	\$194,290
May	\$205,288
June	\$214,196

The State Controller is required to notify the State Board of Finance quarterly as to the cash balance in the Permanent School Fund. This has not been done for the past two years.

RECOMMENDATIONS

We recommend that:

1. NRS 355.060(1) be amended to read as follows:

"Monthly, the state controller shall notify the state board of finance of the amount of uninvested money in the state permanent school fund."

2. The State Board of Finance maintain the maximum level of investment of moneys for the benefit of the Distributive School Fund as required by law.

UNAUTHORIZED INVESTMENTS - \$1,671,460.52

Investments costing \$1,671,460.52, which were acquired between 1952 and 1961, were purchased in violation of Article 11, Section 3, of the Nevada Constitution, and of NRS 355.060(2).

These unauthorized investments, which are reported in Schedule No. 1, are listed below:

	<u>Cost</u>
Nevada School Districts' Securities	\$1,299,602.18
Cities and Towns of Nevada Securities	<u>371,858.34</u>
Total Unauthorized Investments	<u><u>\$1,671,460.52</u></u>

A copy of the Legislative Counsel's legal opinion is included in Appendix B.

EARNINGS ON INVESTMENTS

The following schedule illustrates the percentage of interest received to the average amount of the Permanent School Fund's investments during the past five fiscal years.

	<u>Fiscal Year Ending June 30</u>				
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<u>FEDERAL SECURITIES</u>					
Average Principal Invested	\$2,444,712	\$2,782,680	\$3,325,890	\$3,867,391	\$4,234,310
Interest Receipts	45,613	88,624	154,241	162,334	188,562
Percentage	1.9%	3.2%	4.6%	4.2%	4.5%
<u>STATE & LOCAL GOVERNMENT BONDS</u>					
Average Principal Invested	\$3,232,730	\$3,140,233	\$2,959,176	\$2,777,806	\$2,603,906
Interest Receipts	112,724	115,662	110,765	105,033	99,035
Percentage	3.5%	3.7%	3.7%	3.8%	3.8%
<u>COMBINED</u>					
Average Principal Invested	\$5,677,442	\$5,922,913	\$6,285,066	\$6,645,197	\$6,838,216
Interest Receipts	158,337	204,286	265,006	267,367	287,597
Percentage	2.8%	3.4%	4.2%	4.0%	4.2%

The amounts reported as interest received represent the actual interest received during a fiscal year and not the actual interest earned. The recommended accounting system described in Appendix A provides for the recording of interest in the same period that it is earned.

Earnings on investments of the Permanent School Fund are deposited into the Distributive School Fund as provided for by law.

LAND CONTRACTS OF SALE - \$43,714.06

The balance of the unpaid principal on contracts of sale for 33,625.81 acres of land was \$43,714.06 at June 30, 1968.

Schedule No. 2 reflects the disposition of the lands granted to the State of Nevada by the Federal Government. The number of acres of open state lands at June 30, 1968 was 2,706.13. The 1965 Legislature passed a moratorium on sale, lease, or exchange of state lands. The future disposition of this land is dependent upon studies by the State Committee on Federal Land Laws.

LIABILITIES

We reviewed the Permanent School Fund's investment transactions and found that the below-described transactions were recorded erroneously.

Due to Surety Bond Trust Fund - \$18,185.39

Interest and principal payments from Carson City on its emergency loan note dated March 22, 1963, were deposited into the Permanent School Fund in error on July 23, 1965.

Principal	\$17,616.52
Interest	<u>568.87</u>
Due to Surety Bond Trust Fund	<u>\$18,185.39</u>

RECOMMENDATION

We recommend that funds in the amount of \$18,185.39 be transferred from the Permanent School Fund to the Surety Bond Trust Fund.

Due to Distributive School Fund - \$94,734.89

Distributive School Fund receipts deposited
in error to Permanent School Fund:

- | | | |
|--|--|--------------|
| 1. Discounts earned on investments
sold 7/63 - 6/68 | | \$163,445.15 |
|--|--|--------------|

Permanent School Fund receipts deposited in
error to Distributive School Fund:

- | | | |
|---|------------------|---------------------|
| 2. Accrued interest purchased -
currently-held bonds | \$ 3,971.48 | |
| 3. Interest received on land
contracts, 7/63 - 6/68 | 20,166.16 | |
| 4. State's 5% share of proceeds from
sale of federal lands, 1965, 1967 | <u>44,572.62</u> | <u>68,710.26</u> |
| Total Due to Distributive School Fund | | <u>\$ 94,734.89</u> |

Explanation

1. Securities are frequently purchased at a discount. This discount represents interest income and should be recorded accordingly.
2. Accrued interest paid for at the time a bond is acquired should be offset against the first interest payment received, as it is a recovery of principal invested.
3. Interest received by the State from land contracts of sale has consistently been deposited in error to the Distributive School Fund. We have been advised by the Legislative Counsel that such interest should be deposited in the Permanent School Fund, as it represents proceeds from the sale of land pursuant to Article 11, Section 3, of the Nevada Constitution and NRS 321.160. A copy of this opinion is included in Appendix B.
4. Pursuant to Article 11, Section 3, of the Nevada Constitution, the State's 5% share should be deposited to the Permanent School Fund.

RECOMMENDATIONS

We recommend that:

1. Funds in the amount of \$94,734.89 be transferred from the Permanent School Fund to the Distributive School Fund.
2. Investment transactions of the Permanent School Fund be recorded in accordance with generally accepted accounting principles and applicable State laws.

STATE OF NEVADA
PERMANENT SCHOOL FUND
 APPENDIX A
 RECOMMENDED ACCOUNTING SYSTEM

GENERAL

The accounting records required to accommodate the fund's assets and operations should include a general ledger composed of the following accounts:

<u>Title</u>	<u>Normal Balance</u>
Cash in State Treasury	Dr
Investments	Dr
Unamortized Premium on Investments	Dr
Unamortized Discount on Investments	Cr
School Land Contracts	Dr
Distributive School Fund	Cr
Liabilities	Cr
Fund Balance	Cr
District Court Fines	Cr
Justice Court Fines	Cr
Land Office Fees	Cr
State's 5% Share of Federal Land Sales	Cr
Interest on School Land Contracts	Cr
Other Income	Cr

All entries to the accounts would be on the double-entry method of accounting.

OPENING ENTRIES, JULY 1, 1968

The entries required to set up the general ledger as of July 1, 1968, are as follows:

	<u>Debit</u>	<u>Credit</u>
1. CASH IN STATE TREASURY	\$ 214,196.94	
FUND BALANCE		\$ 214,196.94
To record cash deposited with State Treasurer at June 30, 1968.		
2. INVESTMENTS	\$7,188,608.34	
UNAMORTIZED PREMIUMS ON INVESTMENTS	27,014.68	
UNAMORTIZED DISCOUNTS ON INVESTMENTS		\$ 195,754.32
FUND BALANCE		7,019,868.70
To record investments owned at June 30, 1968.		

	<u>Debit</u>	<u>Credit</u>
3. LAND CONTRACTS RECEIVABLE	\$ 43,714.06	
FUND BALANCE		\$ 43,714.06
To record land contracts in force at June 30, 1968.		
4. FUND BALANCE	\$ 112,920.28	
DUE TO DISTRIBUTIVE SCHOOL FUND		\$ 94,734.89
DUE TO SURETY BOND TRUST FUND		18,185.39
To record liabilities at June 30, 1968.		

PAYMENT OF LIABILITIES

The following entry would be required to be made when the Permanent School Fund's liabilities are settled:

	<u>Debit</u>	<u>Credit</u>
DUE TO DISTRIBUTIVE SCHOOL FUND	\$ 94,734.89	
DUE TO SURETY BOND TRUST FUND	18,185.39	
CASH IN STATE TREASURY		\$ 112,920.28
To record payment of money due to other funds.		

FUND TRANSACTION ENTRIES

Typical entries required to record the various transactions of the Permanent School Fund are as follows:

	<u>Debit</u>	<u>Credit</u>
.1. LAND CONTRACTS RECEIVABLE	\$ XX	
FUND BALANCE		\$ XX
To record new land contracts let by the Division of State Lands. (The subsidiary records should also be posted with the detailed information.)		
2. CASH IN STATE TREASURY	\$ XX	
DISTRICT COURT FINES		\$ XX
JUSTICE COURT FINES		XX
LAND OFFICE FEES		XX
STATE'S 5% SHARE OF FEDERAL LAND SALES		XX
INTEREST ON SCHOOL LAND CONTRACTS		XX
OTHER INCOME		XX
LAND CONTRACTS RECEIVABLE (principal pmt.)		XX
To record receipt of funds deposited in State Treasury.		

	<u>Debit</u>	<u>Credit</u>
3. INVESTMENTS	\$ 100,000	
UNAMORTIZED DISCOUNT		\$ 1,000
CASH IN STATE TREASURY		99,000
To record purchase of Investment "A", interest - 6%, payable annually, due in 10 years, at a discount.		
4. INTEREST RECEIVABLE	\$ 6,000	
UNAMORTIZED DISCOUNT	100	
DUE TO DISTRIBUTIVE SCHOOL FUND		\$ 6,100
To record annual interest earned and to amortize 1/10 of the discount on Investment "A".		
5. DUE TO DISTRIBUTIVE SCHOOL FUND	\$ 6,000	
INTEREST RECEIVABLE		\$ 6,000
To record receipt of annual interest due on Investment "A", which was deposited into the Distributive School Fund.		
6. CASH IN STATE TREASURY	\$ 99,000	
DUE TO DISTRIBUTIVE SCHOOL FUND	1,000	
INVESTMENTS		\$ 100,000
To record redemption of Investment "A" at the end of 10 years. \$1,000 was deposited into the Distributive School Fund.		
7. INVESTMENT	\$ 200,000	
UNAMORTIZED PREMIUM	2,000	
CASH IN STATE TREASURY		\$ 202,000
To record purchase of Investment "B", interest at 6%, payable annually, due in 10 years, at a premium.		
8. INTEREST RECEIVABLE	\$ 12,000	
UNAMORTIZED PREMIUM		\$ 200
DUE TO DISTRIBUTIVE SCHOOL FUND		11,800
To record annual interest earned and to amortize 1/10 of the premium on Investment "B".		

	<u>Debit</u>	<u>Credit</u>
9. CASH IN STATE TREASURY	\$ 200	
DUE TO DISTRIBUTIVE SCHOOL FUND	11,800	
INTEREST RECEIVABLE		\$ 12,000
To record receipt of annual interest due on Investment "B". \$11,800 was deposited into the Distributive School Fund.		
10. CASH IN STATE TREASURY	\$ 200,000	
INVESTMENTS		\$ 200,000
To record redemption of Investment "B" at the end of 10 years.		

CLOSING ENTRY AT END OF FISCAL YEAR

	<u>Debit</u>	<u>Credit</u>
1. DISTRICT COURT FINES	\$ XX	
JUSTICE COURT FINES	XX	
LAND OFFICE FEES	XX	
STATE'S 5% SHARE OF FEDERAL LAND SALES	XX	
INTEREST ON SCHOOL LAND CONTRACTS	XX	
OTHER INCOME	XX	
FUND BALANCE		\$ XX
To close nominal accounts at the end of the fiscal year.		

SALE OF INVESTMENTS PRIOR TO MATURITY DATE

If an investment is sold prior to the maturity date, the journal entry to record the transaction will have to dispose of the balance of the unamortized discount or premium.

SUBSIDIARY RECORDS

There should be a separate subsidiary record for each land contract receivable and a control account which should agree at all times with the general ledger land contracts receivable account balance. Also, there should be a separate subsidiary record for each investment and a control account which should agree at all times with the general ledger investment accounts balances.

Initially, all entries to the accounts will be journalized. Therefore, some two-column accounting work paper should be placed in the front of the general ledger on which the journal entries can be written. The following registers should be developed in which the daily transactions could be recorded, necessitating posting to the general ledger only monthly:

1. Cash receipts and disbursements
2. Investment transactions
3. Sources of revenue
4. Claims filed

STATE OF NEVADA
PERMANENT SCHOOL FUND
APPENDIX B
LEGAL OPINIONS OF THE LEGISLATIVE COUNSEL

Unauthorized Investments.....Appendix B - Page 2

Disposition of Interest Received
from Land Contracts of Sale.....Appendix B - Page 5

(TRUE COPY)

December 9, 1968

Mr. Robert E. Bruce, Fiscal Analyst
Capitol Building, Room 57
Carson City, Nevada 89701

Dear Bob:

You have requested the opinion of the Legislative Counsel concerning certain bonds now held as assets of the state permanent school fund. These are bonds issued by cities, towns and school districts, whereas NRS 355.060, in conformity with section 3 of article 11 of the Nevada constitution, authorizes investments in bonds of counties (but mentions no other political subdivisions) of this state. The list prescribed the statute is exclusive. State v. Baker, 8 Nev. 141 (1872); In the Matter of Arascada, 44 Nev. 30, 189 Pac. 619 (1920). Therefore, the bonds about which you inquire are not authorized investments of the state permanent school fund. We fully agree with the opinion of Attorney General Mashburn, AGO 362M (10-16-1942).

You point out that the first of the present such investments seems to have been made in 1952, and submit an excerpt of the minutes of the state board of finance for February 25, 1952, approving the purchase of this item from "the Public School Teachers Permanent Fund." This fund existed on that date pursuant to sections 362 and 363 of chapter 63, Statutes of Nevada 1947, and constituted a retirement fund for public school teachers. NRS 286.380 and 391.360, read in conjunction, indicate a process of gradual integration of the public school teachers' retirement system into the public employees' retirement system which was not complete on February 25, 1952, or

Mr. Robert E. Bruce, Fiscal Analyst
December 9, 1968
Page 2

on March 2, 1956. Neither these statutes nor any other general and permanent law indicates any connection between the public school teachers' permanent fund and the state permanent school fund.

You next inquire whether the state board of finance may retain such unauthorized investments in the state permanent school fund. We first note that the legislature could not ratify the making of these investments, because its power is limited by Nev. Art. 11, section 3. See Lake v. Lake, 17 Nev. 230, 30 Pac. 878 (1882); King v. Board of Regents, 65 Nev. 533, 200 P.2d 221 (1948).

We have found no reported cases, from this or any other jurisdiction, which deal with the retention of unauthorized investments in a public fund. There is, however, a close analogy in the situation of a private trustee who finds himself holding an asset not legal in his state for investment by a trustee and not sanctioned by any provision of his particular trust. The rule in this situation is clear and unanimous: the trustee must dispose of any asset which he could lawfully purchase as a new investment. Clark v. Clark, 167 Ga. 1, 144 S.E. 787 (1928); McInnes V. Whitman, 313 Mass. 19, 46 N.E.2d 527 (1943); In re Taylor's Estate, 277 Pa. 518, 121 Atl. 310 (1923); In re Léitsch's Will, 185 Wis. 257, 201 N.W. 284 (1924). See also Nelligon v. Long, 320 Mass. 429, 70 N.E.2d 175 (1946). We conclude, therefore, that the state board of finance has a duty to sell the unauthorized investments which you have listed, unless in fact any of them belongs to another fund and may be exchanged for an authorized investment.

The decisions speak, however, in terms of "a reasonable time." In re Taylor's Estate, *supra*; Nelligon v. Long, *supra*. We suggest, therefore, that in the case of those several groups of bonds which mature entirely within 2 or 3 years, there would be no impropriety

Mr. Robert E. Bruce, Fiscal Analyst
December 9, 1968
Page 3

in holding them to maturity. Likewise, we do not perceive any requirement of law for any immediate sale in the present state of the bond market. The trustee is expected to exercise "normally good judgment." In re Taylor's Estate, supra.

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

By /s/ Frank W. Daykin
Frank W. Daykin
Chief Deputy

FWD:ab

(TRUE COPY)

September 24, 1968

Mr. Robert E. Bruce, Fiscal Analyst
Capitol Building, Room 57
Carson City, Nevada 89701

Dear Bob:

You have requested the opinion of this office concerning the proper disposition of the interest on the proceeds of funds derived from the sale of lands that have been granted to the State of Nevada by the United States.

Article 11, section 3, of the Nevada constitution provides that all proceeds of lands that have been or may hereafter be granted or appropriated by the United States to this state are solemnly pledged for educational purposes.

The Nevada supreme court in State v. Westerfield, 23 Nev. 468, at page 471, had occasion to construe the aforementioned constitutional provision. The supreme court adopted the holding of State v. Rhoades, 4 Nev. 312, that the legislature is prohibited from using the funds arising from the sale of lands which were granted for educational purposes for any other branch of state expenditure, except that immediately connected with the educational system, and broadened such ruling by making it applicable to all moneys arising from the proceeds from the several sources named in the constitutional provision, whether it be principal or interest.

Therefore, it appears that state officers have a constitutional mandate to place the interest received from the land contracts to which you refer in the permanent school fund.

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

By /s/ Grant Davis
Grant Davis
Deputy Legislative Counsel

GD:ehb

Appendix B - Page 5

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

LEGISLATIVE COUNSEL BUREAU
ROBERT E. BRUCE, FISCAL ANALYST
CARSON CITY, NEVADA

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Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Distributive School Fund for the fiscal year June 30, 1968, and have prepared therefrom the following exhibits and schedules:

Statement of Financial Condition,
June 30, 1968..... Exhibit A

Statement of Revenues and Disbursements
and Change in Fund Balance for the
Fiscal Year Ended June 30, 1968..... Exhibit B

Schedule of Final Adjustment for
Apportionment to County School
Districts for the Fiscal Year
Ended June 30, 1968..... Schedule 1

Schedule of Apportionments to County
School Districts for the Fiscal Year
Ended June 30, 1968..... Schedule 2

Schedule of Overpayment or (Underpayment)
Resulting from Final Adjustment of
Apportionment to County School Districts
for the Fiscal Year Ended June 30, 1968..... Schedule 3

Scope of Examination

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not examine the daily attendance records of the county school districts.

Denial of Opinion

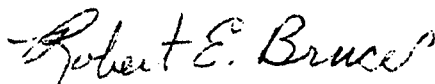
The accounting records of the Distributive School Fund are maintained on a cash basis of accounting. This is not in accordance with generally accepted principles of accounting, which for governmental general fund operations is the use of the modified accrual basis of accounting.

The accounting records of the Distributive School Fund consist of a listing of cash receipts and disbursements. A general ledger is not maintained. The following items were not accounted for:

1. Assets
2. Liabilities
3. Fund Balance

Because of the lack of accounting records, we had to develop a material amount of the accounting records in order to prepare the accompanying financial statements, and we are unable to express an independent opinion as to the fairness of the accompanying financial statements of the Distributive School Fund for the fiscal year ended June 30, 1968.

Respectfully submitted,



Robert E. Bruce, C.P.A.
Fiscal Analyst

December 27, 1968
Carson City, Nevada

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH DEPOSITED WITH STATE TREASURER		\$ 259,128.00
ACCOUNTS RECEIVABLE		
Due from County School Districts - Schedule No. 1	\$ 27,333.96	
Due from General Fund	71,762.82	
Due from Permanent School Fund	94,734.89	
Due from Local School Support Tax Fund	164,980.15	
Due from Federal Government	<u>235,189.59</u>	
Total Accounts Receivable		594,001.41
ACCRUED INTEREST RECEIVABLE		<u>181,385.44</u>
Total Assets		<u>\$1,034,514.85</u>

LIABILITIES AND FUND BALANCE

ACCOUNTS PAYABLE		
Due to County School Districts - Schedule No. 1	\$ 477,888.52	
FUND BALANCE - EXHIBIT B		<u>556,626.33</u>
Total Liabilities and Fund Balance		<u>\$1,034,514.85</u>

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
STATEMENT OF REVENUES AND DISBURSEMENTS AND
CHANGE IN FUND BALANCE PREPARED ON THE CASH BASIS
AND MODIFIED ACCRUAL BASIS OF ACCOUNTING
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

	<u>Cash Basis</u>	Adjustments Required for Modified <u>Accrual Basis</u>	Modified <u>Accrual Basis</u>
<u>REVENUES</u>			
General Fund Appropriations:			
Basic School Support	\$29,378,987.96	\$ ---	\$29,378,987.96
School Construction Relief	259,128.00	---	259,128.00
Ormsby County School District Support	72,000.00	---	72,000.00
Total Appropriations	<u>\$29,710,115.96</u>	<u>\$ ---</u>	<u>\$29,710,115.96</u>
Local School Support Tax - Out- of-State Sales	401,077.13	164,980.15	566,057.28
Interest from Investments of the Permanent School Fund	221,065.74	82,377.62	303,443.36
Percentum Mineral Land Lease Fees	<u>321,878.01</u>	<u>41,603.57</u>	<u>363,481.58</u>
Total Revenues	<u>\$30,654,136.84</u>	<u>\$288,961.34</u>	<u>\$30,943,098.18</u>
<u>DISBURSEMENTS</u>			
Apportionments to County School Districts - Schedule No. 1	\$30,396,674.00	\$276,304.56	\$30,672,978.56
Conference Expenses	<u>998.00</u>	<u>---</u>	<u>998.00</u>
Total Disbursements	<u>\$30,397,672.00</u>	<u>\$276,304.56</u>	<u>\$30,673,976.56</u>
<u>FUND BALANCE - BEGINNING OF FISCAL YEAR</u>	<u>\$ ---</u>	<u>\$287,504.71</u>	<u>\$ 287,504.71</u>
<u>FUND BALANCE - JUNE 30, 1968</u>	<u>\$ 256,464.84</u>	<u>\$300,161.49</u>	<u>\$ 556,626.33</u>

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
 SCHEDULE OF FINAL ADJUSTMENT FOR APPORTIONMENT
 TO COUNTY SCHOOL DISTRICTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE NO. 1

<u>COUNTY SCHOOL DISTRICTS</u>	<u>Balance, June 30, 1968</u> <u>Due to</u> <u>County</u>	<u>Due from</u> <u>County</u>	<u>Total</u>
Churchill	\$	\$ 11,697.48	\$ (11,697.48)
Clark	17,253.38	---	17,253.38
Douglas	2,248.06	---	2,248.06
Elko	---	14,115.32	(14,115.32)
Esmeralda	---	8,810.81	(8,810.81)
Eureka	---	---	---
Humboldt	---	20,950.59	(20,950.59)
Lander	---	8,317.32	(8,317.32)
Lincoln	---	8,976.32	(8,976.32)
Lyon	7,413.64	---	7,413.64
Mineral	---	1,115.72	(1,115.72)
Nye	---	23,937.94	(23,937.94)
Ormsby	418.88	---	418.88
Pershing	---	5,998.26	(5,998.26)
Storey	---	1,240.85	(1,240.85)
Washoe	---	354,413.24	(354,413.24)
White Pine	---	18,314.67	(18,314.67)
Totals	<u>\$27,333.96</u>	<u>\$477,888.52</u>	<u>\$(450,554.56)</u>

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
 SCHEDULE OF APPORTIONMENTS TO COUNTY SCHOOL DISTRICTS
 PREPARED ON THE CASH BASIS AND MODIFIED ACCRUAL BASIS OF ACCOUNTING
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE NO. 2

<u>COUNTY SCHOOL DISTRICTS</u>	<u>Cash Basis</u>	Adjustments Required for <u>Modified</u> <u>Accrual Basis</u>	<u>Modified</u> <u>Accrual Basis</u>
Churchill	\$ 870,179.00	\$ 11,387.48	\$ 881,566.48
Clark	17,489,893.00	(132,593.38)	17,357,299.62
Douglas	55,045.00	4,336.94	59,381.94
Elko	982,730.00	(134.68)	982,595.32
Esmeralda	23,594.00	8,405.81	31,999.81
Eureka	---	---	---
Humboldt	442,281.00	20,350.59	462,631.59
Lander	167,543.00	8,067.32	175,610.32
Lincoln	418,850.00	8,376.32	427,226.32
Lyon	721,441.00	(7,913.64)	713,527.36
Mineral	732,981.00	(2,144.28)	730,836.72
Nye	399,450.00	11,537.94	410,987.94
Ormsby	1,356,255.00	(558.88)	1,355,696.12
Pershing	143,481.00	5,498.26	148,979.26
Storey	32,490.00	1,240.85	33,730.85
Washoe	5,686,852.00	329,783.24	6,016,635.24
White Pine	<u>873,609.00</u>	<u>10,664.67</u>	<u>884,273.67</u>
Total Apportionments to County School Districts	<u>\$30,396,674.00</u>	<u>\$276,304.56</u>	<u>\$30,672,978.56</u>

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
 SCHEDULE OF OVERPAYMENT OR (UNDERPAYMENT) RESULTING FROM
 FINAL ADJUSTMENT OF APPORTIONMENT TO COUNTY SCHOOL DISTRICTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE NO. 3

<u>COUNTY SCHOOL DISTRICTS</u>	Balance 6/30/68 Overpayment (Underpayment) Per Schedule No. 1	Actual Payment 11/7/68	<u>Balance-November 7, 1968</u>	
			Due from Counties	Due to Counties
Churchill	\$ (11,697.48)	\$ 15,968.90	\$ 4,271.42	\$ ---
Clark	17,253.38	90,039.80	107,293.18	---
Douglas	2,248.06	---	2,248.06	---
Elko	(14,115.32)	13,062.20	---	1,053.12
Esmeralda	(8,810.81)	11,540.90	2,730.09	---
Eureka	---	---	---	---
Humboldt	(20,950.59)	18,377.00	---	2,573.59
Lander	(8,317.32)	7,468.00	---	849.32
Lincoln	(8,976.32)	12,289.20	3,312.88	---
Lyon	7,413.64	---	7,413.64	---
Mineral	(1,115.72)	1,251.40	135.68	---
Nye	(23,937.94)	24,660.40	722.46	---
Ormsby	418.88	8,178.30	8,597.18	---
Pershing	(5,998.26)	5,926.40	---	71.86
Storey	(1,240.85)	---	---	1,240.85
Washoe	(354,413.24)	271,204.80	---	83,208.44
White Pine	<u>(18,314.67)</u>	<u>20,225.00</u>	<u>1,910.33</u>	<u>---</u>
Totals	<u>\$ (450,554.56)</u>	<u>\$500,192.30</u>	<u>\$138,634.92</u>	<u>\$88,997.18</u>

STATE OF NEVADA
DISTRIBUTIVE SCHOOL FUND
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

In 1967 the Legislature amended NRS 387 by establishing the formula known as the "Nevada Plan" for apportioning available state money to the school districts.

ACCOUNTING PROCEDURES

It appears that the Funds Consolidation Law, NRS 353.290 - 353.374, is in conflict with NRS 387 regarding legal requirements of fund accounting.

RECOMMENDATION

We recommend that NRS 353.290 - 353.374 and NRS 387 be amended to eliminate the apparent conflict.

FINANCIAL CONDITION

ACCOUNTS RECEIVABLE

Due from County School Districts - \$27,333.96

At June 30, 1968, the State had disbursed \$27,333.96 in excess of the amount required by the Nevada Plan. Schedule No. 1 lists the amounts of overpayments to the individual counties.

Douglas County School District was overpaid by the amount of \$2,248.06.

Due from General Fund - \$71,762.82

The Federal Government withheld \$71,762.82 from the amount due the State for the fiscal year 1966-67 for its share of bonuses, royalties, and rentals under the Mineral Leasing Act of 2/25/20. The reason for withholding this amount was to effect collection of an overpayment on a disaster agreement between the State and Federal Government regarding Lander County Project.

We believe that the amount of the withholding, \$71,762.82, should have been charged to the General Fund Surplus account and the Distributive School Fund account should have been credited with the full amount due it of \$128,291.99, instead of only \$56,529.17.

RECOMMENDATION

We recommend that the Superintendent of Public Instruction request that \$71,762.82 be transferred to the Distributive School Fund from the General Fund.

Due from Permanent School Fund - \$94,734.89

Distributive School Fund receipts deposited
in error to Permanent School Fund:

- | | |
|--|--------------|
| 1. Discounts earned on Investments
sold 7/63 - 6/68 | \$163,445.15 |
|--|--------------|

Permanent School Fund receipts deposited in
error to Distributive School Fund:

- | | | |
|---|------------------|---------------------|
| 2. Accrued interest purchased -
currently-held bonds | \$ 3,971.48 | |
| 3. Interest received on land
contracts, 7/63 - 6/68 | 20,166.16 | |
| 4. State's 5% share of proceeds from
sale of federal lands, 1965, 1967 | <u>44,572.62</u> | <u>68,710.26</u> |
| Total Due to Distributive School Fund | | <u>\$ 94,734.89</u> |

Explanation

1. Securities are frequently purchased at a discount. This discount represents interest income and should be recorded accordingly.
2. Accrued interest paid for at the time a bond is acquired should be offset against the first interest payment received, as it is a recovery of principal invested.
3. Interest received by the State from land contracts of sale has consistently been deposited in error to the Distributive School Fund. We have been advised by the Legislative Counsel that such interest should be deposited in the Permanent School Fund, as it represents proceeds from the sale of land pursuant to Article 11, Section 3, of the Nevada Constitution and NRS 321.160.
4. Pursuant to Article 11, Section 3, of the Nevada Constitution, the State's 5% share should be deposited to the Permanent School Fund.

Due from Local School Support Tax Fund - \$164,980.15

The amount of local school support tax earned for the quarter ended June 30, 1968, which was deposited to the Distributive School Fund in September, 1968, was \$164,980.15.

Due from Federal Government - \$235,189.59

The amount of percentum mineral land lease fees earned for the six-months period ended June 30, 1968, which was deposited in August, 1968, was \$235,189.59.

ACCRUED INTEREST RECEIVABLE - \$181,385.44

The amount of interest earned at June 30, 1968 on the investments owned by the Permanent School Fund, which had not been deposited into the Distributive School Fund, was \$181,385.44.

ACCOUNTS PAYABLE

Due to County School Districts - \$477,888.52

At June 30, 1968, the State was obligated to pay the amount of \$477,888.52 to certain counties as required by the Nevada Plan. Schedule No. 1 lists the amounts due to the individual counties.

OPERATIONS

REVENUES

The actual cash received by the Distributive School Fund during the fiscal year ended June 30, 1968 is listed below.

<u>Source</u>	<u>Type of Revenues</u>	<u>N.R.S.</u>	<u>Amount Received F/Y/E 6/30/68 (Exhibit C)</u>	<u>Percentage</u>
General Fund	Basic School Support	387.122	\$29,378,988	95.8%
	School Construction			
	Relief		259,128	.8
	Ormsby County School			
	District Support		72,000	.3
	Total Appropriations		\$29,710,116	96.9%
Local Sch. Support				
Tax Fund	1¢ Sales Tax - Out-of-	374.785		
	State Sales		401,077	1.3
Permanent School				
Fund	Interest Income from	387.020		
	Investments		221,065	.7
Federal Government	Bonuses, Royalties, &	387.065		
	Rentals from Federal			
	Leases		321,878	1.1
Total Revenues - Exhibit B			<u>\$30,654,136</u>	<u>100.0%</u>

Interest received from land contracts of sale in the amount of \$2,663.16 was deposited into the Distributive School Fund in error instead of into the Permanent School Fund.

Discounts earned on investments in the amount of \$60 were deposited into the Permanent School Fund in error instead of into the Distributive School Fund.

DISBURSEMENTS

The actual cash disbursements from the Distributive School Fund for the fiscal year ended June 30, 1968 are summarized below:

Apportionments to School Districts for Guaranteed Basic Support	\$30,317,814.00
Special Apportionment to Lincoln County School District - Per NRS 387.124(2)(f)	6,860.00
Special Appropriation for Ormsby County School District, Chapter 531, Statutes of Nevada, 1967	<u>72,000.00</u>
Total Cash Disbursements to Counties - Schedule No. 2	\$30,396,674.00
Conference Expenses	<u>998.00</u>
Total Cash Disbursements	<u>\$30,397,672.00</u>

ERROR IN COMPUTATION OF FINAL ADJUSTMENT FOR APPORTIONMENT

The Superintendent of Public Instruction is required to make a final adjustment to apportionment in the August payment of the succeeding year. On November 7, 1968, this final adjustment was paid to the county school districts. This payment resulted in a net amount of \$49,637.74 being disbursed in excess of the amount authorized by law.

Excess Disbursement to Counties - \$138,634.92

Schedule No. 3 reports the excess amounts paid to the individual counties.

Underpayment to Counties - \$88,997.18

Schedule No. 3 reports the amounts of underpayments to the individual counties.

The erroneous use of the amount of the assessed 70-cent mandatory taxes to determine the availability of local funds instead of using the amount of actual collections was the principal source of the above-described errors.

RECOMMENDATIONS

We recommend that the Superintendent of Public Instruction:

1. Adjust the next regular apportionment to the county school districts to correct the above-described errors.
2. Collect, or cause to be collected, the amount of \$2,248.06 from Douglas County School District, which represents the overpayment during the year ended June 30, 1968.
3. Use the actual amount of collections from the 70-cent mandatory taxes when calculating the availability of local funds.

DISTRIBUTIVE SCHOOL FUND
DISPOSITION OF RECOMMENDATIONS AND
SUGGESTED LEGISLATION PRESENTED IN
PRIOR AUDIT REPORT OF THE DEPARTMENT OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 1964

Audit Item <u>No.</u>	<u>Administration Recommendations</u>	No <u>Action</u>	<u>Implemented</u>	
			<u>Partially</u>	<u>Fully</u>
3.	Calculate from existing records a cost per mile factor to use in establishing transportation costs includable as basic need under the apportionment formula.	(1) X		
13.	Repeal of NRS 387.200, Subsection 3.			X

(1) This recommendation is no longer applicable, as the transportation costs were eliminated in the amended law.

Note: At a meeting held January 10, 1969, between the Superintendent of Public Instruction and the Fiscal Analyst, agreement was reached on implementation of most of the foregoing recommendations. The Superintendent's comments and exceptions are attached to this report.



BURNELL LARSON
SUPERINTENDENT OF
PUBLIC INSTRUCTION

STATE OF NEVADA

Department of Education

CARSON CITY, NEVADA 89701

January 16, 1969

Robert E. Bruce, Fiscal Analyst
Legislative Counsel Bureau
State of Nevada
Carson City, Nevada

Dear Mr. Bruce:

Your Audit Report of the Distributive School Fund for the fiscal year ended June 30, 1968, has been received and reviewed.

We find no exception with any of your findings. Rather, we express sincere appreciation for the depth to which you examined the elements and relationships of the permanent and distributive school funds.

We express the following comments regarding your recommendations:

Re: Amend Funds Consolidation Law.

No comment because it involves more than just our agency.

Re: Superintendent of Public Instruction to request that \$71,762.82 be transferred to the distributive school fund.

This action was discussed right after the action was taken by the federal government to recover its claim from Lander County. It appeared to us that unless there developed a need for a supplemental appropriation from the state general fund, the recovery from the distributive school fund was tantamount to recovery from the general fund without a need for complicating action to re-record the federal recovery. And if there would be money to revert from the distributive school fund, any transfer from the general fund would be transferred back to the general fund in the form of additional reversions.

Re: Superintendent of Public Instruction to adjust the next regular apportionment to the county school districts to correct over-payments and under-payments.

Your reference to this section of the report suggests that the adjustments actually made were erroneous. We feel the adjustments made were correct in light of the interpretation that has prevailed for twelve years as to calculation of 70¢ ad valorem tax proceeds under local availability provisions.

You have applied a different interpretation to those provisions, and we take no exception to your interpretation.

Later we will raise a doubt as to the propriety of your interpretation. We do question the good judgment of making a revised adjustment for only one of the twelve years for which local availability was calculated differently from your interpretation.

We suggest that it would be better judgment to inform all concerned about the new interpretation, and that henceforth the adjustments will be made in accordance with the new interpretation. To do so soon would enable school districts to see the possible effects on their 1969-70 budgets, which will be in effect when the next adjustments are made. To make a second adjustment for 1967-68 would be like an ex post facto application of a new law insofar as the new interpretation can be observed as a new law. Otherwise, it would appear necessary to re-calculate adjustments back to 1956-57, when the statute originally became effective.

Re: Superintendent of Public Instruction to collect, or cause to be collected, apparent over-payments to Douglas County School District.

NRS 387.124 provides that apportionments to school districts shall be computed on a yearly basis and paid quarterly, each quarterly apportionment to be made based on estimates, and subject to adjustment from time to time as the need therefor may appear. A final adjustment shall be made in the August apportionment of the succeeding year by adding or subtracting the difference between the amount paid in the previous year and the amount computed on the actual data for the previous year.

The reason for the apparent over-payment to Douglas County School District is that actual data for the year caused an apportionment computation less than the previously estimated apportionment for the year.

When it came time to subtract the difference from the succeeding year apportionment there was no apportionment due Douglas County from which subtraction could be made.

It is the contention of our agency's board that action to date regarding this situation is in complete conformance with law and that no authority exists to force return of the apparent over-payment.

Of course, if a current year apportionment were due Douglas County, some adjustment could be accomplished. The reason no apportionment is due is because local availability proceeds to Douglas County exceed guaranteed basic support.

For the prior year it was estimated that local availability would not exceed basic support, and it did not, except that the difference estimated was somewhat larger than the actual difference turned out to be.

Now that it is clear that local availability for Douglas County exceeds basic support, collection of the mandatory tax proceeds to Douglas County goes on to full extent, and the excess remains in its school fund as resources for school purposes. There is no mandate for such excess of local availability proceeds over basic support to be transferred to the state, or otherwise returned to taxpayers.

To force a return of the apparent over-payment to Douglas County last year would be very much like confiscating some of the excess of mandatory taxes collected and charged to local availability that were not realized until after full impact of the new 1 cent school support tax.

Re: Superintendent of Public Instruction to use actual collection of 70 cent mandatory taxes when calculating the availability of local funds.

We recognize a sound rationale in your interpretation of the mandate expressed in subsection (1), of subsection (b), of subsection (2), of NRS 387.124, especially because of the word "proceeds".

However, in 1966, when new personnel in the department of education became responsible for computing apportionments, it was felt that we should take no exception to the interpretation that had been made in 1956, and, accordingly, had been applied for ten years.

When subsection (d) of the same section is examined, one finds specific reference to estimating, and comparing estimates to actual, only in the area of average daily attendance.

When the 1 cent school support tax was added as an element of local availability, it must have been recognized that proceeds could not be pre-computed. Perhaps it was because of this recognition that the statute, at subsection (3) went on to specifically provide for estimating and adjusting 1 cent school support tax proceeds in determination of just this element of local availability.


Specifically, the statute calls for two adjustments to be made--one to rectify the difference between estimated and actual average daily attendance, and the other to rectify differences between estimated and actual proceeds of the 1 cent school support tax.

So we still feel there is room for doubt as to whether the statute specifically calls for a final adjustment to be made to any apportionment because the actual proceeds of the 70 cent ad valorem tax turns out to be different from the amount that must be computed before regular quarterly apportionments are made.

Over the years, it has been the practice that when the tax commission recognizes a significant change in the assessments certified for local government budgets, the department of education is notified and furnished with an amended assessed valuation, which has been used to re-compute the proceeds of the 70 cent mandatory tax.

If your interpretation is applied to making end of year adjustments, most of the differences between computed and actual proceeds from the 70 cent tax will result from collection of delinquent taxes, or non-collection of current year taxes. The second greatest difference will result from differences between estimated and actual proceeds of mines. Differences between estimated and actual collections from unsecured personal property taxes have been slight.

Sincerely,


Burnell Larson,
Superintendent of
Public Instruction

BL:ms