MINUTES OF JOINT MEETING - WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE
55th SESSION - SENATE FINANCE COMMITTEE - FEBRUARY 25, 1969

The meeting was called to order by Chairman R. Young at 8:30 A.M. in the Ways and Means Room.

Present: R. Young, Howard, Bowler, Ashworth, Webb, Jacobsen, Glaser, F. Young

Absent: Close

Present for Senate Finance: Lamb, Brown, Gibson, Titlow, Fransway, Slattery

Absent: Pozzi

Mr. Wilson McGowan, State Controller, Mr. Rudy Moreno, Deputy Controller, and Mr. Howard Barrett, Administrator, Budget Division discussed the Accounting System Project.

Also Present: Bob Bruce and Earl Oliver

Mr. McGowan stated that we are asking for $500,000 to design and implement a financial accounting system which will produce proper budgetary controls and financial information which is needed to improve management of the States Finances. The objectives will be:

1. To eliminate duplication.
2. To provide internal controls.
3. To provide more information.
4. To provide better information.
5. To provide better access to information.
6. To integrate the total financial system.

The system must also provide for multiple-reporting for those agencies requiring this feature.

Mr. McGowan would like to propose an amendment to S.B. 93, Section 8, Subsection 3: That the Committee be enlarged to include the State Treasurer and the amount be revised to $500,000.

Mr. Barrett stated that he thought we should have a department of Finance. However, the accounting system has to be organized to follow the Constitution.

Mr. Bob Bruce commented on the accounting system and said that the personnel from the Controllers office, Fiscal Analyst's office, Treasure's office, and Department of Administration would have to work together. If one agency takes this project there will be an additional $300,000 resistance cost.

Mr. Ashworth noted that there are no Budgets that we can compare. It is a necessity to get this, of we don't standardize and get this accounting system accomplished money will be going down the drain.

Mr. Barrett stated there are a number of applications for Data Processing that will be reviewed in this accounting system implimentation.

Senator Brown asked Bob Bruce if he agreed with the State Controller on the amount it will cost.

Mr. Bruce: My statement was, if one of the groups tried to do the job single handed they will run into a resistance cost. They would have to go in and learn the Budget Division job to understand there problems. The accounting system will be flexible. It would be designed to serve either elected officials or department of Finance.

Mr. Moreno stated that the proposed accounting system will be designed to fit the computer or any other processing which we may wish to use.

Meeting adjourned at 9:10 A.M.

STATE OF NEVADA
PROPOSED FINANCIAL INFORMATION SYSTEM

STATE OF NEVADA

OFFICE OF THE CONTROLLER

CARSON CITY, NEVADA

The present accounting system was adopted in the early history of the State and last revised in 1937.

In 1951, the State Controller began using IBM tabulating equipment. However, no change was made in the basic 1937 accounting system and no material changes have been made since then.

The objectives of the present cash-basis, single-entry system are to record the flow of cash, record the nature of the expenditure and the available balance of legislative appropriations or authorizations. One addition to the present system, instituted in 1968, has been the computation of percentage of expenditures to date compared with total budgeted for a given year.

The present system of recording fiscal transactions, the receipt, transfer and expenditure of all public funds by State government, is extremely inadequate. There are many examples where the resulting information is invalid, misleading and unusable. The present system results in the following:

1. Millions of dollars in assets and liabilities are never recorded in the records of State government.

2. The total amounts of funds received from various sources are not available.

3. The actual expenditures by the individual agencies for any fiscal year are not comparable with similar figures for any previous fiscal years.

4. Historical fiscal data is of very limited value.

This has had the effect of weakening internal control throughout State government and creating a paperwork and auditing nightmare of the present single-entry bookkeeping system.

Unless the outmoded single-entry cash basis system is replaced with a modern double-entry modified accrual accounting system, the following conditions will continue to exist:

1. Public money will continue to be unprotected due to inadequate accounting controls.

2. It will remain impossible to verify all assets, liabilities, revenues and expenditures of the State.

3. Costs of duplication in record-keeping will continue to increase at every level of State government.

4. The amount of time required to perform audits will continue to be unreasonably large and expensive.

5. The effectiveness of the results of the audit program will continue to be minimal.

This state of affairs cannot continue.

The State has made various studys of the accounting system since 1962. These have been done by national and local accounting firms, the Department of Administration, the Legislative Counsel Bureau and the Controller's Office.

In our opinion, we have had enough studys! What we need now is action!

This is why we are before you today to present a project that will alleviate and eliminate the majority of these problems.

This is not to imply that we have not tried to resolve them. The State has spent much money, time and effort in trying to solve its financial accounting and reporting requirements. However, due to the limited number of personnel available and the fact that the problem has been attacked in piecemeal fashion, nothing concrete has evolved from this effort.

Therefore, we are asking the Legislature for $500,000 to design and implement a financial accounting system which will produce, as by-products, proper budgetary controls and financial information which is needed by top management of the State and the Legislature.

The objectives of this system will be:

1. To provide internal controls.

2. To eliminate duplication.

3. To provide more information.

4. To provide better information.

5. To provide better access to information.

6. To integrate the total financial system.

This type of integrated system must provide for uniform and complete accounting as required by State, Federal and other governmental jurisdictions. All financial and accounting procedures must be integrated and standardized throughout State government.

The system must also provide for multiple-reporting for those agencies requiring this feature.

Other states have tried the piecemeal approach and, after spending hundreds of thousands of dollars and a great deal of time, they have finally come back to the integrated system concept. For this reason, we are asking for the money as a continuing appropriation, with the understanding that, in all probability, this money will only be enough to design and implement the financial accounting portion of the system.

The multiple-reporting requirements of the following agencies are becoming so critical, they are now in the process of designing internal financial systems to provide them the needed information:

1. Fish & Game Commission

2. Department of Education

3. Health Department

4. State Hospital

5. Highway Department

Each one of these agencies must proceed whether the money is appropriated to us or not. If the Legislature does not appropriate the funds this session, we believe, at some time in the future, the integrated system must be installed. Then, any work being done independently by these agencies will probably have to be redone to conform to the integrated system. In addition, costs are certain to increase as the project is delayed.

The following is a brief outline of the various steps which must be accomplished before the system can become operational:

A. Review:

   1. State organization.

   2. Applicable laws, policies, procedures and output documents.

   3. Volume of work processed.

   4. Present methods of accumulating data.

B. Document present system:

   1. Visit departments.

   2. Present manual procedures.

3. Present flow of documents.

4. Special requirements.

C. Determine new system requirements:

1. Input.

2. Output.

3. Chart of accounts.

4. EDP flowchart.

5. Confer with departments on proposed system.

D. Design:

1. Input.

2. Output.

3. Chart of accounts.

4. Operating manuals.

5. Computer run books.

E. Testing:

1. Design test data.

2. Conduct system tests.

3. Debug system tests.

F. Conversion:

1. Orientation and training of personnel.

2. Parallel run of new and old system.

3. Convert to new system.

G. Post audit and follow up.

As you can see from the proposed steps to be taken, this is a very large project.

Therefore, we want to re-emphasize that this will only be part of a total system which will eventually include personnel information and statistics, in addition to asset accounting.

We would like to propose an amendment to SB 93, Section 8, Subsection 3: That the Committee be enlarged to include the State Treasurer and the amount be revised to $500,000.

ACKNOWLEDGMENTS

We gratefully acknowledge the following list of studies made of the State of Nevada's financial accounting problems. They have been extensively used in this report, since little has changed in the past seven years.

1. Lybrand, Ross Bros. & Montgomery, CPAs: State of Nevada, Fiscal Reporting Practices and Procedures. June, 1962 and July, 1962.

2. State of Nevada, Office of the Budget Director: A Study of Accounting, Survey No. 7-62, November, 1962.

3. Chanslor, Barbieri & DeWhitt, CPAs: Report on Accounting, Budgeting and Record Keeping Procedures of the State of Nevada, February, 1963.

4. IBM Corporation: Survey of Controller's Procedures, September, 1964.

5. State of Nevada, Legislative Counsel Bureau: State of Nevada - State Controller, Audit Reports for the Fiscal Years Ended June 30, 1963 and June 30, 1966.

6. Kafoury, Armstrong, Bernard and Bergstrom, CPAs: State of Nevada, Proposed Fiscal Management Information and Reporting System, December, 1968.

7. State of Nevada, Legislative Commission of the Legislative Counsel Bureau: Legislative Techniques, January, 1969.

Also, we are most grateful to the following persons and organizations for the help they have given us during discussions of our many problems:

1. Carlos Brown, CPA, Reno, Nevada.

2. Peter P. McGraw, Assistant Controller, State of Colorado Internal Information System.

3. Ernst & Ernst, CPAs, Sacramento, California.

4. Nevada Society of CPAs.

5. Peat, Marwick, Mitchell & Co., CPAs, Chicago, Illinois.

6. State of Utah, Department of Revenue and Taxation.

STATE OF NEVADA
PLANNING BOARD

WILLIAM E. HANCOCK
MANAGER

Nye Building, Room 225
CARSON CITY, NEVADA 89701

Mr. Wilson McGowan
State Controller
Controller's Office
Blasdel Building
Carson City, Nevada

STATE CONTROLLER
FEB 14 1969
RECEIVED

IN REPLY REFER TO SUBJECT

RE Central Computing Facility, Carson City

Dear Wilson:

Attached is a copy of our updated budget on the proposed computer facility. This budget has been based on the plan for the computer facility prepared by Gordon Harding, and supported by Mr. Foltz of the Highway Department and Mr. Bennett of the Department of Motor Vehicles.

The construction cost of $450,000 envisions a building of approximately 10,000 square feet of environmentally controlled space, emergency generator, site development, and 5,000 lineal feet of buried conduit to connect this facility to other agency offices in the Blasdel Building, Highway Building, and Motor Vehicles Building. The total project budget is $535,600, which includes architectural-engineering costs, inspection and testing costs, and $24,000 worth of movable office equipment.

Mr. Harding, Mr. Foltz, and Mr. Bennett have indicated that a building of this size would be necessary for the computer program envisioned, but does not include any space for the accounting activities you discussed with me. In accordance with our recent conversation, we have, therefore, prepared a budget for a building of 20,000 square feet which would be adequate for the combined facility. This budget, attached, estimates the total project cost at $972,700 with a construction budget of $807,000, including an elevator.

Our estimate is based on the costs reflected by the First National Bank's Data Processing Center which was bid several months ago, and these costs have been extended to a bid date to allow occupancy at the beginning of Fiscal 1970-71.

Very truly yours,

William E. Hancock, A. I. A.
Manager

WEH:km
Enc.

STATE PLANNING BOARD
CAPITAL IMPROVEMENT PROJECT ESTIMATE
REVISED DECEMBER 1967

PROJECT TITLE: CENTRAL COMPUTING FACILITY, CARSON CITY
REFERENCE (DATE): FEBRUARY 11, 1969
PROJECT DESCRIPTION: A ONE STORY BUILDING OF APPROXIMATELY 10,000 GROSS SQUARE FEET TO HOUSE OFFICES COMPUTER ROOMS, ETC.

ESTIMATED COSTS

ITEM OF WORK	ORIGINAL (2/11/69) by: R.E.B.
1. Professional Services	
a. Surveys	500.00
b. Soils Analysis	2,000.00
c. A/E Advance Planning	--------
d. A/E Design & Supervision -7.4%	33,300.00
e. Structural Plan Checking	900.00
f. M/C Plan Checking	1,200.00
g. Misc. Plan Checking	--------
h. Special Consultant Fee	1,000.00
SUB TOTAL	38,900.00
2. Land Acquisition	--------
3. Construction Costs	
a. Construction	450,000.00
b. Site Development	--------
c. Contingency	13,500.00
SUB TOTAL	463,500.00
4. Inspection and Testing	
a. Job inspection (8 @ 1000)	8,000.00
b. Material Testing	1,000.00
SUB TOTAL	9,000.00
5. Miscellaneous	
a. Furnishings	24,000.00
b. Advertising	200.00
SUB TOTAL	24,200.00
TOTAL	$535,600.00

THE STATE OF NEVADA
EXECUTIVE CHAMBER
CARSON CITY, NEVADA 89701

PAUL LAXALT
GOVERNOR

EXECUTIVE ORDER

ESTABLISHING A DATA PROCESSING COMMISSION

To provide for the orderly development of Data Processing within the State of Nevada, in compliance with the intent of the Legislature and pursuant to the authority vested in me by law, I, PAUL LAXALT, Governor of the State of Nevada, do hereby establish the Nevada Data Processing Commission.

The following Commission members are hereby appointed:

Controller, who shall act as Chairman
Director of the Department of Administration
Director of the Department of Motor Vehicles
State Highway Engineer, Department of Highways

This Commission shall have as its prime objective the establishment of a Nevada Computer Facility to serve State agencies. In addition, the Commission shall determine data processing policy for the State as it relates to such items as, but not limited to, data processing equipment, equipment utilization, service level, priorities, software, application, procedures, regulations, legislation and a statewide information system; and shall insure the most effective use of the State's data processing resource.

The Commission shall appoint a Management Board to carry out the Commission policy and be responsible for the implementation and management of the Facility.

IN TESTIMONY WHEREOF, I have hereunto set my hand. Done at Carson City, this 25th day of July, in the year of our Lord one thousand nine hundred and sixty-eight.

Paul Laxalt

Governor

DATA PROCESSING COMMISSION

POLICY STATEMENT

September 5, 1968

Purpose and Concept

The purpose of the Commission is to insure the most effective use of the State's data processing resources.

The Commission will provide computer hardware, staff and have available appropriate software packages to process agency applications. Agency system development and problem program preparation will be the responsibility of each agency.

The software team concept shall be continued and will be staffed with software programmers from major agencies working together to maintain and support the various operating systems for the facility and to develop advanced programming techniques to improve the State's data processing technology and capabilities.

Organization and Management

Policy for the computer facility and software team, appointment of the facility manager and the determination of facility objectives and all other matters of an executive nature will be the responsibility of the Commission. The Commission will be comprised of the State Controller, Chairman; Director of the Department of Administration; Director of the Department of Motor Vehicles; and the State Highway Engineer - Department of Highways.

Within the policy framework established by the Commission it shall be the responsibility of the Management Board to establish regulations concerning facility operations, standards, conventions and procedures; make policy recommendations to the Commission, develop feasibility studies for facility equipment changes; direct the development of appropriate software programs; meet with and make progress reports to the Commission monthly; and to resolve such problems of a Management nature as may properly come before the Board. The Management Board will be comprised of the Administrator of Central Data Processing of the Department of Administration; the Data Processing Manager of the Department of Motor Vehicles; and the Data Processing Manager of the Department of Highways.

Performance of the facility management duties such as, but not limited to, selection and training of personnel, determination of normal priorities, and computer scheduling and operation will be the responsibility of the facility manager.

Operating Concepts

1. To optimize equipment performance, all users will give reasonable priority to the establishment of a shared job stream which will be operated in a multi programming environment. The shared job stream is defined as a mix of jobs, regardless of agency, to be processed by the computer in a manner intended to maximize computer performance.

2. The concept of meeting scheduled completion times is paramount. Computer operations will be carried on in such a manner as to assure maximum utilization of facilities within the restrictions of production deadlines and emergency requirements. The computer will be available 24 hours a day, seven days a week to insure total machine time availability. This guarantees adherence to the philosophy that results are the only true measure of success.

3. If an agency wishes to schedule computer time for some unusual job which the agency wishes to process with other than facility operating personnel

such personnel must be furnished by that agency. All regularly scheduled jobs, even if these jobs require overtime, will be processed by the facility staff.

4. The manufacturer's invoices for equipment rentals will be paid for by the contracting agencies.

5. Computer usage by others than contracting agencies will be billed at a variable rate per hour based on total facility usage and be credited to the contracting agency.

6. The Commission will meet on the first Wednesday of each month or at the call of the Chair at the Administrative Conference Room in the Highway Department.

Wilson McGowan
State Controller - Chairman

Director - Department of Administration

James C. Bailey
Director - Department of Motor Vehicles

State Highway Engineer - Dept. of Highways

EXCERPTS FROM
PEAT, MARWICK, MITCHELL AND COMPANY
DATA PROCESSING REPORT

IN THE SUMMER OF 1968, PEAT, MARWICK, MITCHELL AND COMPANY, CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS SURVEYED THE FIELD OF DATA PROCESSING IN THE STATE OF NEVADA. THE FOLLOWING ARE THE FIRST THREE RECOMMENDATIONS MADE BY THE CONSULTANTS. COPIES OF THE COMPLETE PEAT, MARWICK, MITCHELL AND COMPANY REPORT ARE AVAILABLE IN THE CONTROLLER'S OFFICE.

1. "THE EXISTING PLAN OF THE DEPARTMENTS OF HIGHWAYS AND MOTOR VEHICLES FOR MORE ADVANCED DATA PROCESSING TECHNIQUES SHOULD BE IMPLEMENTED AS RAPIDLY AS POSSIBLE. THIS WILL PROVIDE INCREASED ABILITY TO MEET CURRENT AND FUTURE NEEDS AND TO PROVIDE EXPERIENCE THAT WILL BE OF GENERAL BENEFIT TO THE ENTIRE STATE.

2. "RECOGNIZING THE SIZE OF THE STATE OF NEVADA, ITS PRESENT DATA PROCESSING SERVICES AND POTENTIAL FUTURE APPLICATIONS, WE RECOMMEND THAT DATA PROCESSING SERVICES FOR ALL NEVADA STATE GOVERNMENT ACTIVITIES BE PROVIDED THROUGH A CENTRAL DATA PROCESSING FACILITY. IN THIS MANNER, IT WOULD BE POSSIBLE FOR THE STATE OF NEVADA TO REALIZE THE GREATEST EFFECTIVENESS IN THE USE OF TECHNICALLY TRAINED PERSONNEL AND DATA PROCESSING HARDWARE. AS DATA PROCESSING SERVICES ARE EXTENDED TO OTHER AGENCIES, THE EXISTING FACILITIES WILL REQUIRE EXPANSION. THE EXACT EXTENT OF EXPANSION WILL DEPEND ON THE WAY IN WHICH EDP FACILITIES ARE ORGANIZED.

3. "THE ADMINISTRATION OF DATA PROCESSING SERVICES SHOULD BE CENTRALIZED IN ORDER TO ESTABLISH CLEAR LINES OF AUTHORITY AND RESPONSIBILITY AND THEREBY PERMIT THE MOST EFFECTIVE PROVISION OF THE SERVICES TO ALL AGENCIES OF THE STATE."