

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, 1969 TO JUNE 30, 1970

Bulletin No. 87

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada
July, 1970

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

July 1, 1970

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, 1969 to June 30, 1970.

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.

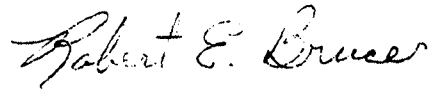
NRS 353.060 requires a quarterly money count of the State Treasury. Such counts have been performed as required, and copies of these money counts are on file with the Secretary of State and the State Treasurer.

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

TABLE OF CONTENTS

	<u>Page</u>
<u>AUDITS PERFORMED BY FISCAL AND AUDIT DIVISION</u>	
<u>LEGISLATIVE COUNSEL BUREAU:</u>	
State Gaming Commission and Gaming Control Board.....	1.1
State Planning Board.....	2.1
Nevada Historical Society - Review of Accounting Procedures.....	3.1
Department of Health, Welfare and Rehabilitation Rehabilitation Division - Special Review Report.....	4.1
Department of Education Manpower Development and Training Program.....	5.1
Department of Agriculture.....	6.1
Department of Education School Lunch Program.....	7.1
Department of Education Vocational Education Gift Fund.....	8.1
Department of Education.....	9.1

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	1.4
Scope of Examination and Denial of Opinion.....	1.6
<u>Financial Statements:</u>	
	<u>Exhibit</u>
Statement of Financial Condition..... A	1.8
Statement of Account with the General Fund for Administrative Expenditures..... B	1.10
Statement of Collection and Distribution of Gaming Revenues..... C	1.11
Statement of Comparison of Basis for Authorized Administrative Expenditures with Actual Administrative Expenditures..... D	1.12
Statement of Administrative Expenditures..... E	1.13
<u>Supplemental Letter to the Audit Report:</u>	
General.....	1.14
1969 Session Legislation.....	1.15
Due Date for Payment of Gross Revenue Percentage Fees.....	1.15
Refunds of State Gaming License Fees.....	1.15
Licensing of Corporations.....	1.16
Electronic Gaming Device Inspections.....	1.16
Regulations Concerning the Financial Practices of Licensees.....	1.17
Duties of the Fiscal Analyst.....	1.17
Comments.....	1.17

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Organization.....	1.19
Audit Division.....	1.19
Accounting Records.....	1.20
Inadequate Accounting Records.....	1.20
Cash Receipts.....	1.20
Accounts Receivable.....	1.21
Operations.....	1.23
Distribution of Annual Game Fees to Counties.....	1.23
Penalties Due from Late Payment of Advance Fees.....	1.24
Refunds.....	1.24
Procedures of the Board's Audit Division.....	1.25
Over-Expenditure from the Chairman's Revolving Fund.....	1.26
Unauthorized Petty Cash Fund.....	1.26
Payment of Undocumented Overtime.....	1.26
Invalidation of Credentials for Terminating Employees.....	1.27
Equipment and Furniture.....	1.27
Disposition of Recommendations and Suggested Legislation Presented in Previous Audit Report.....	1.29

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Amend Commission regulation 6.051 to conform with the requirements of NRS 463.159.....	1.18
Fiscal Analyst to be directed within one year to review the control and related practices required by NRS 463.157 to NRS 463.1592.....	1.18
Responsibility for compliance auditing be placed under the direction of the unit which is responsible for assessing and collecting gaming revenue.....	1.19
Maintain a complete and proper accounting system.....	1.20
Establish a better system of internal control over the receipts of payments.....	1.21
Use of prenumbered receipts for all payments other than for gaming fees.....	1.21
Use of four-part billing invoices.....	1.21
Record all billings to the accounts receivable records at the time they are prepared.....	1.22
Payment to be made to the seventeen counties for the balance of annual fee on games owed to them.....	1.24
Start assessing penalties when the "double-down" fee is delinquent.....	1.24
Denial of refunds of quarterly game and slot fees if received after the start of the quarter.....	1.25
Employ a consultant to prepare and institute procedures in the Board's audit division.....	1.25
Revert the amount of the unauthorized petty cash fund to the general fund.....	1.26
Denial of payment for overtime work unless properly reported and recorded in the records.....	1.27

SUMMARY OF RECOMMENDATIONS
(Continued)

	<u>Page</u>
Invalidate the credentials of terminating employees.....	1.27
Establish inventory records for furniture and equipment.....	1.28

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Gaming Commission and the Gaming Control Board for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits:

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

Statement of Account with the General
Fund for Administrative Expenditures
for the Fiscal Year Ended June 30, 1968..... Exhibit B

Statement of Collection and Distribution
of Gaming Revenues for the Fiscal Years
Ended June 30, 1967 and 1968..... Exhibit C

Statement of Comparison of Basis for
Authorized Administrative Expenditures
with Actual Administrative Expenditures
for the Fiscal Year Ended June 30, 1968..... Exhibit D

Statement of Administrative Expenditures
for the Fiscal Years Ended June 30, 1967
and 1968..... Exhibit E

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 records of the Gaming Commission and the Gaming Control Board are maintained on a cash basis. This is not in accordance with generally accepted principles of accounting, which for governmental general fund operations

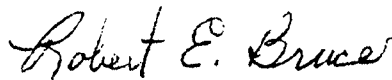
is the use of the modified accrual basis of accounting.

A general ledger is not maintained. Accordingly, the following items are not accounted for:

1. Assets
2. Liabilities

Because of the lack of accounting records, we had to develop a material amount of the accounting records for the assets and liabilities shown on Exhibit A of the accompanying financial statements, and we are unable to express an independent opinion as to the fairness of the accompanying financial statements of the Gaming Commission and the Gaming Control Board for the fiscal year ended June 30, 1968.

Respectfully submitted,



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

July 10, 1969
Carson City, Nevada

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH

On Hand:

Undeposited Receipts	\$139,552.50
Board Chairman's Revolving Fund	119.65
Petty Cash Revolving Fund	<u>25.00</u>
Total Cash on Hand	\$139,697.15
In Bank - Chairman's Revolving Fund	<u>26.14</u>

Total Cash

\$139,723.29

ACCOUNTS RECEIVABLE

Licensees:

License Fees	\$104,865.52
Fines	21,932.59
Penalties	4,818.41
Casino Entertainment Tax	44,464.75
Investigative Fees	<u>3,584.13</u>
Total Due from Licensees (Note No. 1)	\$179,665.40
Miscellaneous	<u>10.20</u>

Total Accounts Receivable

179,675.60

CLEARING ACCOUNT - GENERAL FUND

Administrative Expenditures - Exhibit B	\$ 47,250.67
Annual Game Fees	<u>101,110.22</u>

Total Clearing Account - General Fund

148,360.89

PERFORMANCE DEPOSITS - LICENSEES

Cash - In State Treasury	\$118,550.00
Surety Bonds	226,250.00
Time Certificates of Deposit	<u>17,900.00</u>

Total Performance Deposits - Licensees

362,700.00

FURNITURE AND EQUIPMENT

1.00

Total Assets

\$830,460.78

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A
(Continued)

LIABILITIES

ACCOUNTS PAYABLE

Operating Expenses	\$ 47,406.66
Counties - Annual Game Fees	<u>101,110.22</u>

Total Accounts Payable	\$148,516.88
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DEFERRED LIABILITIES

Performance Deposits - Licensees	362,700.00
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RESERVES

Uncleared Collections	\$139,552.50
Petty Cash Revolving Fund	25.00
Accounts Receivable - Licensees	179,665.40
Furniture and Equipment	<u>1.00</u>

Total Reserves	<u>319,243.90</u>
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Total Liabilities	<u><u>\$830,460.78</u></u>
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Note No. 1

An account receivable in the amount of \$16,000.00 remained uncollected at July 1, 1969, and is subject to current legal action.

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
STATEMENT OF ACCOUNT WITH THE GENERAL FUND
FOR ADMINISTRATIVE EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

BALANCE, JUNE 30, 1967		\$ 42,117.43
TRANSACTIONS DURING FISCAL YEAR		
Administrative Expenditures - Per Exhibit E		960,111.15
Disbursements from the General Fund:		
Prior Year's Administrative Expenditures	\$ 42,117.43	
Current Year's Administrative Expenditures	<u>912,860.48</u>	
Total Disbursements		<u>(954,977.91)</u>
BALANCE, JUNE 30, 1968		<u>\$ 47,250.67</u>

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
STATEMENT OF COLLECTION AND DISTRIBUTION OF GAMING REVENUES
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT C

	<u>Fiscal Year Ended</u>		<u>Increase</u>
	<u>June 30, 1967</u>	<u>June 30, 1968</u>	<u>(Decrease)</u>
<u>GAMING REVENUES COLLECTED</u>			
FOR THE STATE OF NEVADA			
Percent Fees on Gross Revenue	\$17,559,837.87	\$19,169,932.57	\$1,610,094.70
Race Wire License Fee	34,280.00	35,660.00	1,380.00
Investigative Fees	61,728.65	85,583.73	23,855.08
Penalties	20,618.73	51,640.06	31,021.33
Casino Entertainment Tax	4,481,448.31	4,947,999.67	466,551.36
Miscellaneous	16.50	.92	(15.58)
Flat Fee - Restricted Slots (Note No. 1)	78,895.00	387,429.49	308,534.49
Flat Fee - Nonrestricted Slots (Note No. 1)	236,972.50	976,707.50	739,735.00
Quarterly Flat Fee on Games (Note No. 1)	396,756.25	1,636,912.50	1,240,156.25
Advance Fee Deposits (Note No. 1)	---	737,475.14	737,475.14
Equipment Manufacturer License Fees (Note No. 1)	---	5,700.00	5,700.00
Total Collections - State of Nevada	\$22,870,553.81	\$28,035,041.58	\$5,164,487.77
FOR THE COUNTIES OF NEVADA			
Annual Fees on Games	964,000.00	974,900.00	10,900.00
Total Gaming Revenues Collected	<u>\$23,834,553.81</u>	<u>\$29,009,941.58</u>	<u>\$5,175,387.77</u>
<u>DISTRIBUTION OF GAMING REVENUES COLLECTED</u>			
FROM REVENUES COLLECTED FOR THE STATE			
To the General Fund	\$22,100,975.87	\$27,107,195.93	\$5,006,220.06
To the Gaming Administration Fund	769,577.94	927,845.65	158,267.71
Total	<u>\$22,870,553.81</u>	<u>\$28,035,041.58</u>	<u>\$5,164,487.77</u>
FROM REVENUES COLLECTED FOR THE COUNTIES			
To the Seventeen Counties in Equal Amounts	\$ 931,562.49	\$ 942,634.50	\$ 11,072.01
To the Gaming Administration Fund	32,437.51	32,265.50	(172.01)
Total	<u>\$ 964,000.00</u>	<u>\$ 974,900.00</u>	<u>\$ 10,900.00</u>
Total Distribution of Gaming Revenues Collected	<u>\$23,834,553.81</u>	<u>\$29,009,941.58</u>	<u>\$5,175,387.77</u>

Note No. 1

Revenue Act passed by the 1967 Legislature. Collections for the fiscal year ended June 30, 1967 represent collections for the fourth quarter only.

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
 STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED ADMINISTRATIVE
 EXPENDITURES WITH ACTUAL ADMINISTRATIVE EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT D

SOURCE OF FUNDS	<u>Basis for Authorization</u>	<u>Actual</u>	<u>Over or (Under) Authorization</u>
Authorization to Spend from Funds Collected	<u>\$979,933.00</u>	<u>\$979,933.00</u>	<u>\$ ---</u>
FUNDS EXPENDED - EXHIBIT E			
Payroll Costs	\$708,237.00	\$676,549.39	\$(31,687.61)
Travel	44,000.00	87,105.86	43,105.86
Operating	205,638.00	160,621.16	(45,016.84)
Equipment	<u>22,058.00</u>	<u>35,834.74</u>	<u>13,776.74</u>
Total Funds Expended	<u>\$979,933.00</u>	<u>\$960,111.15</u>	<u>\$(19,821.85)</u>
REVERSION TO GENERAL FUND		<u>\$ 19,821.85</u>	

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
STATEMENT OF ADMINISTRATIVE EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT E

	<u>Fiscal Year Ended June 30,</u>		<u>Increase</u>
	<u>1967</u>	<u>1968</u>	<u>(Decrease)</u>
PAYROLL COSTS			
Salaries	\$524,799.22	\$630,005.20	\$105,205.98
Employee Benefits	34,237.96	46,544.19	12,306.23
Total Payroll Costs	<u>\$559,037.18</u>	<u>\$676,549.39</u>	<u>\$117,512.21</u>
TRAVEL			
Out-of-State	\$ 9,683.98	\$ 31,761.46	\$ 22,077.48
In-State	49,146.41	55,344.40	6,197.99
Total Travel	<u>\$ 58,830.39</u>	<u>\$ 87,105.86</u>	<u>\$ 28,275.47</u>
OPERATING			
Office Supplies	\$ 8,363.87	\$ 9,058.83	\$ 694.96
Postage and Freight	4,791.65	5,452.39	660.74
Telephone and Telegraph	23,909.50	27,504.72	3,595.22
Printing	3,420.56	11,319.58	7,899.02
Subscriptions and Reference Manuals	1,267.36	1,659.38	392.02
Bonds and Insurance	3,813.43	4,413.95	600.52
Legal Services - Attorney General	13,425.08	15,006.96	1,581.88
Equipment Repairs	2,858.68	3,793.32	934.64
Equipment Rental	8,953.15	12,567.92	3,614.77
Building Space Rental	31,732.80	41,349.60	9,616.80
Utilities	1,703.38	1,929.52	226.14
Building Maintenance	1,938.00	2,692.85	754.85
Improvements and Betterments	2,374.39	2,592.79	218.40
Special Reports	39,502.73	3,799.89	(35,702.84)
Appeals, Hearings and Court Costs	2,864.05	1,491.10	(1,372.95)
Chairman's Revolving Fund	15,000.00	14,854.21	(145.79)
Other Costs	521.87	1,134.15	612.28
Total Operating	<u>\$166,440.50</u>	<u>\$160,621.16</u>	<u>\$ (5,819.34)</u>
EQUIPMENT			
Automobiles	\$ 12,774.06	\$ 18,494.42	\$ 5,720.36
Office Furniture and Equipment	3,276.14	14,189.52	10,913.38
Other Furniture and Equipment	1,657.18	3,150.80	1,493.62
Total Equipment	<u>\$ 17,707.38</u>	<u>\$ 35,834.74</u>	<u>\$ 18,127.36</u>
Total Administrative Expenditures	<u>\$802,015.45</u>	<u>\$960,111.15</u>	<u>\$158,095.70</u>

STATE OF NEVADA
GAMING COMMISSION AND GAMING CONTROL BOARD
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

Modern legalized gambling in Nevada was established by the 1931 Legislature. The 1945 Legislature empowered the Nevada Tax Commission to make rules and regulations governing the conduct of gambling in the State and to issue licenses. These powers were increased in 1947 and 1949 to include authority for the Nevada Tax Commission agents to act as police officers in gaming matters and to inspect records and fiscal statements.

The State Gaming Control Board was created by Chapter 429, Statutes of Nevada, 1955, to act as the enforcement and investigative unit of the Nevada Tax Commission.

Chapter 318, Statutes of Nevada, 1959, created the Nevada Gaming Commission and transferred the responsibility of administering the gaming statutes from the Nevada Tax Commission to the Nevada Gaming Commission and the State Gaming Control Board.

1969 SESSION LEGISLATION

DUE DATE FOR PAYMENT OF GROSS REVENUE PERCENTAGE FEES

The 1967 Session of the Legislature amended NRS 463.270 to provide for the payment of State licensee fees on or before the last day of the first month of each calendar quarter, instead of on or before the 25th of the month. However, NRS 463.370 specified the due date for payment of the gross revenue percentage fees, payable quarterly, as being on or before the 25th of the month.

The licensees were notified by the Gaming Commission on May 3, 1967, that the due date of the gross revenue percentage fees was the last day of the month. Our legal counsel has advised us that the licensees should have been paying these particular fees on or before the 25th of the month as required in NRS 463.370.

The 1969 Session of the Legislature eliminated the due-date conflict in NRS 463.270 and NRS 463.370 by specifying in NRS 463.370 that the gross revenue percentage fees are due on or before the last day of the first month of the calendar quarter for which the license is issued.

REFUNDS OF STATE GAMING LICENSE FEES

Occasionally, licensees make overpayments of State gaming licensee fees. The Gaming Commission has been refunding these overpayments without statutory authority.

Our legal counsel advised us that the Legislature should provide for licensee fee refunds either by specific money appropriation or by a general authorization. The 1969 Session of the Legislature added a new section to Chapter 463 of NRS, which provides that refunds of erroneously collected State gaming licensee fees may be refunded as other claims against the State are paid.

The Legislature ratified all refunds of erroneously collected licensee fees for State gaming licenses made prior to the effective date of Chapter 529 enacted at the 1969 Session.

LICENSING OF CORPORATIONS

NRS 463.490 through 463.640 requires that a corporation shall provide certain information to the Gaming Control Board in order to be eligible for a State gaming license. During our review of the corporate applications, we noted that in certain instances not all of the required information was being furnished to the Board.

The 1969 Session of the Legislature gave the Gaming Commission authority to waive any of the requirements established for licensing of corporations if such waiver is consistent with the State policy on gaming.

ELECTRONIC GAMING DEVICE INSPECTIONS

The 1967 Session of the Legislature made inspections of gaming devices and the charging of an inspection fee mandatory. During the course of our audit, we noted that while some inspections were being made, no inspection fees were assessed during the fiscal year 1967-68.

The 1969 Session of the Legislature amended NRS 463.670 to make the inspections of gaming devices and the assessment of inspection fees permissive rather than mandatory.

REGULATIONS CONCERNING THE
FINANCIAL PRACTICES OF LICENSEES

DUTIES OF THE FISCAL ANALYST

The Fiscal Analyst is required to ascertain whether the control and related practices prescribed by NRS 463.157 to NRS 463.1592, inclusive, are being efficiently, effectively, and equitably administered.

COMMENTS

1. The Commission has adopted regulations as required, except for the following:

NRS 463.159 requires all nonrestricted licensees to have audits made by independent accountants not less frequently than once a year and whenever the ownership of a licensee changes.

The Commission's regulation 6.051 exempts, without proper authority, those nonrestricted licensees with an annual gross revenue of less than \$1,000,000 from the requirements stated in NRS 463.159.

2. The Commission has established an economic research unit. This unit has been compiling historical data on the gaming industry. They have also designed standard forms for reporting financial data by the licensees and a standard chart of accounts to assure consistency in reporting the financial data.

3. Other control and related practices which are required to be reviewed by the Fiscal Analyst have not been in effect for a sufficient length of time in order to ascertain if they are being efficiently, effectively, and equitably administered.

RECOMMENDATIONS

We recommend that:

1. The Commission amend its regulation 6.051 to require all nonrestricted licensees to have audits by independent accountants in accordance with the provisions of NRS 463.159.
2. The Fiscal Analyst be directed by the Legislative Commission within one year to ascertain if the control and related practices required by NRS 463.157 to NRS 463.1592 are being efficiently, effectively, and equitably administered.

ORGANIZATION

AUDIT DIVISION

There are two distinct areas of audit functions and responsibility as follows:

1. Investigative Audit - The Gaming Control Board is charged with the responsibility for investigating both prospective and existing licensees.
2. Compliance Audit - The Gaming Commission is charged with the responsibility for assessing and collecting gaming fee revenues.

The audit division is presently under the direction of the Board. The two areas of audit responsibility are both extremely important and should be maintained in a current status.

RECOMMENDATION

We recommend that the audit staff performing compliance audits be placed under the direction of the unit which is responsible for assessing and collecting gaming fee revenues.

ACCOUNTING RECORDS

INADEQUATE ACCOUNTING RECORDS

The Gaming Commission does the accounting for the Commission and the Control Board, for both the administrative costs and the statutory functions. We were informed by a representative of the Commission that the Board will start doing its own administrative accounting on July 1, 1969, as a result of Chapter 431, Statutes of Nevada, 1969.

A general ledger is not maintained. Some of the assets and liabilities on the accompanying Statement of Financial Condition, Exhibit A, were developed from the Controller's Fund Status Reports. We had to develop the accounting for other assets and liabilities by reviewing the Commission's and the Board's records and files. We are not certain that the accompanying financial statements include all of the assets and liabilities that would be incorporated therein if a complete and proper accounting system were in effect.

RECOMMENDATION

We recommend that the Gaming Commission and the Gaming Control Board maintain a complete and proper accounting system.

CASH RECEIPTS

All of the incoming mail is first reviewed by the Gaming Commission. Mail which is addressed to the Control Board is forwarded to them unopened. Any payments contained in the Control Board's mail are returned to the Commission for deposit. The mail is presently being opened and controlled by persons who have access to the accounting records and the licensees' files.

Prenumbered receipts describing the purpose and amount of those payments received, other than for gaming fees, are not being prepared when the collections are made.

RECOMMENDATIONS

We recommend that:

1. A better system of internal control over the receipt of payments should be established. This system should prevent those persons having access to the accounting records and the licensees' files from having access to the actual payments received.
2. Prenumbered receipts should be prepared for all payments, except those received for gaming fees, when the actual collection is made.

Deposit of such payments should be made on the same day as collection.

ACCOUNTS RECEIVABLE

Billings are prepared for licensees when they owe additional amounts for investigation fees, audit adjustments, and unpaid gaming fees. Some of these billings are not recorded in the accounting records until after they are collected. Prenumbered billing invoices are not used.

RECOMMENDATIONS

We recommend that:

1. All such billings should be prepared on a four-part prenumbered invoice. The four copies should be distributed as follows:

Commission--

- a. One copy to the accounting office for recordation.
- b. One copy to the licensee's file.

Licensee--Two copies.

2. All such billings should be recorded to the accounts receivable records at the time they are prepared.

OPERATIONS

DISTRIBUTION OF ANNUAL GAME FEES TO COUNTIES

NRS 463.320(2)(b) provides that all gaming licensee fees imposed by the provisions of NRS 463.380 (annual state license fees based on the number of games operated) shall, after deduction of costs of administration and collection, be divided equally among the various counties and transmitted to the respective county treasurers.

We reviewed the method used by the Commission to allocate the costs of administration and collection to the gaming revenues collected for the past three fiscal years. Our review disclosed that certain gaming revenues were not being included when the allocation was made. As a result, the amount of costs allocated to the annual game fees was in excess of the proper amount, and the counties received less than they should have. An additional payment of \$15,899.08 is owed to the counties, as disclosed in the following analysis.

NEVADA GAMING COMMISSION AND GAMING CONTROL BOARD SUMMARY OF DISTRIBUTION OF ANNUAL FEE ON GAMES FOR THE FISCAL YEARS ENDED JUNE 30, 1966, 1967, AND 1968

	<u>Fiscal Year Ended June 30,</u>			
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>Total</u>
Annual Fee on Games	\$913,750.00	\$964,000.00	\$974,900.00	\$2,852,650.00
Allocation of Operating Expense	<u>35,023.74</u>	<u>32,437.40</u>	<u>32,265.47</u>	<u>99,726.61</u>
Amount to Be Distributed to the 17 Counties	<u>\$878,726.26</u>	<u>\$931,562.60</u>	<u>\$942,634.53</u>	<u>\$2,752,923.39</u>
Amount to Be Distributed	\$878,726.26	\$931,562.60	\$942,634.53	\$2,752,923.39
Payments Made	<u>878,588.90</u>	<u>923,897.81</u>	<u>934,537.60</u>	<u>2,737,024.31</u>
Balance to Be Paid	<u>\$ 137.36</u>	<u>\$ 7,664.79</u>	<u>\$ 8,096.93</u>	<u>\$ 15,899.08</u>
Each County to Receive	<u>\$ 8.08</u>	<u>\$ 450.87</u>	<u>\$ 476.29</u>	<u>\$ 935.24</u>

RECOMMENDATION

We recommend that each of the seventeen counties be paid \$935.24 for the balance of annual fee on games owed to them for the three fiscal years ended June 30, 1966, 1967, and 1968.

PENALTIES DUE FROM LATE PAYMENT OF ADVANCE FEES

NRS 463.370(3) reads as follows:

"When a licensee is operating under a provisional license, the payment of the fee due for the first quarter of operation based on the gross revenue derived from gambling pursuant to this section shall be accompanied by the payment of a fee in a like amount...."

The Commission has not been charging the licensee a penalty when payment of the fee in a like amount, as described above, is paid late. We determined that for the fiscal year 1967-68, unpaid penalties as a result of the "double-down" being paid late amounted to \$2,175.07.

Our legal counsel has advised us that the Commission should be assessing penalties when this particular fee is delinquent.

RECOMMENDATION

We recommend that the Gaming Commission start assessing penalties when the "double-down" fee is delinquent.

REFUNDS

At the end of each calendar quarter, licensees pay a fee for each game and slot expected to be in operation for the ensuing quarter. We noted instances of refunds being made after the start of the quarter because the licensee stated that the number of games or slots put into operation at the beginning of the quarter were fewer than anticipated.

The Gaming Commission can be satisfied that the claim for refund is correct only if gaming agents had taken a game and slot count of the licensee

between the first of the quarter and the date of the refund application. We were informed by representatives of the Gaming Commission that because such a count of the licensee is not always available, they must consider other factors in approving the refund claim.

RECOMMENDATION

We recommend that all claims for refunds of quarterly game and slot fees be denied if postmarked or received by the Commission after the last day before the new quarter begins.

PROCEDURES OF THE BOARD'S AUDIT DIVISION

In our report on the Gaming Commission and the Gaming Control Board for the fiscal year 1963-64, we recommended that the audit division of the Gaming Control Board institute the following to better document their audits:

1. An internal control checklist.
2. A narrative on the various audit procedures actually utilized in each set of audit workpapers.
3. An audit manual.

Representatives of the audit division informed us during the course of this audit that none of the above recommendations have been instituted. We also were informed that permanent history audit files are not maintained.

RECOMMENDATION

We recommend that the Board's audit division employ a consultant to develop and implement the following:

1. An internal control questionnaire and a standard audit program.
2. Permanent history audit files.
3. An audit manual.
4. Other modern auditing procedures regarding the Board's audit function.

OVER-EXPENDITURE FROM THE CHAIRMAN'S REVOLVING FUND

NRS 463.330 authorizes the chairman of the Board to have a revolving fund in a bank of reputable standing in order to facilitate the confidential investigation of violators of Chapter 463 of NRS. Subsection 5 of the above statute states that expenditures from the revolving fund shall not exceed \$15,000 in any one fiscal year. (Increased to \$30,000 in the 1969 Session of the Legislature.)

It was noted that expenditures from the fund in the 1967-68 fiscal year were \$393.91 in excess of the amount stipulated above. This resulted from 1966-67 funds remaining in the bank account at the end of that fiscal year not being reverted.

A discussion with the present chairman revealed that he was not aware that a portion of the balance in the fund at the time of his appointment on August 15, 1967, was from 1966-67 funds. The balance remaining on June 30, 1968, was properly reverted by the present chairman.

UNAUTHORIZED PETTY CASH FUND

Gaming was authorized by the Board of Examiners in April, 1964, to maintain a \$25 petty cash fund. This petty cash fund was not authorized by the Legislature.

RECOMMENDATION

We recommend that the \$25 petty cash fund be abolished and the money be returned to the general fund.

PAYMENT OF UNDOCUMENTED OVERTIME

An employee of the Gaming Control Board terminated and was paid for 120 hours of overtime work. This employee's time records indicated that he had only 16 hours of unpaid overtime. A memorandum signed by his supervisor

stated that the terminating employee had undoubtedly worked extra hours far in excess of 120 hours in the execution of his duties.

RECOMMENDATION

We recommend that the payment for overtime work not be authorized unless it has been properly reported by the employee on his time report at the time it is earned and is so reflected on the attendance and leave records of the agency.

INVALIDATION OF CREDENTIALS FOR TERMINATING EMPLOYEES

Gaming personnel whose duties take them in the field to administer the Gaming Control Act are issued credentials. These credentials identify them and also enumerate some of the more pertinent powers and authority which the holder is entitled to exercise.

It was noted that some persons were not required to turn in their credentials upon termination of employment. Gaming officials stated that many terminating employees wish to retain them for sentimental reasons and this has been allowed.

RECOMMENDATIONS

We recommend that:

1. The credentials retained by all terminating employees be invalidated.
2. Proper notation of such invalidation be recorded in the employee's personnel file.

EQUIPMENT AND FURNITURE

The Commission presently maintains the equipment inventory on an out-dated I.B.M. tab run furnished by the Purchasing Division. The agency plans to replace this system with a card system.

RECOMMENDATIONS

We recommend that the agency:

1. Request an up-to-date inventory tab run from Purchasing Division and take a physical inventory.
2. Include the following information in setting up the new inventory records:
 - a. Acquisition cost or value
 - b. Date of acquisition
 - c. Description of property
 - d. Property identification number - manufacturer's and State's
 - e. Location of property
 - f. Person responsible or otherwise accountable.
 - g. Disposal of property

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

Audit Item No.	Administrative Recommendations	No Action	Implemented	
			Partially	Fully
1.	One person responsible for recording all leave records.			X
2.	Use of NPD-21 form by employees when applying for leave.			X
3.	Recording audit and investigative division employees' project time.			X
5.	Outside purchase of office supplies.			X
6.	Accounting manual.		X	
7.	Safeguarding accounting records.			X
8.	Charging investigative fees when performed by Gaming agents.			X
9.	Retention of voided checks by Board chairman.			X
10.	Excessive number of persons handling checks before deposit.	(R) X		
13.	Assessment of penalties for bad checks.			X
18. a.	Internal control checklist.	(R) X		
b.	Audit checklist.	(R) X		
c.	Audit manual.	(R) X		
<u>Legislative Recommendations</u>				
4.	Amend NRS 463.080 - Employee leave allowance.			X
12. a.	Amend NRS 207.120(2) - Deleting Gambling Division.			X
b.	Amend NRS 463.145(5) - Deleting statute revision commission.			X
14.	Amend NRS 463.380 - Penalty for late payment.			X
15.	Amend NRS 463.160 - Penalty for non-licensed games and slots.			X
16.	Amend NRS 463.370(3) - Higher maximum penalty.			X
17.	Amend NRS 463.370 - Interest provision.			X
19.	Amend NRS 463.370 - Advance deposit fee.			X
Totals		<u>4</u>	<u>1</u>	<u>16</u>

(R) Recommendation repeated in current audit report.

Note: At a meeting held July 16, 1969, between the Fiscal Analyst, the Chairman of the Gaming Control Board, and the Executive Secretary of the Gaming Commission, agreement was reached on implementation of most of the foregoing recommendations. Their comments and exceptions are attached to this report.

STATE OF NEVADA
NEVADA GAMING COMMISSION
CARSON CITY, NEVADA 89701



GAMING POLICY BOARD
GOVERNOR PAUL LAXALT, CHAIRMAN

EDWARD E. BOWERS
EXECUTIVE SECRETARY

July 24, 1969

The Honorable Legislative Commission
Nevada State Legislature
Room 45, Capitol Building
Carson City, Nevada 89701

Dear Sirs:

This is in response to the audit report as submitted by the Legislative Auditor and discussed in the office of Mr. Frank Johnson, Chairman of the Gaming Control Board on July 16, 1969. We have not complied with Mr. Bruce's request that our reply be received by your office not later than July 22, 1969, however, the ten days provided for in NRS 218.810, as pointed out in his letter of July 15, 1969, extends far beyond that time.

In reviewing the audit report we find no mention of the many areas where the Gaming Commission and Control Board are performing a commendable job. Two such areas that are felt to be significant are employee working conditions and employee morale. Others will be commented on as we go through the report.

DENIAL OF OPINION (P 1.6)

The Legislative Auditor in his report for the fiscal year ended June 30, 1968, has expressed no opinion. In fact, he has made a definite disclaimer of opinion. We find this rather difficult to rationalize since our records are maintained in the same manner as they have been in past years when the Legislative Auditor expressed this opinion: "We have examined the statement of financial condition of the several funds of the Nevada Gaming Commission as of June 30, 1964, and the related statements of revenues and expenditures for the year then ended. 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.

In our opinion the accompanying schedules present fairly the operation of the Nevada Gaming Commission and State Gaming Control Board for the fiscal year ended June 30, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

With our past audit report containing a balance sheet, expenditure statement and revenue statement, we were of the opinion our financial record keeping was in good form and certainly acceptable to the Legislative Auditor and the Legislative Commission.

We should note at this time the current Legislative Auditor did not write that opinion; however, it should also be pointed out that simply because different individuals have different opinions, the agency being audited should not have to carry the stigma in the public's eyes of not doing their job. The opinion expressed by the previous Legislative Auditor certainly led these two agencies to believe the records maintained were adequate and proper.

The report as submitted for the fiscal year ended June 30, 1968, on page 1.7 states that assets and liabilities are not accounted for. This statement we feel is in error and is so admitted by the Legislative Auditor when he submitted his statement of financial condition on page 1.8 and 1.9. It is our position that we are accounting for the assets and liabilities; however, a general ledger as such has not been maintained and we are going to review and implement it if at all possible. While the Board and Commission are on a Cash Basis accounting system, it would be extremely difficult to convert to a Modified Accrual Basis unless the State Central Accounting Department likewise converts its system, which we understand is only recently taking place.

DUE DATE FOR PAYMENT OF GROSS REVENUE PERCENTAGE FEES (P 1.15)

The Legislative Auditor has pointed out that the Gaming Commission's interpretation of the payment date of gross revenue percentage fees was ratified in the 1969 Legislature. We feel this is another one of those areas where commendable efforts of the Commission were not recognized by the Legislative Auditor as pointed out on page one of our reply. It was by the efforts of this Commission that the ambiguity of payment of license fees was clarified by the 1969 Legislature.

REFUND OF STATE GAMING LICENSE FEES (P 1.15)

A point has been made that the Gaming Commission, during the period of audit, has been refunding overpayment of license

fees without Statutory authority. There was no specific Statutory authority until 1969, and we feel the Legislature recognized they could not provide for every detail when enacting this legislation and therefore covered such points in the broad powers conferred on the Commission by NRS 463.143. The Commission's action was certainly concurred in by the 1969 Legislature and pointed out in the audit report on page 1.15 and 1.16. The 1969 Session of the Legislature recognized no specific authority was provided by them for refund of license fees and corrective legislation was approved, another area of Commission effort, working with the Legislature.

DUTIES OF THE FISCAL ANALYST (P 1.17)

The Legislative Auditor's report states that the Commission has adopted a Regulation regarding the auditing of nonrestricted licensees that is contrary to law. This is another one of those areas where this Commission feels that there was sufficient Statutory authority to adopt Regulation 6 and, more specifically, Regulation 6.051. First, as pointed out in the above paragraph, NRS 463.143 confers broad powers to the Commission. It is our feeling that these broad powers are to be exercised by the Commission when it is in the public interest. The classification as established by the Commission for audit requirements as per Regulation 6.051 was, nonrestricted licensees doing over \$1,000,000 of gross revenue annually. This was a very logical breaking point for casino classification in the Commission's opinion as approximately 96% of the gaming tax revenue came from this group.

The authority to classify nonrestricted licensees is provided for in NRS 463.158. It was the feeling of the Commission that Regulation 6.051 was within the Statutory authority granted to it and was certainly in the interest of the public. It has been the position of the Commission and will continue to be the position of the Commission to adopt regulations in accordance with the power granted by the Legislature. Also, when there arises an area of difference in Statute interpretation, it has been the Commission's policy to present this to the next session of the Legislature for the action they deem necessary.

It is noted that repeal of the audit exemption in this Regulation could impose prohibitive costs on smaller operations, and could result in the closure of many of the nonrestricted gaming operations in 15 of Nevada's 17 counties, which contribute not more than 3% of the State's gaming revenue.

Although we feel the adoption of Regulation 6.051 was proper and legal, if it is the opinion of the Legislative Commission that clarification of NRS 463.159 should be submitted to the 1971 Session of the Legislature, we would be glad to cooperate.

AUDIT DIVISION (P 1.19)

The Legislative Auditor has recognized the need for audits by the Gaming Control Board and the Gaming Commission. On page 1.25 of the report it is further pointed out that some things need implementation for updating the audit program. The Board generally concurs with the recommendation listed. It suggests, however, that an upcoming Legislative Commission study of the Board and Commission operations consider whether the collection function should remain with the Commission or be transferred to the Board, or should the compliance audit function of the Board be transferred to the Commission.

It is further noted that retention of an audit function is essential to the Board in the furtherance of its investigative and control functions. The Commission concurs with the recommendations made by the Legislative Auditor and feels that the Legislature in 1971 should take the appropriate action to obtain this goal.

INADEQUATE ACCOUNTING RECORDS (P 1.20)

It is pointed out that the accounting records do not include a general ledger. This we realize has not been done. Our accounting records of the past have not been maintained on a double entry system. We will make a study of our records and implement if possible. It is inferred by the Legislative Auditor that the Controller's Fund Status Reports are not a part of the records of the agency. It is our opinion that these reports are the accounting records of the agency and in many instances if the agency maintained separate records from the State Controller a duplication would occur. This duplication of records would indeed be nice for the agency; however, it would also be expensive for the taxpayer. Since these records can be maintained for the agency by the Controller at a lesser cost, we have been told, we feel it to be in the public interest to not duplicate them.

We will review this procedure and if it is desirable to implement a complete accounting system, ignoring the reports and records of the Controller's Office, we will so do. To

accomplish this it would appear at first glance that certain additional personnel would be necessary and additional office space would be required, resulting in additional money needed.

An accounting system recommended by the Legislative Auditor is being initiated by the Board as it assumes its own accounting responsibility. The Board is accepting assistance offered by the Legislative Auditor in this endeavor.

CASH RECEIPTS (P 1.20)

The general mail procedure as outlined is correct except that persons opening the mail do not maintain the accounting records and licensee files. The accounting records and licensee files are maintained in the same general office area where the mail is opened. It should be pointed out that the general office area where the mail is opened and the accounting records and licensee files are maintained is under visual observation of the Assistant Executive Secretary of the Commission and two Tax Administrators. These people are all administrative personnel. The recommendation that persons having access to the accounting records and licensee's files should not have access to the actual payments received, was made without understanding why.

It is a part of the licensing review that the check signatures be observed by Tax Administrators to ascertain who key people of our casinos are and to determine if they are licensed as key employees as required by Commission Regulation. It is the opinion of the Commission that a person signing checks which in some instances exceed hundreds of thousands of dollars would be a key person in the organization.

Issuance of pre-numbered receipts for all payments except gaming fees (percentage fees, table fees or flat fees) would strengthen our control, and we hope to be able to implement this procedure at an early date.

Deposit of all monies should be made as soon as possible after receipt. This we do in the Commission. Sometimes it is impossible to deposit all monies on the date of receipt as recommended in the audit report, which we recognize as being the ideal situation, but this is not uncommon in a revenue collecting agency. We do have safe facilities for maintaining security of fees.

ACCOUNTS RECEIVABLE (P 1.21)

Accounts receivable files for unpaid gaming fees have been

maintained but not in the form suggested by the Legislative Auditor. The use of pre-numbered billing invoices is an excellent suggestion and we hope to initiate such a procedure not only for additional gaming fees but also for investigation fees and audit adjustments. We will review the recommendation to determine if the four copies are adequate.

PENALTIES DUE FROM LATE PAYMENT OF ADVANCE FEES (P 1.24)

The audit report regarding penalties could lead one to believe that the Commission has been in violation of the law in collection of penalties when licensee fees are paid late. This, however, is not the case. The point in question is the assessment of penalties when a late payment is made of the advance deposit at the conclusion of the first full quarter year of operation. NRS 463.370 (3) requires an advance payment as a deposit guaranteeing payment of the final quarter fees. It is the opinion of this Commission that this advance payment is in lieu of the bond required by NRS 463.220 (6). The Legislative Auditor in the audit report for the year ended June 30, 1968, in quoting NRS 463.370 (3) left out the most important language of, "...which shall be a deposit and shall be applied to the actual fee due for the final quarter of operation." To put the Statute in its proper prospective, NRS 463.370 (3) is quoted in its entirety:

"3. When a licensee is operating under a provisional license, the payment of the fee due for the first quarter of operation based on the gross revenue derived from gambling pursuant to this section shall be accompanied by the payment of a fee in like amount, which shall be a deposit and shall be applied to the actual fee due for the final quarter of operation."

The Commission has not been charging licensees a penalty when payment of the fee as an advance deposit as described above, is paid late for the following reasons:

- (a) The Nevada Gaming Commission, pursuant to NRS 463.220 (6), in effect to July 1, 1969, required a bond "...for the payment of license fees and the faithful performance of all requirements imposed by law or regulation or the conditions of the license..."

"In any case in which an establishment for which a license is to be issued has not operated for the full period of the preceding calendar quarter, or if for any reason a record of the past full quarter cannot be obtained, a provisional license may be issued for the current quarter on an estimate of the license fees due, upon filing of a sufficient bond or undertaking in a penal sum not exceeding \$50,000 conditioned on the payment in arrears at the end of the first full calendar quarter of operation of the license fee due on the basis of the gross revenue for such full quarter, and any partial quarter preceding such full quarter."

The Commission administratively interprets the above quoted portion of the Nevada Revised Statutes as applying to the fees due under NRS 463.370 because both the quoted portion of NRS 463.220 and NRS 463.370 specifically state, "license fee due on the basis of the gross revenue" and "license fee based upon all the gross revenue" respectively.

Therefore, application of proceeds of the furnished bond if fees were not paid would apply to any fees due under NRS 463.370; Subsection three (3) of which is hereinabove quoted, which states in part, "...payment of a fee in like amount, which shall be a deposit and shall be applied to the actual fee due for the final quarter of operation...(4)..."

The Commission, having so interpreted, holds in its possession all bonds as hereinabove mentioned until such time as the "...payment of a fee in like amount..." is received in this office.

The Legislative Audit Division recommends that the Commission should effect penalty assessment against the "...payment of a fee in like amount..." if this fee is not paid on or before the due date as stated in NRS 463.370 (5), which since has been amended.

NRS 463.370 (5) states, "Any person failing to pay the license fees provided for in this section on or before the 25th day of the month shall pay in addition to such license fee a penalty of not less than \$25 or 25 percent of the gross amount due, whichever is the greater, but in no case in excess of \$1,000, which penalty shall be collected as are other charges, license fees and penalties under this chapter."

The Commission suggests that the "...payment of a fee in like amount, which shall be a deposit and shall be applied to the actual fee due for the final quarter of operation" is, in fact, a deposit, not a license fee, which will be applied to the actual fee due for the final quarter of operation when such liability is determined in order to apply such deposit.

Further, the penalty section states, "5. Any person failing to pay the license fees provided for in this section..." (NRS 463.370). The Commission feels the "fee in like amount" is described as a deposit and is not a "license fee" until such deposit is applied against the actual license fee due for the final quarter of operation, therefore, no penalty should apply until such time as the actual license fee is due. It should be pointed out that nowhere is there a penalty for late payment of deposits.

REFUNDS (P 1.24)

The recommendation of the Legislative Auditor that all claims for refunds of quarterly game and slot fees be denied if postmarked or received by the Commission after the last day before the new quarter begins we believe to be unrealistic. This would, in effect, require an operator to file an application for refund in some instances before the license fee (percentage fee) was actually computed and paid. This recommendation, in fact, says that all requests for refunds must be received on or before the last day before the new quarter begins. In the discussion of the Legislative Audit relative to refunds of license fees, leading up to this recommendation it is assumed that it would further be recommended that refunds of table fees and slot fees, other than percentage fees, be approved only when the gaming agents had taken a count of the licensee's games and slots between the first day of the quarter and date of refund application, which, by the way, is not in agreement with the recommendation. As pointed out earlier, there is no specific provision in the Statute for refunding licensee fees paid and the audit report so states on page 1.15. From the language of the Legislative Auditor, we must assume that they are of the opinion that if excessive fees have been received by the Commission from a licensee, those excessive fees should be refunded. This is not consistent with the audit report as pointed out on page 1.15. Again, it is the feeling of the Commission that the allowance or disallowance of refunds falls within the broad power provided for in NRS 463.143. It is recognized that when a licensee is required

to pay advance fees, that he may make advance payments for more games or slots than will actually be placed in operation at the start of the quarter, and when this has been done and the records of the licensee will prove that a lesser number of games or slots have been operated and were removed from the casino, and the licensee has made application for refund within a reasonable period of time after the start of the quarter, then a refund should be allowed. It should be further recognized that all requests for refund cannot be verified at the instance the refund is requested; however, all refunds are subject to subsequent compliance audit. It is the opinion of the Commission that the amount of refunds speaks well for the control exercised over that phase of the gaming operations and emphasizes the fact that refunds are not indiscriminately allowed.

The Board notes only that the staff of the Audit Division, at the time the present report was made, had been unchanged in number from the time the 1963-64 report was tendered.

Requests have been made of the Legislature to increase our audit staff, hoping to be able to implement some of the suggestions made in the 1964 audit report and repeated again here, however, the requests have not been granted, until this recent Session.

A consultant would be of considerable assistance, but no funds are available to provide this service unless the Interim Fiscal Committee would recommend expenditures beyond budgeted items into the maximum 10 percent of collections allocated for gaming administration.

UNAUTHORIZED PETTY CASH FUND (P 1.26)

It is pointed out by the report that the Board of Examiners in April, 1964, had no authority for granting a \$25 petty cash fund. In the deliberations of the Commission, before making the request for a petty cash fund it was determined that for the most efficient operation of the office this fund was necessary for purchase of small incidental items. The fund has been used only to purchase small items and has saved considerable money in the purchasing procedure. This saving we consider to be in the best interests of all people in Nevada, especially those who in the final analysis pay the bills, the taxpayer. We feel this petty cash fund is vital to the operation of the Las Vegas office and we cannot logically abandon the fund at this time, however, if the Legislature deems it necessary for its authorization, we would support such legislation in 1971.

PAYMENT OF UNDOCUMENTED OVERTIME (P 1.26)

This payment was justified as a matter of equity to the individual employee, but the conditions leading to it will not be repeated.

Overtime worked by Commission and Board employees is recorded on the weekly time report when worked. Time reports used by these agencies are very detailed, requiring the report of hours actually worked. We have received many compliments on the attendance reports, including favorable comments from the former Legislative Auditors who started this most recent examination. Time reports are submitted on a calendar weekly basis and overtime is approved by the employee's supervisor on submission.

INVALIDATION OF CREDENTIALS FOR TERMINATING EMPLOYEES (P 1.27)

Control over Gaming employee credentials has been very good. All employees of the Commission have turned in their credentials upon leaving their employment. Three employees of the Control Board have retained their credentials which are in fact invalidated since the validating signatures have changed.

EQUIPMENT AND FURNITURE (P 1.27)

The Fiscal Analyst's Audit Report states that the Commission presently maintains the equipment inventory on an out-dated IBM tab run furnished by the Purchasing Division. This is correct on the surface, however, we feel it should be recognized that upon receipt of the IBM tab run furnished by the Purchasing Division, representatives of the Commission, according to law, take a physical inventory of all equipment assigned to the Commission and Board. Any discrepancies are noted and reported to the Purchasing Division in order that proper steps are taken to reconcile our equipment inventories. Further, since receiving our latest IBM tab run in December of 1968 from the Purchasing Division, a representative of the Commission with assistance from representatives of the Board, completed a physical inventory of all equipment assigned and each piece of new equipment purchased since that time has been added to the aforementioned IBM tab run. Further, the Commission has instituted a card system for equipment inventory and the Board is in the process of instituting same.

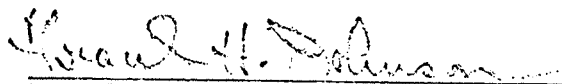
The Honorable Legislative Commission
July 24, 1969
Page Eleven

DISPOSITION OF RECOMMENDATIONS PREVIOUSLY MADE (P 1.29)

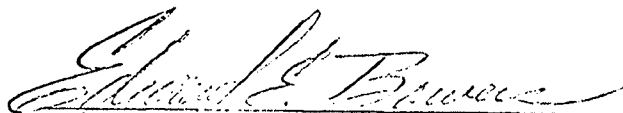
Review of the overall score sheet of the last Legislative Audit Report (June 30, 1964 recommendations) indicates that sixteen out of twenty recommendations have been fully implemented. We feel this to be a good record.

The Legislative Audit staff that performed the audit work of the Gaming Commission and Control Board were efficient, pleasant, and considerate of our office staff during the examination. It was a pleasure having them work in our office.

Respectfully submitted,



Frank H. Johnson,
Chairman
State Gaming Control Board



Edward E. Bowers,
Executive Secretary
Nevada Gaming Commission

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
SCHOOL PLAN CHECKING FUND
OPTION FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	2.4
Scope of Examination and Denial of Opinion.....	2.5
<u>Financial Statements:</u>	<u>Exhibit</u>
Planning Board Construction Fund:	
Statement of Financial Condition..... A	2.8
	<u>Schedule</u>
Statement of Funds Available for Construction Projects..... 1	2.9
Statement of Construction Expenditures..... 2	2.12
	<u>Exhibit</u>
Inspection Account - Statement of Receipts and Transfers from Construction Projects and Disbursements.. B	2.15
Administrative Account - Statement of Comparison of Basis for Authorized Administrative Expenditures Compared with Actual Administrative Expenditures.. C	2.16
Statement of Remaining Spending Authority..... D	2.17
Statement of Sources of Funds..... E	2.22
Inspection Account - Statement of Expenditures..... F	2.27
Administrative Account - Statement of Expenditures..... G	2.28

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>Financial Statements (Continued):</u>	<u>Exhibit</u>
School Plan Checking Fund:	
Statement of Receipts and Disbursements and Change in Fund Balance..... H	2.29
Option Fund:	
Statement of Receipts and Disbursements and Change in Fund Balance..... I	2.30
Notes to Financial Statements.....	2.31
<u>Supplemental Letter to the Audit Report:</u>	
General.....	2.32
Accounting Records.....	2.33
Operations.....	2.34
Reversion of Unexpended Project Funds.....	2.34
Unexpended Bond Proceeds.....	2.34
Appropriations Involving Furnishings.....	2.34
Expenditure of Surplus Funds.....	2.35
Daily Inspection Reports.....	2.36
Allocation of Construction Contract Inspection Costs.....	2.36
Construction of Project With Donated Funds.....	2.37
Contract Change Orders.....	2.37
Disposition of Recommendations Outlined in Previous Audit Report.....	2.39
Appendix A - Legal Opinion of the Legislative Counsel.....	2.40
<u>Agency Reply</u>	2.46

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Establish one set of records for posting and accumulating all accounting data.....	2.33
Provide that all capital expenditure appropriations revert at the end of a five-year period.....	2.34
Provide that unexpended proceeds of state bonds revert to the Bond Interest and Redemption Fund.....	2.34
Provide that all furnishing costs be appropriated for separately.....	2.35
Improve the quality of communications among the State Planning Board, the standing committees of the Legislature, and the Legislative Counsel.....	2.36
Expend money for only those items specifically named in the appropriation acts.....	2.36
Develop follow-up procedures on daily inspection reports.....	2.36
Require inspectors to keep time by construction projects inspected.....	2.36
Allocate inspection costs to the construction projects based upon the actual amount of inspection performed.....	2.37
Legislature to consider the subject of authorization for construction projects financed by donated funds.....	2.37
Legislature to consider the subject of the use of change orders.....	2.38

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the State Planning Board for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits and schedules:

Planning Board Construction Fund:

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

Statement of Funds Available for Construction
Projects for the Period Prior to July 1, 1967,
During the Fiscal Year 1967-68, and the Amounts
Accrued at June 30, 1968.....Schedule 1

Statement of Construction Expenditures for the
Period Prior to July 1, 1967, During the Fiscal
Year 1967-68, and the Amounts Accrued at
June 30, 1968.....Schedule 2

Inspection Account - Statement of Receipts and
Transfers from Construction Projects and
Disbursements for the Fiscal Year Ended
June 30, 1968..... Exhibit B

Administrative Account - Statement of Comparison
of Basis for Authorized Administrative Expenditures
Compared with Actual Administrative Expenditures
for the Fiscal Year Ended June 30, 1968..... Exhibit C

Statement of Remaining Spending Authority,
June 30, 1968..... Exhibit D

Statement of Sources of Funds,
June 30, 1968..... Exhibit E

Inspection Account - Statement of Expenditures for
the Fiscal Years Ended June 30, 1967 and 1968..... Exhibit F

Administrative Account - Statement of Expenditures for
the Fiscal Years Ended June 30, 1967 and 1968..... Exhibit G

School Plan Checking Fund:

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

Option Fund:

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

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 receivable.

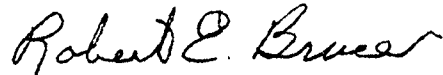
Denial of Opinion

According to NRS 353.356 (repealed by Chapter 293, Statutes of Nevada, 1969), the Planning Board's construction operations were to be accounted for in the Planning Board Construction Fund. Therefore, we have prepared the accompanying financial statements using the accrual basis of accounting for the Planning Board Construction Fund. Under the accrual basis of accounting, which is in accordance with generally accepted principles of accounting for capital construction projects, 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 Planning Board's accounting records do not provide for the official recordation of the assets, liabilities, and encumbrances of the construction projects. It was necessary for us to review the memorandum records and construction project workpapers to determine the assets, liabilities, and encumbrances as

reported in the accompanying financial statements, which were prepared by us. Therefore, we are unable to express an independent opinion as to the fairness of the accompanying financial statements of the Planning Board 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

August 26, 1969
Carson City, Nevada

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH

Accountable by State Treasurer:

Construction Projects	\$ 5,821,034.93
Inspection Account	9,431.86
Administrative Account	<u>4,490.63</u>
Total Cash	

\$ 5,835,007.47

ACCOUNTS RECEIVABLE

Construction Projects:

Bond Funds	\$ 50,000.00
Federal Government	4,352,129.64
General Fund	1,747,600.00
University of Nevada	1,627,500.00
Other	<u>800,000.00</u>

Total Accounts Receivable - Construction
Projects - Schedule No. 1

\$ 8,577,229.64

Miscellaneous

7,324.00

Total Accounts Receivable

8,584,553.64

FURNITURE AND EQUIPMENT - OPERATING

1.00

Total Assets

\$14,419,562.11

LIABILITIES

CURRENT LIABILITIES

Construction Projects:

Accounts Payable	\$ 1,773.01
Contracts Payable	97,348.74
Contracts Payable - Retained Percentage	<u>62,904.30</u>

Total - Construction Projects - Schedule No. 2

\$ 162,031.05

Accounts Payable - Administration & Inspection

8,791.30

Loan Payable - Board of Examiners' Emergency Fund

2,300.00

Total Current Liabilities

\$ 173,122.35

RESERVES

Encumbrances

\$ 444,948.21

Reversions - Construction Projects

100,110.50

Furniture and Equipment - Operating

1.00

Total Reserves

545,059.71

FUND BALANCE

Construction Projects - Remaining Spending

\$13,691,174.31

Authority - Exhibit D

7,173.75

Inspection Account - Exhibit B

3,026.49

Administrative Account - Exhibit C

Total Fund Balance

13,701,380.05

Total Liabilities

\$14,419,562.11

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF FUNDS AVAILABLE FOR CONSTRUCTION PROJECTS
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 1

	Funds Available			
	Prior to 7/1/67	Fiscal Year 1967-68	Accrued 6/30/68	Total
<u>University of Nevada - Reno</u>				
Engineering Bldg.	\$ 2,689,266.11	\$ ---	\$ ---	\$ 2,689,266.11
Library	2,572,912.00	---	---	2,572,912.00
Design-Social Science Bldg.	95,000.00	---	---	95,000.00
Design-Phy. Science Bldg.	187,000.00	300.00	---	187,300.00
Capital Improvements	449,802.52	---	---	449,802.52
Advance Plan-Ed. Bldg.	15,660.00	---	---	15,660.00
Addition to Heat Plant	308,300.00	---	---	308,300.00
Furn. & Equip.-Social Science Bldg.	161,450.00	---	---	161,450.00
Rehab.-Existing Bldg.	55,500.00	---	---	55,500.00
Social Science Bldg.	1,535,140.37	38,966.00	---	1,574,106.37
Sch. of Nursing Bldg.	655,504.50	3,456.00	---	658,960.50
Chem. & Lecture Bldg.	---	895,000.00	2,882,150.00	3,777,150.00
Total University of Nevada - Reno	<u>\$ 8,725,535.50</u>	<u>\$ 937,722.00</u>	<u>\$2,882,150.00</u>	<u>\$12,545,407.50</u>
<u>University of Nevada - Las Vegas</u>				
Landscaping	\$ 12,914.61	\$ ---	\$ ---	\$ 12,914.61
Dorm & Dining Hall Furn.	45,000.00	---	---	45,000.00
Library Addition	1,467,363.02	107,600.56	14,636.44	1,589,600.02
Chemistry Bldg.	---	392,500.00	1,177,500.00	1,570,000.00
Fine Arts Bldg.	---	207,500.00	2,092,500.00	2,300,000.00
Land Acquisition	---	734,000.00	---	734,000.00
Total University of Nevada - Las Vegas	<u>\$ 1,525,282.63</u>	<u>\$1,441,600.56</u>	<u>\$3,284,636.44</u>	<u>\$ 6,251,519.63</u>
<u>Highway Fund</u>				
Motor Vehicles Bldg.	\$ 810,000.00	\$ ---	\$ ---	\$ 810,000.00
Acoustical Treatment- H.V. Bldg.	17,500.00	---	---	17,500.00
Highway Patrol Bldg.-L.V.	159,100.00	---	---	159,100.00
Total Highway Fund	<u>\$ 986,600.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 986,600.00</u>
<u>Fish and Game Fund</u>				
Ruby Lake Hatchery	\$ 675,075.00	\$ 43,000.00	\$ ---	\$ 718,075.00
Residence - Sunnyside	2,770.00	24,930.00	---	27,700.00
Office Bldg.-L.V.	2,800.00	25,200.00	---	28,000.00
Total Fish & Game Fund	<u>\$ 680,645.00</u>	<u>\$ 93,130.00</u>	<u>\$ ---</u>	<u>\$ 773,775.00</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF FUNDS AVAILABLE FOR CONSTRUCTION PROJECTS
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 1
(Continued)

	Funds Available			Total
	Prior to 7/1/67	Fiscal Year 1967-68	Accrued 6/30/68	
<u>State Prison</u>				
Capital Improvements	\$ 119,800.00	\$ ---	\$ ---	\$ 119,800.00
Capital Improvements - 1966	1,020,500.00	---	---	1,020,500.00
Women's Wing	82,800.00	---	---	82,800.00
Industrial Bldg. No. 2	184,300.00	---	---	184,300.00
Laundry Expansion	58,100.00	---	---	58,100.00
Minimum Security Prison	1,960,000.00	---	---	1,960,000.00
Capital Improvements - 1965	554,000.00	---	---	554,000.00
Multi-Purpose Bldg.	---	395,900.00	---	395,900.00
Total Prison	<u>\$ 3,979,500.00</u>	<u>\$ 395,900.00</u>	<u>\$ ---</u>	<u>\$ 4,375,400.00</u>
<u>Health, Welfare and Rehabilitation</u>				
Youth Training Center	\$ 430,350.00	\$ ---	\$ ---	\$ 430,350.00
Hospital Capital Imp.- 1965	517,200.00	---	---	517,200.00
Hospital-Remodel Intensive Ward	97,400.00	---	---	97,400.00
Hospital-Electric System & Fire Alarm	95,700.00	---	---	95,700.00
Hospital-Sidewalks, Curbs & Gutters	16,300.00	---	---	16,300.00
Youth Training Center Imp.	531,300.00	---	---	531,300.00
So. Nevada Children's Home	---	214,300.00	---	214,300.00
So. Nevada Mental Health Center	---	941,000.00	404,586.00	1,345,586.00
Mentally Retarded Children's Cottages	---	304,800.00	152,512.00	457,312.00
Total Health, Welfare and Rehabilitation	<u>\$ 1,688,250.00</u>	<u>\$1,460,100.00</u>	<u>\$ 557,098.00</u>	<u>\$ 3,705,448.00</u>
<u>Conservation and Natural Resources</u>				
Peavine Forest Camp	\$ 87,600.00	\$ ---	\$ ---	\$ 87,600.00
Valley of Fire Land - Boulder Park	25,000.00	---	---	25,000.00
Total Conservation and Natural Resources	<u>\$ 112,600.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 112,600.00</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF FUNDS AVAILABLE FOR CONSTRUCTION PROJECTS
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 1
(Continued)

	Funds Available			Total
	Prior to 7/1/67	Fiscal Year 1967-68	Accrued 6/30/68	
<u>State - General</u>				
State Property Sale	\$ 2,300.00	\$ ---	\$ ---	\$ 2,300.00
Las Vegas Land Purchase	60,000.00	---	---	60,000.00
Land Option No. 1 - Carson City	25,000.00	---	---	25,000.00
State Office Bldg.-Adv. Plan	8,000.00	---	---	8,000.00
Capitol Complex-Capital Improvements	944,685.00	---	---	944,685.00
Survey Capitol Complex	24,200.00	---	---	24,200.00
Capitol Complex-Capital Improvements-1965	50,000.00	---	---	50,000.00
Supreme Court Library	20,000.00	---	---	20,000.00
Capitol Bldg.-Misc.	183,200.00	---	---	183,200.00
Capitol Complex Site Development	36,000.00	1,450.00	---	37,450.00
Nye Bldg. Solar Screens	22,000.00	---	---	22,000.00
Governor's Mansion-Land Acquisition	20,750.00	---	---	20,750.00
Governor's Mansion-Remodel	78,750.00	103,867.60	---	182,617.60
Legislative Bldg.	152,400.00	1,675,000.00	1,747,600.00	3,575,000.00
Historical Society Bldg.	30,000.00	180,000.00	50,000.00	260,000.00
Total State - General	<u>\$ 1,657,285.00</u>	<u>\$1,960,317.60</u>	<u>\$1,797,600.00</u>	<u>\$ 5,415,202.60</u>
<u>Urban Planning Projects</u>				
Clark County	\$ 105,731.64	\$ 7,550.90	\$ ---	\$ 113,282.54
Douglas County	11,508.00	5,544.00	1,218.00	18,270.00
Truckee Meadows	53,105.80	---	3,793.20	56,899.00
Churchill County	4,150.00	800.00	---	4,950.00
Las Vegas Valley	121,668.00	---	8,704.00	130,372.00
North Las Vegas	1,000.00	11,600.00	---	12,600.00
Elko	11,270.00	800.00	---	12,070.00
Elko County	---	10,258.00	5,000.00	15,258.00
Humboldt County	---	11,900.00	850.00	12,750.00
White Pine County	---	6,090.00	12,180.00	18,270.00
Henderson	---	12,000.00	24,000.00	36,000.00
Total Urban Planning Projects	<u>\$ 308,433.44</u>	<u>\$ 66,542.90</u>	<u>\$ 55,745.20</u>	<u>\$ 430,721.54</u>
COMBINED TOTALS	<u>\$19,664,131.57</u>	<u>\$6,355,313.06</u>	<u>\$8,577,229.64</u>	<u>\$34,596,674.27</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF CONSTRUCTION EXPENDITURES
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 2

	CONTRACT EXPENDITURES			
	Disbursements		Accrued	Total
	Prior to 7/1/67	Fiscal Year 1967-68		
<u>University of Nevada - Reno</u>				
Engineering Bldg.	\$ 2,679,366.07	\$ ---	\$ ---	\$ 2,679,366.07
Library	2,522,167.01	---	---	2,522,167.01
Design-Social Science Bldg.	92,172.00	2,323.00	---	95,000.00
Design-Phy. Science Bldg.	103,409.00	65,470.35	1,500.00	170,379.35
Capital Improvements	439,070.33	3,061.96	---	447,132.34
Advance Plan-Ed. Bldg.	---	---	---	---
Addition to Heat Plant	---	62,206.45	18,720.70	80,927.15
Furn. & Equip.-Social				
Science Bldg.	---	115,314.80	---	115,314.30
Rehab.-Existing Bldg.	9.37	29,861.30	---	29,870.67
Social Science Bldg.	1,357,990.16	193,740.90	---	1,551,731.06
Sch. of Nursing Bldg.	644,535.92	1,017.63	---	645,553.55
Chem. & Lecture Bldg.	---	---	---	---
Total University of Nevada - Reno	<u>\$ 7,838,719.91</u>	<u>\$ 473,501.39</u>	<u>\$ 20,220.70</u>	<u>\$ 8,337,442.00</u>
<u>University of Nevada - Las Vegas</u>				
Landscaping	\$ 12,161.97	\$ ---	\$ ---	\$ 12,161.97
Dorm & Dining Hall Furn.	43,298.66	45.50	---	43,344.16
Library Addition	1,401,351.84	173,610.45	---	1,574,962.29
Chemistry Bldg.	---	34,649.03	---	34,649.03
Fine Arts Bldg.	---	---	---	---
Land Acquisition	---	731,243.86	---	731,243.86
Total University of Nevada - Las Vegas	<u>\$ 1,456,812.47</u>	<u>\$ 939,548.84</u>	<u>\$ ---</u>	<u>\$ 2,396,361.31</u>
<u>Highway Fund</u>				
Motor Vehicles Bldg.	\$ 309,105.08	\$ 375.00	\$ ---	\$ 309,480.08
Acoustical Treatment-				
M.V. Bldg.	---	11,573.44	300.96	11,874.40
Highway Patrol Bldg.-L.V.	---	115,286.72	30,329.54	145,616.26
Total Highway Fund	<u>\$ 309,105.08</u>	<u>\$ 127,235.16</u>	<u>\$ 30,630.50</u>	<u>\$ 966,970.74</u>
<u>Fish and Game Fund</u>				
Ruby Lake Hatchery	\$ 629,230.10	\$ 86,727.16	\$ 500.00	\$ 716,457.26
Residence - Sunnyside	---	26,810.14	500.00	27,310.14
Office Bldg.-L.V.	---	23,203.49	4,417.01	27,620.50
Total Fish & Game Fund	<u>\$ 629,230.10</u>	<u>\$ 136,740.79</u>	<u>\$ 5,417.01</u>	<u>\$ 771,387.90</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF CONSTRUCTION EXPENDITURES
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 2
(Continued)

CONTRACT EXPENDITURES				
	Disbursements		Accrued 6/30/68	Total
	Prior to 7/1/67	Fiscal Year 1967-68		
<u>State Prison</u>				
Capital Improvements	\$ 98,568.23	\$ 2,224.50	\$ ---	\$ 100,792.73
Capital Improvements-1966	672,959.02	285,593.73	---	958,552.75
Women's Wing	2,618.00	67,722.90	510.13	70,851.03
Industrial Bldg. No. 2	---	162,658.21	---	162,658.21
Laundry Expansion	---	58,100.00	---	58,100.00
Minimum Security Prison	1,956,578.53	865.68	---	1,957,444.21
Capital Improvements-1965	539,311.28	4,927.13	---	544,238.41
Multi-Purpose Bldg.	---	125,234.00	17,050.46	142,284.46
Total Prison	<u>\$ 3,270,035.06</u>	<u>\$ 707,326.15</u>	<u>\$ 17,560.59</u>	<u>\$ 3,994,921.80</u>
<u>Health, Welfare and Rehabilitation</u>				
Youth Training Center	\$ 428,750.28	\$ ---	\$ ---	\$ 428,750.28
Hospital Capital Imp.-1965	514,267.29	707.75	---	514,975.04
Hospital-Remodel Intensive Ward	87,624.90	9,573.64	---	97,198.54
Hospital-Electric System and Fire Alarm	1,950.00	79,347.69	7,911.83	89,209.52
Hospital-Sidewalks, Curbs and Gutters	33.60	15,411.50	---	15,445.10
Youth Training Center Imp.	481,414.41	28,330.82	---	509,745.23
So. Nevada Children's Home	---	6,976.25	---	6,976.25
So. Nevada Mental Health Center	---	22,852.02	---	22,852.02
Mentally Retarded Children's Cottages	---	9,202.48	---	9,202.48
Total Health, Welfare and Rehabilitation	<u>\$ 1,514,040.48</u>	<u>\$ 172,402.15</u>	<u>\$ 7,911.83</u>	<u>\$ 1,694,354.46</u>
<u>Conservation and Natural Resources</u>				
Peavine Forest Camp	\$ 4,164.80	\$ ---	\$ ---	\$ 4,164.80
Valley of Fire Land- Boulder Park	2,100.00	16,801.73	---	18,901.73
Total Conservation and Natural Resources	<u>\$ 6,264.80</u>	<u>\$ 16,801.73</u>	<u>\$ ---</u>	<u>\$ 23,066.53</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF CONSTRUCTION EXPENDITURES
FOR THE PERIOD PRIOR TO JULY 1, 1967, DURING THE FISCAL YEAR 1967-68, AND
THE AMOUNTS ACCRUED AT JUNE 30, 1968

SCHEDULE NO. 2
(Continued)

CONTRACT EXPENDITURES				
	Disbursements		Accrued 6/30/68	Total
	Prior to 7/1/67	Fiscal Year 1967-68		
<u>State - General</u>				
State Property Sale	\$ 2,000.00	\$ ---	\$ 1,250.00	\$ 3,250.00
Las Vegas Land Purchase	557.45	29.75	---	587.20
Land Option No. 1 - Carson City	23,375.90	---	---	23,375.90
State Office Bldg.-Adv. Plan	5,799.00	144.43	---	5,943.43
Capitol Complex-Capital Improvements	374,673.53	12,714.50	---	387,388.03
Survey-Capitol Complex	23,308.66	---	---	23,308.66
Capitol Complex-Capital Improvements-1965	48,247.15	1,752.85	---	50,000.00
Supreme Court Library	42.50	19,498.40	---	19,540.90
Capitol Bldg.-Misc.	---	3,258.69	---	3,258.69
Capitol Complex Site Development	---	37,450.00	---	37,450.00
Nye Bldg. Solar Screens	170.00	20,920.00	---	21,090.00
Governor's Mansion-Land Acquisition	18,974.90	650.00	---	19,624.90
Governor's Mansion-Remodel	397.25	182,091.15	---	182,488.40
Legislative Bldg.	28,383.80	133,853.07	---	162,236.87
Historical Society Bldg.	11,638.03	170,930.55	52,204.52	234,773.10
Total State - General	<u>\$ 1,038,068.17</u>	<u>\$ 583,293.39</u>	<u>\$ 53,454.52</u>	<u>\$ 1,674,816.08</u>
<u>Urban Planning Projects</u>				
Clark County	\$ 104,194.54	\$ 9,088.00	\$ ---	\$ 113,282.54
Douglas County	11,508.00	5,544.00	1,218.00	18,270.00
Truckee Meadows	52,838.49	---	4,060.51	56,899.00
Churchill County	3,360.00	1,590.00	---	4,950.00
Las Vegas Valley	98,574.02	20,511.93	11,286.05	130,372.00
North Las Vegas	---	12,600.00	---	12,600.00
Elko	11,270.00	300.00	---	12,070.00
Elko County	---	9,158.00	6,100.00	15,258.00
Humboldt County	---	8,578.66	4,171.34	12,750.00
White Pine County	---	---	---	---
Henderson	---	---	---	---
Total Urban Planning Projects	<u>\$ 281,745.05</u>	<u>\$ 67,870.59</u>	<u>\$ 26,335.90</u>	<u>\$ 376,451.54</u>
COMBINED TOTALS	<u>\$16,844,021.12</u>	<u>\$3,229,720.19</u>	<u>\$162,031.05</u>	<u>\$20,235,772.36</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
INSPECTION ACCOUNT
STATEMENT OF RECEIPTS AND TRANSFERS
FROM CONSTRUCTION PROJECTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

RECEIPTS

University of Nevada - Student Activities	
Building - NSU	\$10,500.00

TRANSFERS FROM CONSTRUCTION PROJECTS

University of Nevada - Reno		
Addition to Heating Plant	\$ 3,300.00	
Rehabilitation - Existing Buildings	<u>2,000.00</u>	5,300.00
University of Nevada - Las Vegas		
Library Addition		1,000.00
Highway Fund		
Acoustical Treatment - DMV Building	\$ 1,000.00	
Highway Patrol Building	<u>1,000.00</u>	2,000.00
Fish and Game Fund		
Ruby Lake Hatchery		500.00
State Prison		
Capital Improvements	\$ 8,000.00	
Women's Prison - Wing	4,300.00	
Industrial Building No. 2	6,900.00	
Laundry Expansion	1,167.61	
Multi-Purpose Building	<u>4,700.00</u>	25,067.61
Health, Welfare and Rehabilitation		
State Hospital - Electric System & Fire Alarm	\$ 3,100.00	
Youth Center Improvements	<u>1,000.00</u>	4,100.00
State - General		
Capitol Complex Site Development	\$ 250.00	
Historical Society Building	<u>3,750.00</u>	<u>4,000.00</u>
Total Receipts and Transfers		\$52,467.61

DISBURSEMENTS - EXHIBIT F

Salaries and Payroll Costs	\$44,638.66	
In-State Travel	820.35	
Operating	<u>76.28</u>	
Total Disbursements		<u>45,535.29</u>

<u>EXCESS OF RECEIPTS AND TRANSFERS OVER DISBURSEMENTS</u>	\$ 6,932.32
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<u>UNSPENT BALANCE AT END OF FISCAL YEAR 1966-67</u>	<u>246.43</u>
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<u>UNSPENT BALANCE AT JUNE 30, 1968</u>	<u>\$ 7,178.75</u>
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STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
ADMINISTRATIVE ACCOUNT
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED ADMINISTRATIVE
EXPENDITURES COMPARED WITH ACTUAL ADMINISTRATIVE EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT C

	<u>Basis for</u> <u>Authorization</u>	<u>Actual</u>	<u>Over or (Under)</u> <u>Authorization</u>
<u>SOURCE OF FUNDS</u>			
General Fund Appropriation	\$171,822.00	\$171,822.00	\$ ---
Allocation of Salary Increase			
Appropriation	5,582.00	5,024.00	(558.00)
Federal Funds	11,400.00	---	(11,400.00)
Sale of Equipment	<u>50.00</u>	<u>50.00</u>	<u>---</u>
Total	<u>\$188,854.00</u>	<u>\$176,896.00</u>	<u>\$ (11,958.00)</u>
 <u>FUNDS EXPENDED - EXHIBIT G</u>			
Payroll Costs	\$157,069.00	\$143,494.92	\$(13,574.08)
Travel	7,500.00	7,267.71	(232.29)
Operating	22,155.00	21,028.88	(1,126.12)
Equipment	<u>2,130.00</u>	<u>2,078.00</u>	<u>(52.00)</u>
Total	<u>\$188,854.00</u>	<u>\$173,869.51</u>	<u>\$ (14,984.49)</u>
 <u>REVERSION TO GENERAL FUND</u>		 <u>\$ 3,026.49</u>	 <u>\$ 3,026.49</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF REMAINING SPENDING AUTHORITY
JUNE 30, 1968

EXHIBIT D

CONSTRUCTION PROJECTS	Funds Available			Expenditures to Date	Encumbrances	Reversions	Remaining Spending Authority
	Appropriation & Authorization	Misc. Receipts	Total Per Exhibit E				
<u>University of Nevada - Reno</u>							
Engineering Bldg.	\$ 2,688,272.00	\$ 994.11	\$ 2,689,266.11	\$ 2,679,366.07	\$ ---	\$ ---	\$ 9,900.04
Library	2,572,912.00	---	2,572,912.00	2,522,167.01	9,360.13	---	41,384.86
Design Social Science Bldg.	95,000.00	---	95,000.00	95,000.00	---	---	---
Design Physical Science Bldg.	187,000.00	300.00	187,300.00	170,379.35	1,879.35	---	15,041.30
Capital Improvements	448,700.00	1,102.52	449,802.52	447,132.34	---	2,670.18	---
Advance Plan Education Bldg.	15,660.00	---	15,660.00	---	---	---	15,660.00
Addition to Heat Plant	308,300.00	---	308,300.00	80,923.15	180,885.45	---	46,487.40
Furn. & Equip. - Social Science Bldg.	161,450.00	---	161,450.00	115,314.80	20,267.30	---	25,867.90
Rehabilitation - Existing Bldg.	55,500.00	---	55,500.00	29,870.67	---	---	25,629.33
Social Science Bldg. (Note 1.)	1,571,011.00	3,095.37	1,574,106.37	1,551,731.06	8,082.75	---	14,292.56
School of Nursing Bldg.	658,960.50	---	658,960.50	645,553.55	---	13,406.95	---
Chemistry & Lecture Bldg.	3,777,150.00	---	3,777,150.00	---	43,074.00	---	3,734,076.00
Total University of Nevada - Reno	<u>\$12,539,915.50</u>	<u>\$5,492.00</u>	<u>\$12,545,407.50</u>	<u>\$ 8,337,442.00</u>	<u>\$263,548.98</u>	<u>\$16,077.13</u>	<u>\$3,928,339.39</u>
<u>University of Nevada - Las Vegas</u>							
Landscaping	\$ 12,000.00	\$ 914.61	\$ 12,914.61	\$ 12,161.97	\$ ---	\$ 752.64	\$ ---
Dormitory & Dining Hall Furn.	45,000.00	---	45,000.00	43,344.16	---	---	1,655.84
Library Addition	1,588,500.00	1,105.02	1,589,605.02	1,574,962.29	---	---	14,642.73
Chemistry Bldg.	1,570,000.00	---	1,570,000.00	34,649.03	69,500.00	---	1,465,850.97
Fine Arts Bldg. (Note 2.)	2,300,000.00	---	2,300,000.00	---	---	---	2,300,000.00
Land Acquisition	734,000.00	---	734,000.00	731,243.86	---	2,756.14	---
Total University of Nevada - Las Vegas	<u>\$ 6,249,500.00</u>	<u>\$2,019.63</u>	<u>\$ 6,251,519.63</u>	<u>\$ 2,396,361.31</u>	<u>\$ 69,500.00</u>	<u>\$ 3,508.78</u>	<u>\$3,782,149.54</u>
Total University of Nevada	<u>\$18,789,415.50</u>	<u>\$7,511.63</u>	<u>\$18,796,927.13</u>	<u>\$10,733,803.31</u>	<u>\$333,048.98</u>	<u>\$19,585.91</u>	<u>\$7,710,488.93</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF REMAINING SPENDING AUTHORITY
JUNE 30, 1968

EXHIBIT D
(Continued)

<u>CONSTRUCTION PROJECTS</u>	<u>Funds Available</u>			<u>Expenditures</u>	<u>Encumbrances</u>	<u>Reversions</u>	<u>Remaining</u>
	<u>Appropriation</u>	<u>Misc.</u>	<u>Total Per</u>	<u>to Date</u>			<u>Spending</u>
	<u>& Authorization</u>	<u>Receipts</u>	<u>Exhibit E</u>				<u>Authority</u>
<u>Highway Fund</u>							
Motor Vehicle Bldg.	\$ 810,000.00	\$ ---	\$ 810,000.00	\$ 809,480.08	\$ ---	\$ 519.92	\$ ---
Acoustical Treatment - M.V. Bldg.	17,500.00	---	17,500.00	11,874.40	4,473.40	---	1,152.20
Highway Patrol Bldg. - Las Vegas	159,100.00	---	159,100.00	145,616.26	12,663.25	---	820.49
Total Highway Fund	<u>\$ 986,600.00</u>	<u>\$ ---</u>	<u>\$ 986,600.00</u>	<u>\$ 966,970.74</u>	<u>\$ 17,136.65</u>	<u>\$ 519.92</u>	<u>\$ 1,972.69</u>
<u>Fish and Game Fund (Note 3.)</u>							
Ruby Lake Hatchery	\$ 718,000.00	\$ 75.00	\$ 718,075.00	\$ 716,457.26	\$ ---	\$ ---	\$ 1,617.74
Residence - Sunnyside	27,700.00	---	27,700.00	27,310.14	---	---	389.86
Office Bldg. - Las Vegas	28,000.00	---	28,000.00	27,620.50	---	---	379.50
Total Fish and Game Fund	<u>\$ 773,700.00</u>	<u>\$ 75.00</u>	<u>\$ 773,775.00</u>	<u>\$ 771,387.90</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 2,387.10</u>
<u>State Prison</u>							
Capital Improvements	\$ 119,800.00	\$ ---	\$ 119,800.00	\$ 100,792.73	\$ 3,500.00	\$14,054.59	\$ 1,452.68
Capital Improvements - 1966	1,020,500.00	---	1,020,500.00	958,552.75	4,412.52	---	57,534.73
Women's Wing	82,800.00	---	82,800.00	70,851.03	1,450.03	---	10,498.94
Industrial Building No. 2	184,300.00	---	184,300.00	162,658.21	---	---	21,641.79
Laundry Expansion	58,100.00	---	58,100.00	58,100.00	---	---	---
Minimum Security Prison	1,960,000.00	---	1,960,000.00	1,957,444.21	---	2,555.79	---
Capital Improvements - 1965	554,000.00	---	554,000.00	544,238.41	---	8,194.28	1,567.31
Multi-Purpose Bldg.	395,900.00	---	395,900.00	142,284.46	2,052.48	---	251,563.06
Total Prison	<u>\$ 4,375,400.00</u>	<u>\$ ---</u>	<u>\$ 4,375,400.00</u>	<u>\$ 3,994,921.80</u>	<u>\$ 11,415.03</u>	<u>\$24,804.66</u>	<u>\$ 344,258.51</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF REMAINING SPENDING AUTHORITY
JUNE 30, 1968

EXHIBIT D
(Continued)

<u>CONSTRUCTION PROJECTS</u>	Funds Available			Expenditures to Date	Encumbrances	Reversions	Remaining Spending Authority
	Appropriation & Authorization	Misc. Receipts	Total Per Exhibit E				
<u>Health, Welfare and Rehabilitation</u>							
Youth Training Center	\$ 429,900.00	\$ 450.00	\$ 430,350.00	\$ 428,750.28	\$ ---	\$ 209.55	\$ 1,390.17
Hospital Capital Improvements - 1965	517,200.00	---	517,200.00	514,975.04	---	2,224.96	---
Hospital - Remodel Intensive Ward	97,400.00	---	97,400.00	97,198.54	---	201.46	---
Hospital - Electric System & Fire Alarm	95,700.00	---	95,700.00	89,209.52	---	---	6,490.48
Hospital - Sidewalks, Curbs, & Gutters	16,300.00	---	16,300.00	15,445.10	---	854.90	---
Youth Training Center Improvements	531,300.00	---	531,300.00	509,745.23	---	21,554.77	---
Southern Nevada Children's Home	214,300.00	---	214,300.00	6,976.25	5,900.00	---	201,423.75
Southern Nevada Mental Health Center	1,345,586.00	---	1,345,586.00	22,852.02	---	---	1,322,733.98
Mentally Retarded Children's Cottages	<u>457,312.00</u>	<u>---</u>	<u>457,312.00</u>	<u>9,202.48</u>	<u>15,920.02</u>	<u>---</u>	<u>432,189.50</u>
Total Health, Welfare & Rehabilitation	<u>\$ 3,704,998.00</u>	<u>\$ 450.00</u>	<u>\$ 3,705,448.00</u>	<u>\$ 1,694,354.46</u>	<u>\$ 21,820.02</u>	<u>\$25,045.64</u>	<u>\$1,964,227.88</u>
<u>Conservation and Natural Resources</u>							
Peavine Forest Camp	\$ 87,600.00	\$ ---	\$ 87,600.00	\$ 4,164.80	\$ ---	\$83,435.20	\$ ---
Valley of Fire Land - Boulder Park	<u>25,000.00</u>	<u>---</u>	<u>25,000.00</u>	<u>18,901.73</u>	<u>---</u>	<u>---</u>	<u>6,098.27</u>
Total Conservation & Natural Resources	<u>\$ 112,600.00</u>	<u>\$ ---</u>	<u>\$ 112,600.00</u>	<u>\$ 23,066.53</u>	<u>\$ ---</u>	<u>\$83,435.20</u>	<u>\$ 6,098.27</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF REMAINING SPENDING AUTHORITY
JUNE 30, 1968

EXHIBIT D
(Continued)

CONSTRUCTION PROJECTS	Funds Available			Expenditures to Date	Encumbrances	Reversions	Remaining Spending Authority
	Appropriation & Authorization	Misc. Receipts	Total Per Exhibit E				
<u>State - General</u>							
State Property Sale	\$ 2,300.00	\$ ---	\$ 2,300.00	\$ 3,250.00	\$ ---	\$ ---	\$ (950.00)
Las Vegas Land Purchase	60,000.00	---	60,000.00	587.20	---	59,412.80	---
Land Option No. 1 - Carson City	25,000.00	---	25,000.00	23,375.90	---	1,624.10	---
State Office Bldg. - Advance Planning	8,000.00	---	8,000.00	5,943.43	---	2,056.57	---
Capitol Complex - Capital Improvements	944,685.00	---	944,685.00	887,388.03	---	6,533.65	50,763.32
Survey Capitol Complex	24,200.00	---	24,200.00	23,808.66	---	391.34	---
Capitol Complex - Capital Improvements - 1965	50,000.00	---	50,000.00	50,000.00	---	---	---
Supreme Court Library	20,000.00	---	20,000.00	19,540.90	---	459.10	---
Capitol Bldg. - Misc.	183,200.00	---	183,200.00	3,258.69	6,000.00	---	173,941.31
Capitol Complex Site Development	36,000.00	1,450.00	37,450.00	37,450.00	---	---	---
Nye Bldg. Solar Screens	22,000.00	---	22,000.00	21,090.00	---	910.00	---
Governor's Mansion - Land Acquisition	20,750.00	---	20,750.00	19,624.90	---	---	1,125.10
Governor's Mansion - Remodel	78,750.00	103,867.60	182,617.60	182,488.40	---	---	129.20
Legislative Bldg.	3,575,000.00	---	3,575,000.00	162,236.87	37,000.00	---	3,375,763.13
Historical Society Bldg.	260,000.00	---	260,000.00	234,773.10	18,527.53	---	6,699.37
Total State - General	<u>\$ 5,309,885.00</u>	<u>\$105,317.60</u>	<u>\$ 5,415,202.60</u>	<u>\$ 1,674,816.08</u>	<u>\$ 61,527.53</u>	<u>\$71,387.56</u>	<u>\$3,607,471.43</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF REMAINING SPENDING AUTHORITY
JUNE 30, 1968

EXHIBIT D
(Continued)

<u>CONSTRUCTION PROJECTS</u>	<u>Funds Available</u>			<u>Expenditures</u>	<u>Encumbrances</u>	<u>Reversions</u>	<u>Remaining</u>
	<u>Appropriation</u>	<u>Misc.</u>	<u>Total Per</u>	<u>to Date</u>			<u>Spending</u>
<u>Urban Planning Projects</u>	<u>& Authorization</u>	<u>Receipts</u>	<u>Exhibit E</u>				<u>Authority</u>
Clark County	\$ 113,282.54	\$ ---	\$ 113,282.54	\$ 113,282.54	\$ ---	\$ ---	\$ ---
Douglas County	18,270.00	---	18,270.00	18,270.00	---	---	---
Truckee Meadows	56,899.00	---	56,899.00	56,899.00	---	---	---
Churchill County	4,950.00	---	4,950.00	4,950.00	---	---	---
Las Vegas Valley	130,372.00	---	130,372.00	130,372.00	---	---	---
North Las Vegas	12,600.00	---	12,600.00	12,600.00	---	---	---
Elko	12,070.00	---	12,070.00	12,070.00	---	---	---
Elko County	15,258.00	---	15,258.00	15,258.00	---	---	---
Humboldt County	12,750.00	---	12,750.00	12,750.00	---	---	---
White Pine County	18,270.00	---	18,270.00	---	---	---	18,270.00
Henderson	36,000.00	---	36,000.00	---	---	---	36,000.00
Total Urban Planning Projects	\$ 430,721.54	\$ ---	\$ 430,721.54	\$ 376,451.54	\$ ---	\$ ---	\$ 54,270.00
 GRAND TOTAL	 <u>\$34,483,320.04</u>	 <u>\$113,354.23</u>	 <u>\$34,596,674.27</u>	 <u>\$20,235,772.36</u>	 <u>\$444,948.21</u>	 <u>\$224,778.89</u>	 <u>\$13,691,174.81</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF SOURCES OF FUNDS
JUNE 30, 1968

EXHIBIT E

<u>CONSTRUCTION PROJECTS</u>	<u>Total</u>	<u>General Fund</u>	<u>State Bonds</u>	<u>State Special Funds</u>	<u>University</u>	<u>Federal</u>	<u>Other</u>
<u>University of Nevada - Reno</u>							
Engineering Bldg.	\$ 2,689,266.11	\$ 1,188,272.00	\$ 1,500,000.00	\$ ---	\$ ---	\$ ---	\$ 994.11
Library	2,572,912.00	2,572,912.00	---	---	---	---	---
Design Social Science Bldg.	95,000.00	95,000.00	---	---	---	---	---
Design Physical Science Bldg.	187,300.00	187,000.00	---	---	---	---	300.00
Capital Improvements	449,802.52	448,700.00	---	---	---	---	1,102.52
Advance Plan - Education Bldg.	15,660.00	15,660.00	---	---	---	---	---
Addition to Heat Plant	308,300.00	308,300.00	---	---	---	---	---
Furn. & Equip. - Social Science Bldg.	161,450.00	161,450.00	---	---	---	---	---
Rehabilitation - Existing Bldg.	55,500.00	55,500.00	---	---	---	---	---
Social Science Bldg.	1,574,106.37	---	1,455,000.00	---	---	116,011.00	3,095.37
School of Nursing Bldg.	658,960.50	---	85,385.50	---	---	389,118.00	184,457.00
Chemistry & Lecture Bldg.	3,777,150.00	---	945,000.00	---	---	2,832,150.00	---
Total University of Nevada - Reno	<u>\$12,545,407.50</u>	<u>\$ 5,032,794.00</u>	<u>\$ 3,985,385.50</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$3,337,279.00</u>	<u>\$ 189,949.00</u>
<u>University of Nevada - Las Vegas</u>							
Landscaping	\$ 12,914.61	\$ 12,000.00	\$ ---	\$ ---	\$ ---	\$ ---	\$ 914.61
Dormitory & Dining Hall Furn.	45,000.00	45,000.00	---	---	---	---	---
Library Addition	1,589,605.02	---	1,059,000.00	---	---	529,500.00	1,105.02
Chemistry Bldg.	1,570,000.00	---	392,500.00	---	700,000.00	477,500.00	---
Fine Arts Bldg.	2,300,000.00	---	207,500.00	---	927,500.00	415,000.00	750,000.00
Land Acquisition	734,000.00	---	734,000.00	---	---	---	---
Total Univ. of Nevada - Las Vegas	<u>\$ 6,251,519.63</u>	<u>\$ 57,000.00</u>	<u>\$ 2,393,000.00</u>	<u>\$ ---</u>	<u>\$1,627,500.00</u>	<u>\$1,422,000.00</u>	<u>\$ 752,019.63</u>
Total University of Nevada	<u>\$18,796,927.13</u>	<u>\$ 5,089,794.00</u>	<u>\$ 6,378,385.50</u>	<u>\$ ---</u>	<u>\$1,627,500.00</u>	<u>\$4,759,279.00</u>	<u>\$ 941,968.63</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF SOURCES OF FUNDS
JUNE 30, 1968

EXHIBIT E
(Continued)

CONSTRUCTION PROJECTS

	<u>Total</u>	<u>General Fund</u>	<u>State Bonds</u>	<u>State Special Funds</u>	<u>University</u>	<u>Federal</u>	<u>Other</u>
<u>Highway Fund</u>							
Motor Vehicle Bldg.	\$ 810,000.00	\$ ---	\$ ---	\$ 810,000.00	\$ ---	\$ ---	\$ ---
Acoustical Treatment - M.V. Bldg.	17,500.00	---	---	17,500.00	---	---	---
Highway Patrol Bldg. - Las Vegas	<u>159,100.00</u>	<u>---</u>	<u>---</u>	<u>159,100.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Highway Fund	<u>\$ 986,600.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 986,600.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
<u>Fish and Game Fund (Note 3.)</u>							
Ruby Lake Hatchery	\$ 718,075.00	\$ ---	\$ ---	\$ 718,000.00	\$ ---	\$ ---	\$ 75.00
Residence - Sunnyside	27,700.00	---	---	27,700.00	---	---	---
Office Building - Las Vegas	<u>28,000.00</u>	<u>---</u>	<u>---</u>	<u>28,000.00</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Fish and Game Fund	<u>\$ 773,775.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 773,700.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 75.00</u>
<u>State Prison</u>							
Capital Improvements	\$ 119,800.00	\$ 119,800.00	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Capital Improvements - 1966	1,020,500.00	1,020,500.00	---	---	---	---	---
Women's Wing	82,800.00	82,800.00	---	---	---	---	---
Industrial Bldg. No. 2	184,300.00	184,300.00	---	---	---	---	---
Laundry Expansion	58,100.00	58,100.00	---	---	---	---	---
Minimum Security Prison	1,960,000.00	---	1,960,000.00	---	---	---	---
Capital Improvements - 1965	554,000.00	---	554,000.00	---	---	---	---
Multi-Purpose Bldg.	<u>395,900.00</u>	<u>---</u>	<u>395,900.00</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Prison	<u>\$ 4,375,400.00</u>	<u>\$ 1,465,500.00</u>	<u>\$ 2,909,900.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF SOURCES OF FUNDS
JUNE 30, 1968

EXHIBIT E
(Continued)

<u>CONSTRUCTION PROJECTS</u>	<u>Total</u>	<u>General Fund</u>	<u>State Bonds</u>	<u>State Special Funds</u>	<u>University</u>	<u>Federal</u>	<u>Other</u>
<u>Health, Welfare and Rehabilitation</u>							
Youth Training Center	\$ 430,350.00	\$ 429,900.00	\$ ---	\$ ---	\$ ---	\$ ---	\$ 450.00
Hospital Capital Improvements - 1965	517,200.00	517,200.00	---	---	---	---	---
Hospital - Remodel Intensive Ward	97,400.00	97,400.00	---	---	---	---	---
Hospital - Electric System & Fire Alarm	95,700.00	95,700.00	---	---	---	---	---
Hospital - Sidewalks, Curbs & Gutters	16,300.00	16,300.00	---	---	---	---	---
Youth Training Center Improvements	531,300.00	---	531,300.00	---	---	---	---
Southern Nevada Children's Home	214,300.00	---	214,300.00	---	---	---	---
Southern Nevada Mental Health Center	1,345,586.00	---	941,000.00	---	---	404,586.00	---
Mentally Retarded Children's Cottages	457,312.00	---	304,800.00	---	---	152,512.00	---
Total Health, Welfare & Rehabilitation	<u>\$ 3,705,448.00</u>	<u>\$ 1,156,500.00</u>	<u>\$ 1,991,400.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 557,098.00</u>	<u>\$ 450.00</u>
<u>Conservation and Natural Resources</u>							
Peavine Forest Camp	\$ 87,600.00	\$ 87,600.00	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Valley of Fire Land - Boulder Park	25,000.00	25,000.00	---	---	---	---	---
Total Conservation & Natural Resources	<u>\$ 112,600.00</u>	<u>\$ 112,600.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF SOURCES OF FUNDS
JUNE 30, 1968

EXHIBIT E
(Continued)

<u>CONSTRUCTION PROJECTS</u>	<u>Total</u>	<u>General Fund</u>	<u>State Bonds</u>	<u>State Special Funds</u>	<u>University</u>	<u>Federal</u>	<u>Other</u>
<u>State - General</u>							
State Property Sale	\$ 2,300.00	\$ ---	\$ ---	\$ 2,300.00	\$ ---	\$ ---	\$ ---
Las Vegas Land Purchase	60,000.00	60,000.00	---	---	---	---	---
Land Option No. 1 - Carson City	25,000.00	25,000.00	---	---	---	---	---
State Office Bldg. - Advance Planning	8,000.00	8,000.00	---	---	---	---	---
Capitol Complex - Capital Improvements	944,685.00	944,685.00	---	---	---	---	---
Survey Capitol Complex	24,200.00	24,200.00	---	---	---	---	---
Capitol Complex - Capital Improvements - 1965	50,000.00	44,397.00	5,603.00	---	---	---	---
Supreme Court Library	20,000.00	20,000.00	---	---	---	---	---
Capitol Bldg. - Misc.	183,200.00	183,200.00	---	---	---	---	---
Capitol Complex Site Development	37,450.00	36,000.00	---	---	---	---	1,450.00
Nye Bldg. Solar Screens	22,000.00	22,000.00	---	---	---	---	---
Governor's Mansion - Land Acquisition	20,750.00	20,750.00	---	---	---	---	---
Governor's Mansion - Remodel	182,617.60	78,750.00	---	---	---	---	103,867.60
Legislative Bldg.	3,575,000.00	3,575,000.00	---	---	---	---	---
Historical Society Bldg.	260,000.00	---	---	---	---	---	260,000.00
Total State - General	<u>\$ 5,415,202.60</u>	<u>\$ 5,041,982.00</u>	<u>\$ 5,603.00</u>	<u>\$ 2,300.00</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 365,317.60</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
STATEMENT OF SOURCES OF FUNDS
JUNE 30, 1968

EXHIBIT E
(Continued)

CONSTRUCTION PROJECTS

	<u>Total</u>	<u>General Fund</u>	<u>State Bonds</u>	<u>State Special Funds</u>	<u>University</u>	<u>Federal</u>	<u>Other</u>
<u>Urban Planning Projects</u>							
Clark County	\$ 113,282.54	\$ ---	\$ ---	\$ ---	\$ ---	\$ 75,509.00	\$ 37,773.54
Douglas County	18,270.00	---	---	---	---	12,180.00	6,090.00
Truckee Meadows	56,899.00	---	---	18,967.00	---	37,932.00	---
Churchill County	4,950.00	---	---	---	---	3,300.00	1,650.00
Las Vegas Valley	130,372.00	---	---	43,333.00	---	87,039.00	---
North Las Vegas	12,600.00	---	---	---	---	8,400.00	4,200.00
Elko	12,070.00	---	---	---	---	8,045.00	4,025.00
Elko County	15,258.00	---	---	---	---	10,172.00	5,086.00
Humboldt County	12,750.00	---	---	---	---	8,500.00	4,250.00
White Pine County	18,270.00	---	---	---	---	12,180.00	6,090.00
Henderson	36,000.00	---	---	---	---	24,000.00	12,000.00
Total Urban Planning Projects	<u>\$ 430,721.54</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 62,300.00</u>	<u>\$ ---</u>	<u>\$ 287,257.00</u>	<u>\$ 81,164.54</u>
 GRAND TOTAL	 <u>\$34,596,674.27</u>	 <u>\$12,866,376.00</u>	 <u>\$11,285,288.50</u>	 <u>\$1,824,900.00</u>	 <u>\$1,627,500.00</u>	 <u>\$5,603,634.00</u>	 <u>\$1,388,975.77</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
INSPECTION ACCOUNT
STATEMENT OF EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT F

	<u>Fiscal Year Ended June 30</u>		<u>Increase</u>
	<u>1967</u>	<u>1968</u>	<u>(Decrease)</u>
<u>PAYROLL COSTS</u>			
Salaries	\$55,408.12	\$41,308.77	\$(14,099.35)
Employee Benefits	3,903.07	3,329.89	(573.18)
Total Payroll Costs	<u>\$59,311.19</u>	<u>\$44,638.66</u>	<u>\$(14,672.53)</u>
<u>TRAVEL</u>			
In-State	<u>\$ 2,466.14</u>	<u>\$ 820.35</u>	<u>\$ (1,645.79)</u>
<u>OPERATING</u>			
Postage and Freight	\$ 132.00	\$ 76.28	\$ (55.72)
Telephone	25.45	---	(25.45)
Total Operating	<u>\$ 157.45</u>	<u>\$ 76.28</u>	<u>\$ (81.17)</u>
Total Expenditures	<u>\$61,934.78</u>	<u>\$45,535.29</u>	<u>\$(16,399.49)</u>

STATE OF NEVADA
PLANNING BOARD CONSTRUCTION FUND
ADMINISTRATIVE ACCOUNT
STATEMENT OF EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT G

	<u>Fiscal Year Ended June 30</u>		<u>Increase</u>
	<u>1967</u>	<u>1968</u>	<u>(Decrease)</u>
<u>PAYROLL COSTS</u>			
Salaries	\$116,627.03	\$132,913.77	\$16,286.74
Employee Benefits	8,186.97	10,581.15	2,394.18
Total Payroll Costs	<u>\$124,814.00</u>	<u>\$143,494.92</u>	<u>\$18,680.92</u>
<u>TRAVEL</u>			
Out-of-State	\$ 521.57	\$ 385.90	\$ (135.67)
In-State	6,671.02	6,881.81	210.79
Total Travel	<u>\$ 7,192.59</u>	<u>\$ 7,267.71</u>	<u>\$ 75.12</u>
<u>OPERATING</u>			
Office Supplies	\$ 3,042.67	\$ 2,411.68	\$ (630.99)
Postage and Freight	628.76	695.05	66.29
Telephone	2,716.65	2,492.24	(224.41)
Printing	1,754.20	381.65	(1,372.55)
Subscriptions and Reference Manuals	296.26	387.54	91.28
Dues and Registrations	132.50	165.00	32.50
Bond and Insurance Premiums	61.63	143.94	82.31
Contract Services	610.00	515.00	(95.00)
Office Equipment Repair	794.09	625.00	(169.09)
Equipment Rental	---	1,214.22	1,214.22
Advertising	155.77	---	(155.77)
Building Space Rental	---	11,351.00	11,351.00
Photographs, Prints, and Maps	83.65	646.56	562.91
Other	20.63	---	(20.63)
Total Operating	<u>\$ 10,296.81</u>	<u>\$ 21,028.88</u>	<u>\$10,732.07</u>
<u>EQUIPMENT</u>			
Reproduction Machine	\$ ---	\$ 1,851.99	\$ 1,851.99
Office Equipment and Furniture	45.88	226.01	180.13
Total Equipment	<u>\$ 45.88</u>	<u>\$ 2,078.00</u>	<u>\$ 2,032.12</u>
Total Expenditures	<u>\$142,349.28</u>	<u>\$173,869.51</u>	<u>\$31,520.23</u>

STATE OF NEVADA
PLANNING BOARD SCHOOL PLAN CHECKING FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT H

<u>RECEIPTS</u>	
School Districts	\$13,283.13
<u>DISBURSEMENTS</u>	
Inspections	<u>13,868.13</u>
<u>EXCESS (DEFICIT) OF RECEIPTS OVER EXPENDITURES</u>	\$ (585.00)
<u>FUND BALANCE JULY 1, 1967</u>	<u>585.00</u>
<u>FUND BALANCE JUNE 30, 1968</u>	<u><u>\$ ---</u></u>

STATE OF NEVADA
PLANNING BOARD OPTION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT I

<u>RECEIPTS</u>	\$ ---
<u>DISBURSEMENTS</u>	<u>---</u>
<u>EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS</u>	\$ ---
<u>FUND BALANCE JULY 1, 1967</u>	<u>2,500.00</u>
<u>FUND BALANCE JUNE 30, 1968</u>	<u>\$2,500.00</u>

STATE OF NEVADA
PLANNING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

1. The encumbrance of \$8,082.75 shown on Exhibit D for the Social Science Building at the University of Nevada, Reno, was paid in July, 1968. This represents an advance payment on the architectural services for the annex to the Social Science Building. The annex has been neither proposed nor funded as of June 30, 1969.

2. Construction has not started on the Fine Arts Building at the University of Nevada, Las Vegas (Exhibit D). Latest cost estimate is approximately \$2.7 million.

3. The Legislature authorized the following three projects from the Fish and Game Fund in the 1967 Session, but action was deferred until after June 30, 1968:

1. Two Residences - Ruby Lake Fish Hatchery.
2. Expansion of Fish and Game Headquarters Building - Reno.
3. Residence and Office at Kingston Canyon.

The Kingston Canyon project had not been started as of June 30, 1969.

STATE OF NEVADA
PLANNING BOARD
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

The State Planning Board was created by Chapter 102, Statutes of Nevada, 1937. It consists of nine members, all appointed by the Governor.

The Legislature, through Chapter 327, Statutes of Nevada, 1965, made the following statement:

"The legislature therefore declares it to be the policy of this state that all construction of public buildings upon property of the state or held in trust for any division of the state government be supervised by, and final authority for its completion and acceptance vested in, the state planning board as provided in NRS 341.150."

ACCOUNTING RECORDS

The accounting records of the Planning Board are not established in such a manner that the sources of funding, encumbrances, expenditures, and cash payments for each construction project are posted to the same set of records. If all of the accounting data were posted to the same set of records, a permanent history would be available, not only on the cash expenditures, but on all of the budgetary and encumbrance transactions that occurred throughout the construction period.

RECOMMENDATION

We recommend that the Planning Board establish one set of records for the posting and accumulating of all the accounting data.

OPERATIONS

REVERSION OF UNEXPENDED PROJECT FUNDS

In our opinion, all appropriation acts, including those enacted for capital expenditures, should contain a provision for the reversion of unspent and unencumbered funds on a specified date. If a capital expenditure project has not been completed by the reversion date, the Planning Board would be required to request an extension of the reversion from the Legislature.

RECOMMENDATION

We recommend that all appropriation acts for capital expenditures contain a provision that the unexpended and unencumbered balance will revert to the proper funds five years after the effective date of such appropriation acts.

UNEXPENDED BOND PROCEEDS

Unexpended proceeds from the sale of State bonds authorized for capital expenditures are reverted to the General Fund. In our opinion, the unexpended bond proceeds should revert to the Bond Interest and Redemption Fund and be used to retire the bonds.

RECOMMENDATION

We recommend that all State Bond Acts for capital expenditures provide that any unexpended proceeds shall revert to the Bond Interest and Redemption Fund and be used to retire the bonds sold.

APPROPRIATIONS

In our previous audit report on the Planning Board for the fiscal year ended June 30, 1964, we made the following recommendation:

"It is recommended that the furnishings portion of a construction project be made a separate and individual appropriation."

Appropriations for capital projects still include a portion for furnishings. In our opinion, the construction of a building and the furnishings to be included therein should be funded separately.

RECOMMENDATION

We recommend that the cost of the furnishings for a construction project be made a separate item in the appropriation act.

EXPENDITURE OF SURPLUS FUNDS

Section 21 of Chapter 519, Statutes of Nevada, 1967, appropriated \$17,500 for the acoustical treatment of the headquarters building of the Department of Motor Vehicles in Carson City. Following is a summary of the expenditures charged against the appropriation:

Acoustical Treatment:

Advertising	\$ 161.80	
Construction	<u>7,703.00</u>	\$ 7,864.80

Dumbwaiter for D.M.V. Building:

Advertising	\$ 42.50	
Construction	<u>7,483.00</u>	7,525.50

Inspection		<u>1,000.00</u>
------------	--	-----------------

Total Expenditures		\$16,390.30
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Reversion to Highway Fund		<u>1,109.70</u>
---------------------------	--	-----------------

Total Appropriation		<u>\$17,500.00</u>
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These figures show that the amount appropriated substantially exceeded the actual cost of the acoustical treatment, but the statute contains no reference of authority for the dumbwaiter. The Legislative Counsel, however, advised the State Planning Board prior to the expenditure of the funds that this item was within the legislative intent, based upon such standing committee records as were available.

RECOMMENDATIONS

We recommend that:

1. The quality of communications be improved, through adequate committee minutes and otherwise, among the State Planning Board, the standing committees of the Legislature, and the Legislative Counsel, to assure that the statutes as drafted and enacted clearly describe the projects authorized.
2. The Planning Board expend money for only those items set forth in an appropriation or authorization act.

DAILY INSPECTION REPORTS

Planning Board regulation 3402 provides that daily inspection reports shall be kept on each project by the building inspector. We believe that this is important, in that the historical progress and problems pertaining to the fiscal affairs of each project will be recorded. We did note, however, that daily inspection reports are not always filed by the inspectors.

RECOMMENDATION

We recommend that a follow-up procedure be developed to insure the prompt and complete filing of inspection reports.

ALLOCATION OF CONSTRUCTION CONTRACT INSPECTION COSTS

NRS 341.150(3) provides that the cost of inspection shall be charged against the appropriation made by the Legislature for the project. We were unable to determine if the amount of inspection costs charged to a project was in proportion to the amount of time the inspectors spent on the project because the inspectors are not required to account for their time by project.

RECOMMENDATIONS

We recommend that:

1. All inspectors be required to keep time records by construction projects inspected.

2. All projects requiring inspection be charged their proportionate share of inspection costs based upon the actual amount of inspection performed.

CONSTRUCTION OF PROJECT WITH DONATED FUNDS

During the fiscal year, the Planning Board was involved in the construction of a project which had not been approved by the Legislature. Donated funds were used to pay for the construction costs.

Pursuant to a legal opinion prepared by our legal counsel, there is no express or implied authority in the provisions of Chapter 341 of NRS for the State Planning Board to initiate the construction of state buildings or projects on its own. However, as noted in our general comments, NRS 341.153 establishes the policy that all construction of public buildings upon state property be supervised by the State Planning Board.

RECOMMENDATION

We recommend that the Legislature consider the subject of authorization for the State Planning Board to initiate the construction of state buildings or projects on its own when such buildings or projects are to be financed by donated funds.

CONTRACT CHANGE ORDERS

After one contract was awarded as a result of competitive bidding, nine change orders were negotiated with the original contractor, as described below:

	<u>Amount</u>	<u>% of Original Contract</u>
Original Contract	\$ 73,614.00	100.0%
Change Orders	<u>104,464.62</u>	<u>141.9</u>
Total Project Cost	<u>\$178,078.62</u>	<u>241.9%</u>

The reason for these change orders arose out of the availability of donated funds to improve the project after the original appropriation was made and the original contract was let.

Pursuant to a legal opinion prepared by our legal counsel (Appendix A), the existing statutes are not clear regarding the use of change orders which are substantial in amount as compared to the original contract.

RECOMMENDATION

We recommend that the Legislature consider clarifying by legislation the use of change orders to accomplish additional work when additional funds are subsequently made available for the project.

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

Audit Item No.	Recommendations	No Action	Implemented	
			Partially	Fully
1.(a)	Deposit all fees received.			X
(b)	Require cash or certified check for plan deposits.	X		
2.	Take physical inventories of fixed assets.			X
3.(a)	Adequate protection of valuable instruments.			X
(b)	Check valuable instruments in and out.			X
4.	Authorization for additional full-time inspector of public buildings under NRS 341.165.	X		
5.	Purchase of office supplies through State Purchasing Division.			X
6.(a)	Identify claims to proper fiscal year of expenditure.			X
(b)	Reconcile ending fiscal year fund balances on agency accounts.			X
7.	Separate appropriations for furnishing new buildings.	(R) X		
8.(a)	Reversion of funds if project is not started within two years after appropriation.			X
(b)	Reversion of unexpended funds one year after filing notice of completion. (Note 1)	(R) X		
9.	Listing of contractors by area.			X
10.	Final authority by Planning Board to accept completed projects.			X
11.	Agency accounting manual.			X
	Totals	<u>4</u>	<u>0</u>	<u>11</u>

(R) Recommendation repeated in current audit report.

Note 1.

Recommendation 8(b) has been modified in this audit report.

Note:

At a meeting held September 19, 1969, between the Fiscal Analyst and the Secretary-Manager of the State Planning Board, agreement was reached on implementation of most of the foregoing recommendations. The Manager's comments and exceptions are attached to this report.

RUSSELL W. McDONALD
DIRECTOR

FRANK W. DAYKIN
DEPUTY DIRECTOR

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Room 45, CAPITOL BUILDING
CARSON CITY, NEVADA 89701

FISCAL AND AUDITING DIVISION
ROBERT E. BRUCE,
Fiscal Analyst

LEGAL DIVISION
RUSSELL W. McDONALD,
Legislative Counsel

RESEARCH DIVISION
J. E. SPRINGMEYER,
Research Director

June 2, 1969

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

Dear Bob:

You have requested our opinion on the propriety of certain change orders issued by the state planning board. The board was authorized to let a contract or contracts for the remodeling of the governor's mansion by chapter 519, Statutes of Nevada 1967. The legislature appropriated \$78,750 for the project and an additional \$103,867.60 was added by private donations.

The state planning board let a contract in the amount of \$73,614. (We assume that the contract was let after proper competitive bidding.) This contract was let before the additional funds were made available by private donation. Thereafter, the additional sum of over \$100,000 was expended on the same contract as extra work by virtue of change orders which were approved by the attorney general. The contractor was paid a total of \$180,280.82 on an original contract let for \$73,614, an increase of approximately 140 percent.

Subsections 4 and 5 of section 24 of chapter 519, Statutes of Nevada 1967, provided as follows:

4. Except as provided in subsection 5 of this section, the state planning board shall advertise, in a newspaper of general circulation in the State of Nevada, for separate sealed bids for each construction project designated in this act. Approved plans and specifications for such construction shall be on file at a place and time stated in such advertisement for the inspection of all persons desiring to bid thereon and for other interested persons. The state planning board may accept bids on either the whole or on part or parts of such construction, equipment and furnishings, and may let separate contracts

Mr. Robert E. Bruce, Fiscal Analyst
June 2, 1969
Page 2

for different and separate portions of any project, or a combination contract for structural, mechanical and electrical construction if savings will result thereby to the lowest bidder thereon; but any and all bids may be rejected for any good reason.

5. The state planning board shall not be required to advertise for sealed bids for construction projects the estimated cost of which is less than \$5,000, but the state planning board may solicit firm written bids from not less than two licensed contractors doing business in the area and may thereafter award the contract to the lowest bidder or reject all bids.

The question presented is, therefore: Was the state planning board authorized to authorize this extra work on change orders without letting such work on a new contract by competitive bidding?

It is important to note first a few general principles governing the policy behind any requirement for competitive bidding on public works.

* * * It is a general principle of law applying to the letting of contracts for public work to the lowest bidder, upon plans and specifications previously adopted, that they must be sufficiently certain and definite, upon all the details of the work which materially affect its cost, to apprise bidders of all the essential and substantial parts of the work and enable them to know with reasonable accuracy the outlay they will have to make in performing the work to be contracted for. * * * City Street Imp. Co. v. Kroh, 158 Cal. 308, 316, 110 Pac. 933 (1910).

* * * Competitive bidding statutes are not passed for the benefit of bidders but for the benefit and protection of the public. Charles L. Harney, Inc. v. Durkee, 107 Cal. App. 2d. 570, 580, 237 P.2d 561 (1951).

A fundamental purpose of competitive bidding is to deprive or limit the discretion of contract-making

Mr. Robert E. Bruce, Fiscal Analyst
June 2, 1969
Page 3

officials in the areas which are susceptible to such abuses as fraud, favoritism, improvidence, and extravagance. Any competitive bidding procedure which defeats this fundamental purpose invalidates contracts pursuant thereto even though there is no evidence of such wrongdoing. Syllabus of Court in Gale v. City of Saint Paul, 96 N.W.2d 377, 377-378 (Minn. 1959).

The two paramount aims of a statute requiring competitive bidding "* * *" are that all bidders bid upon the same thing, and that the public know clearly what the bidder must give and the municipality receive, for a consideration plainly stated. These aims would be defeated if a bidder were permitted to supplement his bid in essential details by private understandings or otherwise. The opportunities for favoritism if this were permitted are as obvious as they would be enormous. * * *" Belousofsky v. Board of Education of City of Linden, 148 A.2d 632, 634 (N.J. 1959).

Even where the government reserves in the contract the right to issue change orders, "* * *" the government has no power to change the essential nature or main purpose of the contract, but may only make changes incidental to the primary object of the contract. The change order under such clauses may not essentially alter the project contemplated by the contract." Boomer v. Abbett, 121 Cal. App. 2d 449, 464, 263 P.2d 476 (1953).

In Nichols v. State, 32 S.W. 452 (Tex. 1895), the facts were that the legislature authorized the construction of a state building, appropriated \$40,000 for this purpose and provided that a contract be let pursuant to competitive bidding to the lowest and best bidder. The plaintiff was awarded the contract on a bid of just under \$40,000.

After the plaintiff commenced construction, the commissioners in charge of supervision entered into another contract with the plaintiff to enlarge the building for an added cost of \$12,000. This contract was not let out on bid and there was no available money to pay this added cost. The plaintiff completed the building and was not paid the \$12,000 on the second contract. He brought an action to recover such amount.

Mr. Robert E. Bruce, Fiscal Analyst
June 2, 1969
Page 4

The court held at page 454:

* * * It cannot be questioned but that the claim for \$12,000, covering the changes and additions to the building, were based upon a contract between the commissioners and Nichol * * * and, this being true, it was as important to the interests of the state that the contract for changes in the erection and cost of the building to this extent should be let to the lowest and best bidder as it was, in the first instance, that the original contract should be so let; and the principle of law just stated should apply in both instances. These views necessarily lead to the holding that such additional contract was not binding on the state, because not let in the manner required by law, unless the state has ratified the unauthorized contract. (Emphasis added.) As said before, the state could not ratify this additional contract for an amount greater than was authorized by pre-existing law. * * *

In Ely v. Grand Rapids, 47 N.W. 447 (Mich. 1890), a contract for paving was let after competitive bidding. It was later ascertained that gutters should be laid at the same time. The contractor for the paving was given the contract to lay the gutters without competitive bidding. It was argued that this addition was legal under the power of the council to make assessments for any extra work which was needed.

The court held that the gutter contract was a new undertaking and necessitated advertisement pursuant to competitive bidding.

In Capital City Brick & Pipe Co. v. Des Moines, 127 N.W. 66 (Iowa 1910), although the court held that the modification of a contract for the construction of a bridge was not objectionable, it stated: " * * * It may be conceded that under statutes requiring contracts to be let to the lowest bidder, the city council cannot substantially vary the terms and conditions of a contract entered into under competitive bids, for to do so would be to destroy the advantage intended to be secured by such method of entering into the contract. (citations)" See generally 69 A.L.R. 697.

Mr. Robert E. Bruce, Fiscal Analyst

June 2, 1969

Page 5

Although subsection 5 first above quoted allows the board to award a contract if the project does not exceed \$5,000, in the matter at hand many of the change orders exceeded \$5,000 and the total exceeded the original contract by approximately 140 percent. The cases cited hold that change orders, where authorized under a particular contract, may not be substantial but only incidental to the purposes of the original project. There is no definite guideline to follow, such as 10 or 15 percent above the contract price will be allowed but no more. Each case has to be examined upon its own particular facts taking into consideration all surrounding circumstances and especially statutory authority.

One important aspect of the present inquiry is not reached in any of the decided cases found. Here we have a contract already let to perform certain designated work for a fixed amount of money. The state could not revoke this contract. It could of course let another contract or contracts for the performance of other work on the same premises; but to the extent that the work desired to be performed with the donated money involved improving, for example through the use of more costly materials, the work already contracted for, there was physically no alternative to a change order. It is a settled principle of law not to require the doing of a useless act. McFarland v. Culbertson, 2 Nev. 280 (1866).

Applying the general rule and this logical exception to the change orders at hand, it appears that:

1. Change Orders Nos. 1, 2 and 9 were of such small relative amounts that no question arises as to their propriety.
2. Change Order No. 6 was for an amount exceeding 20 percent of the base bid and was clearly for a separate item. This should have been let as a separate contract by competitive bidding.
3. The propriety of the remaining five change orders depends upon whether each respectively, or substantial items within it, could have been executed as a separate contract. This question of fact can only be resolved by an experienced architect, and as to certain items, reasonable men might differ.

Mr. Robert E. Bruce, Fiscal Analyst
June 2, 1969
Page 6

It further appears from our discussion of individual items with the manager of the state planning board that:

1. Competitive bids were in fact solicited from subcontractors, and the reasonableness of these bids checked against breakdown figures on earlier bids by competing general contractors before the job was reduced to meet the appropriation.
2. Most of the work involved in Change Orders Nos. 3, 4, 5, 7 and 8 was either physically inseparable from work already contracted or was an extension of work of the same trade as to which undivided responsibility was sought.

Our conclusion is therefore that the only clearly improper change order was No. 6, which should have been let directly by competitive bidding. Even in this instance, according to the oral representation, the impropriety went to form rather than substance.

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

by Frank W. Daykin
Frank W. Daykin
Chief Deputy

FWD:ml



WILLIAM E. HANCOCK
MANAGER

STATE OF NEVADA P L A N N I N G B O A R D

E. H. FITZ, CHAIRMAN
JAMES CASHMAN, JR., VICE-CHAIRMAN
PETER ECHEVERRIA
GENE F. EMPEY
WILLIAM G. FLANGAS
FRED D. GIBSON
HARRY R. MIGHELS
C. V. ISBELL
I. J. SANDORF

Nye Building, Room 225

CARSON CITY, NEVADA 89701

September 24, 1969

IN REPLY REFER TO SUBJECT

RE Audit Report of
September 18, 1969

Legislative Counsel Bureau
State of Nevada
Carson City, Nevada 89701

Attention: Mr. Robert E. Bruce, C.P.A.
Fiscal Analyst

Gentlemen:

I have reviewed the results of your audit of the State Planning Board which was prepared in response to a request from the Board dated June 4, 1968.

In reviewing our 34.5 million dollar program, this audit is most thorough and your staff is to be complimented not only for the detail involved, but for the professional manner and methods utilized in its preparation.

Attached is a brief commentary on the three fiscal notes and the ten basic recommendations summarized in the report.

Very truly yours,

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

WEH:scs
enc

(TRUE COPY)

COMMENTS ON FISCAL NOTES AND RECOMMENDATIONS

CONTAINED IN SEPTEMBER 18, 1969 AUDIT

A. FISCAL NOTES

1. The referenced "Annex" was designed as part of the Social Science Building authorized by Chapter 432, 1963 Statutes. When the University did not receive the total amount of Federal funds anticipated, the Annex, bid as an alternate, could not be built. The Architect was paid his direct costs for the design. The project was #4 on the University Reno Campus priority requests of February 23, 1968, and #11 on the combined University of Nevada Priority requests dated March 25, 1968. It was subsequently deleted by the Regents and was not included among the final priority projects requested for funding by the 1969 Session. I am advised that the University intends to reinstate the project in their future programs, thereby utilizing the completed design.
2. The design of the Fine Arts Building was delayed pending completion of the University's fund raising drive. The latest cost estimate for Phase I, Concert and Drama Halls, is \$2,661,500.00. Final plans will be completed in November, but bidding will be delayed until the University can convert the pledges realized from the fund drive.
3. The Fish and Game Commission was not able to finance all of the authorized projects at one time, and it was therefore necessary to phase their construction. The two residences and a portion of the expansion of the Headquarters Building have been completed. The design and construction of the balance of the program will proceed when it is authorized by the Fish and Game Commission.

B. RECOMMENDATIONS

1. Page 2.33 re Accounting Procedures: I agree. While the auditors were able to find all necessary data in our existing records, the consolidation of our current records is desirable. With the 1969 Legislature's approval to hire our first accountant, we can now consolidate these accounts as recommended.

1.

2. Page 2.34 re Reversions: Board policy now requires the reversion of any account that is dormant for two years, and reversion of unobligated funds one year after filing the Notice of Completion. While I agree with the accounting philosophy contained in the recommendation, the terminology of a mandatory reversion should be developed carefully to avoid complications on major projects requiring years to complete.
3. Page 2.34 re Bond Proceeds: I agree, but point out that the final depository for reverted funds is determined by the Board of Finance.
4. Page 2.35 re Furnishings: I believe separate furnishings appropriations will result in increased total appropriations.
- 5a & 5b. Page 2.36 re Expenditure of Funds: I agree. However, even if this is implemented, it is necessary to develop a procedure that will permit action to be taken based on changing conditions, intent, or new information.
6. Page 2.36 re Inspection Reports: Except for minor projects in remote areas, I agree and will implement. The cost of providing daily inspection on small projects in remote areas would be very expensive. On such projects we provide periodic inspection at pertinent times, and I feel this is satisfactory. I will recommend that the Board change their existing policy to permit this action.
7. Page 2.36 re Inspector Time Cards: I agree and will implement.
8. Page 2.37 re Inspection Charges: Since we are not always able to anticipate construction problems in advance, this recommendation could conceivably result either in minimum inspection or deficit spending. I would recommend the appropriation of a separate inspection fund that would be adequate to implement the authorized construction program.
9. Re: Construction with Donated Funds: I agree with the need for additional legislation to clarify this.
10. Re: Change Orders: I agree with the need for legislation clarifying this.

STATE OF NEVADA
NEVADA HISTORICAL SOCIETY
REVIEW OF ACCOUNTING PROCEDURES
SEPTEMBER, 1969

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

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have reviewed the accounting procedures of the Nevada Historical Society. We believe that certain changes should be made in the Society's accounting system. These changes are described in the following narrative.

BANK ACCOUNTS

The Society presently has three commercial bank accounts, one of which is authorized by NRS 382.052. The total amount in the three commercial accounts at June 30, 1969 was \$11,172.05. In addition, the Society has a savings account with a balance at June 30, 1969 of \$13,209.01. This balance consists mostly of unused funds which were donated to construct a new building.

With proper accounting records, the Society needs to maintain only one of the commercial accounts.

RECOMMENDATIONS

We recommend that:

1. The three commercial bank accounts be consolidated into one account.
2. The amount of funds which the Society does not require for immediate use be invested at the highest possible rate of return.

ACCOUNTING

In the past, not all of the financial transactions of the Society have been reflected in the Society's accounting records. The transactions which have not been recorded in the accounting records have been primarily for capital outlay projects.

It is essential that all of the financial transactions be processed through the accounting records so that a comprehensive financial picture of the Society's activities can be presented. To accommodate this, we believe that NRS 382.050(5) should be amended so that either the director or the assistant director will be aware of all of the financial transactions of the Society.

RECOMMENDATION

We recommend that NRS 382.050(5) be amended to read as follows:

Checks on the account provided for in subsection 3 may be drawn, negotiable items endorsed for deposit, and all other claims and disbursements on behalf of the society shall be approved, by two signatures, one of which shall be that of a trustee and one of which shall be either the director or a designated representative of the director.

RECORDS

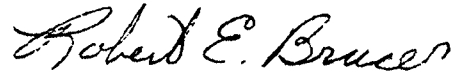
The Society has two sets of records, one for the financial transactions processed by the State Controller and one for the financial transactions processed by the Society. We feel that the records for the financial transactions processed by the State Controller should not be changed until his new accounting system is in operation. The records for the Society's transactions need to be improved. A double-entry general ledger should be established. Also, a more comprehensive cash receipts and cash disbursements register should be established.

We have provided the director with suggested formats for a general ledger and for the cash receipts and disbursements registers.

RECOMMENDATION

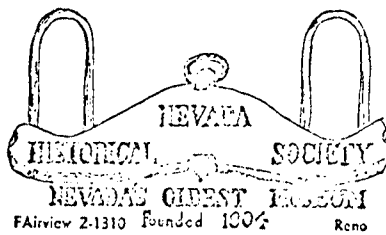
We recommend that the Society establish comprehensive accounting records to record all of their financial transactions.

Respectfully submitted,

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

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

September 29, 1969
Carson City, Nevada



October 2, 1969

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

I have received today, the preliminary report entitled, "Review of the Accounting Procedures, September, 1969", prepared by Robert E. Bruce, Fiscal Analyst of the Legislative Counsel Bureau.

I concur completely with the suggestions for consolidation of the Commercial Bank Accounts of the Society and the suggested investment of the Saving Account meets with my approval. I have long felt that new accounting procedures should be established.

I too believe that NRS 382.050(5) should be amended so that either the director or the assistant director will be aware of the financial transactions of the the Society.

This is a most opportune time for me. The problems of moving into a new building had necessitated our continuing with the old system.

Cordially,

Marion Welliver
(Mrs.) Marion Welliver, Director

NEVADA HISTORICAL SOCIETY

MW/ec

STATE OF NEVADA

DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION

REHABILITATION DIVISION

SPECIAL REVIEW REPORT - TRANSACTIONS BETWEEN THE
REHABILITATION DIVISION AND THE NEVADA REHABILITATION ASSOCIATION
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	4.4
Scope of Examination and Denial of Opinion.....	4.5
<u>Financial Statements:</u>	
	<u>Exhibit</u>
Statement of Balance Due from Nevada Rehabilitation Association.....	A 4.7
Reno and Las Vegas Workshops - Combined Statement of Accounting for Revenues Billed, and Other Receipts.....	B 4.8
Reno Workshop - Statement of Accounting for Revenues Billed, and Other Receipts.....	C 4.9
Las Vegas Workshop - Statement of Accounting for Revenues Billed, and Other Receipts.....	D 4.11
	<u>Schedule</u>
Schedule of Collections of Reno Workshop Income Deposited into the Bank Account of Nevada Rehabilitation Association.....	1 4.13
Schedule of Collections of Las Vegas Workshop Income Deposited into the Bank Account of Nevada Rehabilitation Association.....	2 4.14
	<u>Exhibit</u>
Summary of Receipts and Disbursements as Recorded in the Books and Records of Nevada Rehabilitation Association.....	E 4.15
<u>Supplemental Letter to the Special Review Report:</u>	
Amount Due from Nevada Rehabilitation Association.....	4.17
State Funds Not Deposited with State Treasurer.....	4.18
Workshop Income.....	4.18
Other Receipts.....	4.19

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>Supplemental Letter to the Special Review Report (Continued):</u>	
Workshop Operating Costs.....	4.20
Workshop Client Payroll.....	4.21
Federal Funds - Compliance with Regulations.....	4.22
Payments for Travel Expense to Mr. Michael M. Guariglia by Nevada Rehabilitation Association and the State of Nevada.....	4.22

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Billing invoices to contain instructions to customers.....	4.19
All collections belonging to State be deposited with State Treasurer.....	4.19
Specific information for State employees.....	4.20
Maintain separate accounting records for each workshop.....	4.21
Maintain separate statistical information for each workshop.....	4.21
Install and maintain internal control for each workshop.....	4.21
Client payroll to be paid by individual checks.....	4.22

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

Pursuant to your request, we have conducted a special review of the transactions between the Rehabilitation Division of the Department of Health, Welfare and Rehabilitation, and the Nevada Rehabilitation Association, a private non-profit corporation. This review covers a five-year period beginning July 1, 1964 and ending June 30, 1969.

We have prepared the following exhibits and schedules to define our specific findings regarding the transactions between the Rehabilitation Division and the Nevada Rehabilitation Association:

Statement of Balance Due from Nevada
Rehabilitation Association, June 30, 1969..... Exhibit A

Reno and Las Vegas Workshops - Combined
Statement of Accounting for Revenues
Billed, and Other Receipts for the Five-
Year Period Beginning July 1, 1964 and
Ended June 30, 1969..... Exhibit B

Reno Workshop - Statement of Accounting for
Revenues Billed, and Other Receipts for
the Five-Year Period Beginning July 1, 1964
and Ended June 30, 1969..... Exhibit C

Las Vegas Workshop - Statement of Accounting
for Revenues Billed, and Other Receipts for
the Five-Year Period Beginning July 1, 1964
and Ended June 30, 1969..... Exhibit D

Schedule of Collections of Reno Workshop Income
Deposited into the Bank Account of Nevada
Rehabilitation Association for the Five-Year
Period Beginning July 1, 1964 and Ended
June 30, 1969.....Schedule 1

Schedule of Collections of Las Vegas Workshop
Income Deposited into the Bank Account of Nevada
Rehabilitation Association for the Five-Year
Period Beginning July 1, 1964 and Ended
June 30, 1969.....Schedule 2

Summary of Receipts and Disbursements as
Recorded in the Books and Records of Nevada
Rehabilitation Association for the Five-Year
Period Beginning July 1, 1964 and Ended
June 30, 1969..... Exhibit E

Scope of Examination

Our special review is not a complete audit of the Rehabilitation Division, or the Nevada Rehabilitation Association, and should not be considered as such. Our examination was limited to a review of the transactions between the Rehabilitation Division and the Nevada Rehabilitation Association. The footnotes reported on Exhibit E and the accompanying comments in our supplemental letter further qualify our findings regarding these transactions.

Denial of Opinion

Because of our limited scope of examination as reported above and due to the lack of accounting records, we are unable to express an independent opinion as to the fairness of the accompanying financial statements taken as a whole of the Rehabilitation Division and the Nevada Rehabilitation Association for the period of time indicated on the statements.

Respectfully submitted,



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

Carson City, Nevada
October 30, 1969

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
STATEMENT OF BALANCE DUE FROM
NEVADA REHABILITATION ASSOCIATION
JUNE 30, 1969

EXHIBIT A

STATE FUNDS DEPOSITED WITH NEVADA REHABILITATION ASSOCIATION

WORKSHOP INCOME DEPOSITED WITH N.R.A.:

Reno Workshop - Schedule No. 1	\$ 3,821.80
Las Vegas Workshop - Schedule No. 2	<u>12,793.95</u>

Total Funds Deposited with N.R.A. - Exhibit B	\$16,615.75
---	-------------

FUNDS RETURNED BY NEVADA REHABILITATION ASSOCIATION

PAYEE:

	<u>Date</u>	<u>Check #</u>	
Reno Vocational Adjustment Center	4/22/65	498	\$ 32.50
Reno Vocational Adjustment Center	8/2/65	299	400.00
Vocational Adjustment Center	8/19/65	307	875.00
The Vocational Adjustment Center	9/28/65	336	703.85
Special Maintenance Fund for Vocational Rehabilitation	10/5/65	344	700.00
Treasurer - State of Nevada	6/10/69	1103	3,000.00
Treasurer - State of Nevada	6/20/69	1104	<u>620.39</u>

Total Funds Returned by N.R.A. - Exhibit B	<u>6,331.74</u>
--	-----------------

<u>BALANCE DUE FROM NEVADA REHABILITATION ASSOCIATION - JUNE 30, 1969</u>	<u>\$10,284.01</u>
---	--------------------

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
 RENO AND LAS VEGAS WORKSHOPS - COMBINED STATEMENT OF
 ACCOUNTING FOR REVENUES BILLED, AND OTHER RECEIPTS
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT B

	<u>Reno Workshop Exhibit C</u>	<u>Las Vegas Workshop Exhibit D</u>	<u>Combined Totals</u>
<u>FUNDS TO BE ACCOUNTED FOR</u>			
ACCOUNTS RECEIVABLE - BEGINNING OF PERIOD \$	---	\$ ---	\$ ---
SALES ON ACCOUNT:			
Workshop Income	66,665.32	80,588.61	147,253.93
Evaluation & Testing - State Welfare			
Agencies	30,302.50	9,077.50	39,380.00
Special Education Reimbursement	3,998.94	---	3,998.94
Program Services	2,703.01	---	2,703.01
Rent Income	950.00	---	950.00
Motor Pool Services	---	12,143.96	12,143.96
Other Income	1,895.58	---	1,895.58
OTHER RECEIPTS:			
Payments Received from N.R.A. -			
Exhibit A	6,331.74	---	6,331.74
Payments Received for Las Vegas Accounts	5,616.37	---	5,616.37
Customer Deposits	213.00	---	213.00
Cash Over - Unidentified	51.85	---	51.85
Total Funds to Be Accounted For	<u>\$118,728.31</u>	<u>\$101,810.07</u>	<u>\$220,538.38</u>
<u>FUNDS ACCOUNTED FOR</u>			
COLLECTIONS ON ACCOUNT:			
Deposited with State Treasurer	\$ 87,056.69	\$ 66,453.72	\$153,510.41
Deposited into Bank Account of N.R.A. -			
Schedules No. 1 and No. 2	3,821.80	12,793.95	16,615.75
Transfers from Motor Pool	---	12,143.96	12,143.96
Collected by Reno Workshop	---	5,616.37	5,616.37
TRADE OUTS:			
For Material	918.00	---	918.00
For Equipment	836.75	300.00	1,136.75
For Postage and Freight	---	20.50	20.50
SALES RETURNS AND ALLOWANCES	362.85	153.60	516.45
BAD DEBTS - WORKSHOP INCOME	53.85	970.48	1,024.33
CASH SHORT - UNIDENTIFIED	32.24	213.91	246.15
UNCOLLECTED SERVICES - WELFARE DIVISION	24,522.76	237.50	24,760.26
ACCOUNTS RECEIVABLE - END OF PERIOD	<u>1,123.37</u>	<u>2,906.08</u>	<u>4,029.45</u>
Total Funds Accounted For	<u>\$118,728.31</u>	<u>\$101,810.07</u>	<u>\$220,538.38</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
RENO WORKSHOP

STATEMENT OF ACCOUNTING FOR REVENUES BILLED, AND OTHER RECEIPTS
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT C
Page 1 of 2

	Fiscal Year Ended June 30,		
	1965	1966	1967
<u>FUNDS TO BE ACCOUNTED FOR</u>			
ACCOUNTS RECEIVABLE - JULY 1	\$---	\$ 75.00	\$ 2,177.81
SALES ON ACCOUNT:			
Workshop Income	889.00	22,618.18	8,436.48
Evaluation & Testing - State Welfare Agencies	---	7,027.50	22,105.00
Special Education Reimbursement	---	3,225.44	773.50
Program Services	---	2,403.01	300.00
Rent Income	---	600.00	350.00
Other Income	---	119.68	8.45
OTHER RECEIPTS:			
Payments Received from N.R.A.	---	2,711.35	---
Payments Received for Las Vegas Accounts	---	3,546.46	2,069.91
Customer Deposits	---	---	---
Cash Over - Unidentified	---	5.27	---
Total Funds to Be Accounted For	<u>\$889.00</u>	<u>\$42,331.89</u>	<u>\$36,221.15</u>
<u>FUNDS ACCOUNTED FOR</u>			
COLLECTIONS ON ACCOUNT:			
Deposited with State Treasurer	\$---	\$35,347.42	\$11,755.80
Deposited into Bank Account of N.R.A. - Schedule No. 1	814.00	3,007.80	---
TRADE OUTS:			
For Material	---	---	789.00
For Equipment	---	---	---
SALES RETURNS AND ALLOWANCES	---	75.00	---
BAD DEBTS - WORKSHOP INCOME	---	4.60	30.75
CASH SHORT - UNIDENTIFIED	---	---	21.25
UNCOLLECTED SERVICES - WELFARE DIVISION	---	1,719.26	22,803.50
ACCOUNTS RECEIVABLE - JUNE 30	<u>75.00</u>	<u>2,177.81</u>	<u>820.85</u>
Total Funds Accounted For	<u>\$889.00</u>	<u>\$42,331.89</u>	<u>\$36,221.15</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
 RENO WORKSHOP

STATEMENT OF ACCOUNTING FOR REVENUES BILLED, AND OTHER RECEIPTS
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT C
 Page 2 of 2

	<u>Fiscal Year Ended June 30,</u>		<u>Combined</u>
	<u>1968</u>	<u>1969</u>	<u>Totals</u>
<u>FUNDS TO BE ACCOUNTED FOR</u>			
ACCOUNTS RECEIVABLE - JULY 1	\$ 820.85	\$ 4,971.58	\$ ---
SALES ON ACCOUNT:			
Workshop Income	18,157.67	16,563.99	66,665.32
Evaluation & Testing - State Welfare			
Agencies	380.00	790.00	30,302.50
Special Education Reimbursement	---	---	3,998.94
Program Services	---	---	2,703.01
Rent Income	---	---	950.00
Other Income	1,550.51	216.94	1,895.58
OTHER RECEIPTS:			
Payments Received from N.R.A.	---	3,620.39	6,331.74
Payments Received for Las Vegas Accounts	---	---	5,616.37
Customer Deposits	---	213.00	213.00
Cash Over - Unidentified	---	46.58	51.85
Total Funds to Be Accounted For	<u>\$20,909.03</u>	<u>\$26,422.48</u>	<u>\$118,728.31</u>
<u>FUNDS ACCOUNTED FOR</u>			
COLLECTIONS ON ACCOUNT:			
Deposited with State Treasurer	\$15,539.23	\$24,414.24	\$ 87,056.69
Deposited into Bank Account of N.R.A. -			
Schedule No. 1	---	---	3,821.80
TRADE OUTS:			
For Material	129.00	---	918.00
For Equipment	---	836.75	836.75
SALES RETURNS AND ALLOWANCES	243.23	44.62	362.85
BAD DEBTS - WORKSHOP INCOME	15.00	3.50	53.85
CASH SHORT - UNIDENTIFIED	10.99	---	32.24
UNCOLLECTED SERVICES - WELFARE DIVISION	---	---	24,522.76
ACCOUNTS RECEIVABLE - JUNE 30	<u>4,971.58</u>	<u>1,123.37</u>	<u>1,123.37</u>
Total Funds Accounted For	<u>\$20,909.03</u>	<u>\$26,422.48</u>	<u>\$118,728.31</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
LAS VEGAS WORKSHOP

STATEMENT OF ACCOUNTING FOR REVENUES BILLED, AND OTHER RECEIPTS
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT D
Page 1 of 2

	Fiscal Year Ended June 30,		
	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>FUNDS TO BE ACCOUNTED FOR</u>			
ACCOUNTS RECEIVABLE - JULY 1	\$---	\$ 164.15	\$ 3,332.15
SALES ON ACCOUNT:			
Workshop Income.	207.15	18,464.72	21,299.39
Evaluation & Testing - State Welfare			
Agencies	120.00	4,557.50	2,960.00
Motor Pool Services	---	---	---
Total Funds to Be Accounted For	<u>\$327.15</u>	<u>\$23,186.37</u>	<u>\$27,591.54</u>
<u>FUNDS ACCOUNTED FOR</u>			
COLLECTIONS ON ACCOUNT:			
Deposited with State Treasurer	\$163.00	\$11,532.92	\$19,804.51
Deposited into Bank Account of N.R.A. -			
Schedule No. 2	---	4,190.13	---
Transfers from Motor Pool	---	---	---
Collected by Reno Workshop	---	3,546.46	2,069.91
TRADE OUTS:			
For Equipment	---	---	300.00
For Postage and Freight	---	---	---
SALES RETURNS AND ALLOWANCES	---	142.35	---
BAD DEBTS - WORKSHOP INCOME	---	37.90	133.75
CASH SHORT - UNIDENTIFIED	---	191.91	19.50
UNCOLLECTED SERVICES - WELFARE DIVISION	---	212.50	---
ACCOUNTS RECEIVABLE - JUNE 30	<u>164.15</u>	<u>3,332.15</u>	<u>5,263.87</u>
Total Funds Accounted For	<u>\$327.15</u>	<u>\$23,186.37</u>	<u>\$27,591.54</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
LAS VEGAS WORKSHOP

STATEMENT OF ACCOUNTING FOR REVENUES BILLED, AND OTHER RECEIPTS
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT D
Page 2 of 2

	<u>Fiscal Year Ended June 30,</u> <u>1968</u>	<u>1969</u>	<u>Combined</u> <u>Totals</u>
<u>FUNDS TO BE ACCOUNTED FOR</u>			
ACCOUNTS RECEIVABLE - JULY 1	\$ 5,263.87	\$ 2,380.22	\$ ---
SALES ON ACCOUNT:			
Workshop Income	21,928.36	18,688.99	80,588.61
Evaluation & Testing - State Welfare Agencies	1,190.00	250.00	9,077.50
Motor Pool Services	<u>5,348.96</u>	<u>6,795.00</u>	<u>12,143.96</u>
Total Funds to Be Accounted For	<u>\$33,731.19</u>	<u>\$28,114.21</u>	<u>\$101,810.07</u>
<u>FUNDS ACCOUNTED FOR</u>			
COLLECTIONS ON ACCOUNT:			
Deposited with State Treasurer	\$17,957.24	\$16,996.05	\$ 66,453.72
Deposited into Bank Account of N.R.A. - Schedule No. 2	7,197.94	1,405.83	12,793.95
Transfers from Motor Pool	5,348.96	6,795.00	12,143.96
Collected by Reno Workshop	---	---	5,616.37
TRADE OUTS:			
For Equipment	---	---	300.00
For Postage and Freight	20.50	---	20.50
SALES RETURNS AND ALLOWANCES	---	11.25	153.60
BAD DEBTS - WORKSHOP INCOME	798.83	---	970.48
CASH SHORT - UNIDENTIFIED	2.50	---	213.91
UNCOLLECTED SERVICES - WELFARE DIVISION	25.00	---	237.50
ACCOUNTS RECEIVABLE - JUNE 30	<u>2,380.22</u>	<u>2,906.08</u>	<u>2,906.08</u>
Total Funds Accounted For	<u>\$33,731.19</u>	<u>\$28,114.21</u>	<u>\$101,810.07</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
SCHEDULE OF COLLECTIONS OF RENO WORKSHOP INCOME DEPOSITED
INTO THE BANK ACCOUNT OF NEVADA REHABILITATION ASSOCIATION
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

SCHEDULE NO. 1

	Workshop Date	Reno Billing No.	Invoice Amount	Collections Deposited to N.R.A. Date of Deposit	Customer's Check No.	Amount
CUSTOMER A	5/17/65	0801	\$ 190.00			
	6/18/65	0805	216.00	7/7/65	354687	\$ 406.00
	5/21/65	0802	178.00			
	5/21/65	0804	230.00	7/7/65	354686	408.00
	7/1/65	0806	198.00	8/12/65	356112	198.00
	7/16/65	0808	202.00	8/12/65	356095	202.00
	7/19/65	0810)				
	7/21/65	0811)				
	7/23/65	0812)				
	7/23/65	0813)				
	7/23/65	0814)	375.00	8/23/65	356936	875.00
	8/5/65	0818	9.85			
	8/9/65	0819	152.00			
	8/17/65	0821	144.00			
	8/23/65	0822	206.00			
	8/27/65	0823	192.00	9/28/65	358578	703.85
	1/5/66	0507	39.45	2/2/66		39.45
	1/28/66	0513	37.20			
	2/2/66	0523	100.00			
	2/16/66	0528	126.00			
	2/18/66	0530	48.80	3/22/66		312.00
Total-Customer A			<u>\$3,144.30</u>			<u>\$3,144.30</u>
CUSTOMER B	8/10/65	0820	\$ 600.00	9/28/65	119	\$ 250.00
				10/18/65		100.00
				12/17/65	131	250.00
Total-Customer B			<u>\$ 600.00</u>			<u>\$ 600.00</u>
CUSTOMER C	1/5/66	0508	\$ 22.50			
	1/10/66	0512	22.50	1/18/66	671	\$ 45.00
Total-Customer C			<u>\$ 45.00</u>			<u>\$ 45.00</u>
CUSTOMER D	3/15/66	0539	\$ 32.50	5/20/66		\$ 32.50
TOTAL COLLECTIONS OF RENO WORKSHOP INCOME DEPOSITED INTO BANK ACCOUNT OF NEVADA REHABILITATION ASSOCIATION			<u>\$3,821.80</u>			<u>\$3,821.80</u>

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
SCHEDULE OF COLLECTIONS OF LAS VEGAS WORKSHOP INCOME DEPOSITED
INTO THE BANK ACCOUNT OF NEVADA REHABILITATION ASSOCIATION
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

SCHEDULE NO. 2

	Las Vegas			Collections Deposited to N.R.A.		
	Workshop	Billing	Invoice	Date of	Customer's	
	Date	No.	Amount	Deposit	Check No.	Amount
CUSTOMER E	12/2/65	0051	\$ 1,532.37			
	12/10/65	0054	1,208.66			
	12/13/65	0055	7.20			
	12/14/65	0056	60.15			
	12/20/65	0058	15.00	2/9/66	39177	\$ 1,446.68
	12/30/65	0059	3.30	2/14/66	39782	1,380.00
	1/21/66	0065	1,180.25			
	1/21/66	0066	42.60	3/18/66	40690	1,222.85
	2/14/68	0561	1,394.83			
	2/14/68	0562	125.83			
	2/14/68	0567	97.65			
	2/15/68	0577	77.13			
	2/15/68	0578	104.15			
	2/15/68	0579	1,341.97	3/22/68	8823	3,141.56
	3/28/68	0585	12.37			
	3/28/68	0591	72.44			
	3/29/68	0592	1,324.76	5/23/68	10126	1,409.57
	3/30/68	0603	1,345.88	7/3/68	10897	1,345.88
	5/23/68	0608	1,300.93	7/31/68	11446	1,300.93
	9/30/68	0660	1,405.83	12/6/68	6895	1,405.83
Total-Customer E			<u>\$12,653.30</u>			<u>\$12,653.30</u>
CUSTOMER F	6/11/65	7108	\$ 36.60	7/13/65	6104	\$ 36.60
	6/-/65	7103	9.00	7/13/65	6106	9.00
	6/30/65	0860	50.00	7/13/65	5161	50.00
	6/28/65	0859	2.40	7/23/65	1314	2.40
Total-Customer F			<u>\$ 98.00</u>			<u>\$ 98.00</u>
CUSTOMER G	5/4/65	0853	\$ 28.73			
	6/25/65	0855	13.92	7/13/65	1030	\$ 42.65
Total-Customer G			<u>\$ 42.65</u>			<u>\$ 42.65</u>
TOTAL COLLECTIONS OF LAS VEGAS WORKSHOP INCOME DEPOSITED INTO BANK ACCOUNT OF NEVADA REHABILITATION ASSOCIATION			<u>\$12,793.95</u>			<u>\$12,793.95</u>

NEVADA REHABILITATION ASSOCIATION
SUMMARY OF RECEIPTS AND DISBURSEMENTS AS RECORDED IN THE
BOOKS AND RECORDS OF NEVADA REHABILITATION ASSOCIATION
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT E
Page 1 of 2

	<u>Fiscal Year Ended June 30,</u>		
	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>FUNDS AVAILABLE</u>			
CASH ON DEPOSIT - BEGINNING OF YEAR	\$ 3,555.65	\$ 2,328.40	\$ 3,970.53
FUNDS RECEIVED:			
Workshop Income Belonging to the State of Nevada (Note 1.)	---	8,011.98	---
Reimbursement - Client Costs (Note 2.)	965.35	2,895.89	1,000.00
Loan Repayments - V.R. Clients	3,518.56	9,991.10	9,985.68
Membership Dues and Fees	1,281.00	960.00	983.75
Contributions	420.00	1,651.00	1,711.10
Other Receipts	397.32	972.66	638.55
Unidentified Receipts	170.00	---	217.53
Total Funds Available	<u>\$10,307.88</u>	<u>\$26,311.03</u>	<u>\$18,507.14</u>
<u>FUNDS DISBURSED</u>			
Payments to State of Nevada:			
Return of Workshop Income	\$ ---	\$ 2,711.35	\$ ---
Advanced to Workshops - Endorsed by State Employees for Cash	1,611.17	864.58	---
Payments to M.M. Guariglia - Cash	---	---	735.92
Credit Card Charges - M.M. Guariglia	---	---	618.90
Loans to V.R. Clients	3,477.56	9,272.90	11,415.68
Labor and Materials	---	6,804.65	---
National Rehabilitation Association	962.00	801.00	604.00
Other Disbursements	584.38	2,336.02	3,119.47
Unidentified Disbursements	1,344.37	---	---
Total Funds Disbursed	<u>\$ 7,979.48</u>	<u>\$22,840.50</u>	<u>\$16,493.97</u>
<u>CASH ON DEPOSIT - END OF YEAR</u>	<u>\$ 2,328.40</u>	<u>\$ 3,970.53</u>	<u>\$ 2,013.17</u>

Notes:

1. Recorded as receipt of donations.
2. Reimbursement of client costs which were paid for by State. Unable to verify if N.R.A. made payment for these costs.

NEVADA REHABILITATION ASSOCIATION
SUMMARY OF RECEIPTS AND DISBURSEMENTS AS RECORDED IN THE
BOOKS AND RECORDS OF NEVADA REHABILITATION ASSOCIATION
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

EXHIBIT E
Page 2 of 2

	<u>Fiscal Year Ended June 30,</u>		<u>Combined</u>
	<u>1968</u>	<u>1969</u>	<u>Totals</u>
<u>FUNDS AVAILABLE</u>			
CASH ON DEPOSIT - BEGINNING OF YEAR	\$ 2,013.17	\$ 1,354.34	\$ 3,555.65
<u>FUNDS RECEIVED:</u>			
Workshop Income Belonging to the State of Nevada (Note 1.)	4,551.13	4,052.64	16,615.75
Reimbursement - Client Costs (Note 2.)	---	---	4,861.24
Loan Repayments - V.R. Clients	14,525.30	25,395.78	63,416.42
Membership Dues and Fees	917.00	957.00	5,098.75
Contributions	---	750.00	4,532.10
Other Receipts	165.14	254.77	2,428.44
Unidentified Receipts	---	---	387.53
Total Funds Available	<u>\$22,171.74</u>	<u>\$32,764.53</u>	<u>\$100,895.88</u>
<u>FUNDS DISBURSED</u>			
Payments to State of Nevada:			
Return of Workshop Income	\$ ---	\$ 3,620.39	\$ 6,331.74
Advanced to Workshops - Endorsed by State Employees for Cash	---	129.42	2,605.17
Payments to M.M. Guariglia - Cash	2,861.77	1,945.19	5,542.88
Credit Card Charges - M.M. Guariglia	1,933.13	1,163.87	3,715.90
Loans to V.R. Clients	13,998.14	24,090.53	62,254.81
Labor and Materials	---	---	6,804.65
National Rehabilitation Association	763.00	822.00	3,952.00
Other Disbursements	1,261.36	903.24	8,254.47
Unidentified Disbursements	---	---	1,344.37
Total Funds Disbursed	<u>\$20,817.40</u>	<u>\$32,674.64</u>	<u>\$100,805.99</u>
<u>CASH ON DEPOSIT - END OF YEAR</u>	<u>\$ 1,354.34</u>	<u>\$ 89.89</u>	<u>\$ 89.89</u>

Notes:

1. Recorded as receipt of donations.
2. Reimbursement of client costs which were paid for by State. Unable to verify if N.R.A. made payment for these costs.

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE AND REHABILITATION
REHABILITATION DIVISION
SUPPLEMENTAL LETTER TO THE SPECIAL REVIEW REPORT
FOR THE FIVE-YEAR PERIOD BEGINNING JULY 1, 1964 AND ENDED JUNE 30, 1969

AMOUNT DUE FROM NEVADA REHABILITATION ASSOCIATION

Exhibit A reports the following:

State Funds Deposited with Nevada Rehabilitation Association	\$16,615.75
Funds Returned by Nevada Rehabilitation Association	<u>6,331.74</u>
Balance Due - June 30, 1969	<u>\$10,284.01</u>

In addition, payments from counties and hospitals representing reimbursement of costs expended for clients of the Rehabilitation Division were deposited into the bank account of Nevada Rehabilitation Association. These payments are listed as follows:

	<u>Fiscal Year Ended June 30,</u>			
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>Total</u>
Elko County	\$650.00	\$1,475.00	\$ ---	\$2,125.00
Lander County	---	---	1,000.00	1,000.00
Nevada State Hospital	---	536.34	---	536.34
So. Nevada Memorial Hospital	315.35	---	---	315.35
Washoe Medical Center	---	884.55	---	884.55
Total - Exhibit E	<u>\$965.35</u>	<u>\$2,895.89</u>	<u>\$1,000.00</u>	<u>\$4,861.24</u>

We requested the above-listed sources to designate for which clients the reimbursements were made. A review of the canceled checks of the Nevada Rehabilitation Association did not disclose any such payments having been made to or for

these clients. However, we were able to determine that such costs had been paid for by the State of Nevada. Therefore, we believe that the payments from counties and hospitals as listed above should have been deposited with the State Treasurer.

STATE FUNDS NOT DEPOSITED WITH STATE TREASURER

Workshop Income

During the period under review, collections in the amount of \$16,615.75 from customers of the two workshops were deposited into the bank account of Nevada Rehabilitation Association. The amounts collected and deposited are identified as follows:

Reno Workshop - Schedule No. 1	\$ 3,821.80
Las Vegas Workshop - Schedule No. 2	<u>12,793.95</u>
Total	<u>\$16,615.75</u>

Some of the workshop invoices directed the customers to make their checks payable to Nevada Rehabilitation Association instead of in favor of the State of Nevada. The checks were forwarded to the central office of the Rehabilitation Division at Carson City, accompanied by memorandums informing the Division Administrator and the Senior Accountant that they represented payments for workshop invoices.

We were informed that the Senior Accountant was directed by the Division Administrator to deposit these checks into the bank account of Nevada Rehabilitation Association. We were unable to find any authority for the Division Administrator or the Senior Accountant to cause State funds to be deposited other than with the State Treasurer.

Most of the above-mentioned \$16,615.75 was received in checks made payable to Nevada Rehabilitation Association. However, one collection in the amount of \$703.85 was made payable to "Vocational Adjustment Center," the State agency. This check

was endorsed by a State employee and deposited into the bank account of Nevada Rehabilitation Association. We are unable to find any authority for a State employee to endorse a check made payable to a State agency and then cause such funds to be deposited other than with the State Treasurer.

Other Receipts

A number of checks made payable to the State workshops were received from Nevada Rehabilitation Association. Some of these checks were endorsed by State employees and converted into cash. The cash was supposed to have been used to pay client payroll expense for the agency. We were unable to verify how this cash was utilized.

The amount of such checks endorsed by State employees for cash is:

Fiscal Year Ended June 30, 1965	\$1,611.17
Fiscal Year Ended June 30, 1966	864.58
Fiscal Year Ended June 30, 1969	<u>129.42</u>
Total	<u>\$2,605.17</u>

RECOMMENDATIONS

We recommend that:

1. All billing invoices for services performed and items manufactured by the Rehabilitation Division workshop personnel and clients contain the following instructions to customers in bold print:

PLEASE MAKE ALL CHECKS PAYABLE TO:
STATE OF NEVADA - REHABILITATION DIVISION

2. All collections for services performed and items manufactured by the Rehabilitation Division workshops, and all other monies received by them belonging to the State, be deposited directly to the State Treasurer's bank account. The Treasurer provides special deposit forms for this procedure for collections received in offices outside Carson City.

3. All employees of the Rehabilitation Division be firmly advised that they do not have the authority to:

- a. Personally endorse checks made payable to a State agency and then cause such funds to be deposited other than with the State Treasurer (NRS 353.250).
- b. Imply at any time that Nevada Rehabilitation Association is a State agency.

WORKSHOP OPERATING COSTS

As a part of our special review engagement, we attempted to determine the total amount of funds earned, collected, and disbursed for each of the two workshops. We were unable to determine the actual cost of operation for the two workshops because the accounting records did not contain sufficient information required to identify all of these costs. Such information is essential to make the following important determinations:

1. If the items manufactured were being sold at a price high enough to recover the cost of production.
2. The total actual cost of operation of the workshops as a measurement to the number of clients served.
3. If all of the manufactured items which were sold were billed and accounted for.

We were able to account for only those revenues which were actually billed by the two workshops for the five-year period. However, because of the lack of accounting information described above, we are unable to state that this is a full accounting for all of the revenues earned during this five-year period.

RECOMMENDATIONS

We recommend that:

1. The Rehabilitation Division cause to be maintained separately for each workshop, complete accounting records for:
 - a. All revenues earned;
 - b. All revenues collected;
 - c. Other funds received;
 - d. Cost of operations:
 - Administrative costs
 - Workshop production costs
 - Evaluation and testing costs
2. The Rehabilitation Division cause to be maintained separately for each workshop, a method of measurement by individual clients for:
 - a. Hours of service received for evaluation and testing;
 - b. Hours employed or used by the workshop.
3. The workshops cause to be installed and maintained a proper method of internal control for:
 - a. All materials received;
 - b. All contracts and jobs performed;
 - c. Shipment of all completed contracts or jobs.

WORKSHOP CLIENT PAYROLL

Persons receiving services at the Rehabilitation Division workshops are known as "clients." Some of these clients perform labor while receiving rehabilitation services at the workshops and are paid nominal wages as part of the program.

Each workshop receives a State warrant representing the client payroll for a particular period. The check is made payable to the Vocational Adjustment Center. A workshop employee endorses the check and cashes it at the bank. The cash is then used to pay the individual clients, who are supposed to sign or initial a memo acknowledging receipt.

We reviewed this cash-payment client payroll procedure and found it extremely difficult, and sometimes impossible, to determine if the clients actually received their wages.

RECOMMENDATION

We recommend that all client payroll disbursements be made by issuing State checks made payable to the individual clients by name.

FEDERAL FUNDS - COMPLIANCE WITH REGULATIONS

The scope of our special review was limited to a review of the operations of the two workshops and did not include a complete review of the other programs and projects carried on by the Rehabilitation Division. We were unable to identify separately the costs of operating the two workshops, but we did find that some federal funds were used to pay these costs.

Because the receipts and the costs of all the programs and projects maintained by the Rehabilitation Division are combined into one set of records, we are unable to determine if the federal funds were spent in accordance with the federal regulations. The Federal Government is currently conducting an audit of those programs and projects which received federal funds.

PAYMENTS FOR TRAVEL EXPENSE TO MR. MICHAEL M. GUARIGLIA BY NEVADA REHABILITATION ASSOCIATION AND THE STATE OF NEVADA

The Nevada Rehabilitation Association made payments to Mr. Guariglia by check and also paid bills from credit card companies for charges signed by Mr. Guariglia.

A summary of these payments is as follows:

<u>Per Exhibit E</u>	<u>12 Months Ended June 30,</u>			<u>Total</u>
	<u>1967</u>	<u>1968</u>	<u>1969</u>	
Payments by Check	\$ 735.92	\$2,861.77	\$1,945.19	\$5,542.88
Payments to Credit Card Companies	<u>618.90</u>	<u>1,933.13</u>	<u>1,163.87</u>	<u>3,715.90</u>
Totals	<u>\$1,354.82</u>	<u>\$4,794.90</u>	<u>\$3,109.06</u>	<u>\$9,258.78</u>

Mr. Guariglia received the following amounts from the State of Nevada for travel costs:

	<u>Fiscal Year Ended June 30,</u>		<u>Total</u>
	<u>1968</u>	<u>1969</u>	
Payments by State - Travel Costs	<u>\$2,365.81</u>	<u>\$1,960.46</u>	<u>\$4,826.27</u>

Note:

At a meeting held November 17, 1969, between the Fiscal Analyst and the Director of the Department of Health, Welfare and Rehabilitation, 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
KARL R. HARRIS
DIRECTOR

STATE OF NEVADA
DEPARTMENT OF HEALTH, WELFARE,
AND REHABILITATION

515 EAST MUSSER STREET
CARSON CITY, NEVADA 89701
TELEPHONE (702) 882-7593

DEPARTMENTAL DIVISIONS
ALCOHOLISM
CHILDREN'S HOME
HEALTH
MENTAL HYGIENE
NEVADA STATE HOSPITAL
NEVADA GIRLS TRAINING CENTER
NEVADA YOUTH TRAINING CENTER
REHABILITATION
SERVICES TO THE BLIND
WELFARE

December 8, 1969

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

Dear Mr. Bruce:

The Department of Health, Welfare and Rehabilitation appreciates the cooperation of the Legislative Counsel Bureau in response to our request for a special review of the transactions of the Rehabilitation Division and the Nevada Rehabilitation Association.

After reviewing the report there is nothing in which the Department of Health, Welfare and Rehabilitation can take a major issue, and I agree with your recommendations. However, I feel that some clarification should be helpful in the following areas:

First, under Workshop Client Payroll on page 4.21 your report states, "Some of these clients perform labor ... and are paid nominal wages ..." I would prefer to state that "The clients perform work tasks designed for work adjustment evaluation". The clients are not paid "wages". They receive a daily work adjustment - training allowance. The daily allowance is designed to offset transportation, lunch, and clothing cleaning costs. In the past this allowance was computed on an hourly wage basis. This practice has been discontinued.

Regarding Federal funds and their use in complying with regulations, the Federal audit has been completed, with the exception of the written report. The auditor has indicated there are only three questions resulting from the study and they are only questions, and not exceptions. One of the three questions may become an exception, and that involves the procedure of using Nevada Industrial Commission funds for matching. If it becomes an exception it should only require a revision of our procedures.

No financial review, or audit, of the Rehabilitation Division and the Vocational Rehabilitation Division of the Department of Education can adequately reflect the situation and conditions of the program if only money transactions are reported.

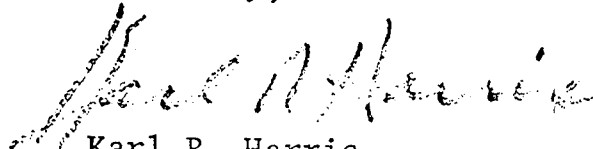
Mr. Robert E. Bruce
December 8, 1969
Page Two

During the inception of this program, and until the period covered in your report, the administrators of the programs used ingenious, but apparently legal methods to increase the resources for rehabilitation of clients. Unfortunately there is not a complete audit trail as to how funds were received and how some funds were disbursed as these funds relate to individual clients and to Federal matching funds.

The Department of Health, Welfare and Rehabilitation, through the Rehabilitation Division, will implement your recommendations as soon as possible and will maintain an accounting system which more adequately tells the procedures and condition of the rehabilitation programs in our state.

Thank you for the many hours you and your staff have spent in preparing this report. You have been most helpful and cooperative.

Sincerely,

A handwritten signature in dark ink, appearing to read "Karl R. Harris", is written over a faint, circular official stamp. The stamp contains some illegible text, possibly "RECEIVED" and "DEC 10 1969".

Karl R. Harris
Director

KRH:jhc

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	5.3
Scope of Examination and Denial of Opinion.....	5.4
<u>Financial Statements:</u>	<u>Exhibit</u>
Statement of Financial Condition..... A	5.6
Statement of Comparison of Authorized Receipts and Expenditures with Actual Receipts and Expenditures..... B	5.7
Statement of Administrative Expenses and Advances for Training Projects..... C	5.8
	<u>Schedule</u>
Schedule of Data on Projects Completed During Fiscal Year Ended June 30, 1968..... 1	5.9
Schedule of Costs of Projects Completed During Fiscal Year Ended June 30, 1968..... 2	5.10
Schedule of Fiscal Year 1966-67 Individual Referrals..... 3	5.11
Schedule of Uncompleted Projects and Balance of Funds Advanced to Counties..... 4	5.12
Schedule of Accounts Receivable - Letter of Credit and Letter of Credit - Unapplied..... 5	5.13
<u>Supplemental Letter to the Audit Report:</u>	
General.....	5.14
Operations.....	5.15
Sources of Funds.....	5.15
Reversion of General Fund Appropriations.....	5.15
Statistical Information on Program.....	5.16
Accounting Records.....	5.16
Unidentified Project Costs.....	5.17
Accounts Receivable - Federal Letter of Credit.....	5.18
Disposition of Recommendation Presented in Previous Audit Report.....	5.19

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Reexamine the possibility of utilizing in-kind contributions instead of cash.....	5.15
Revert to the General Fund in accordance with applicable statutes.....	5.16
Make annual report on fiscal year basis.....	5.16
Include detail information on each type of training in the annual report.....	5.16
Establish a more formal system of project accounting.....	5.17

Nevada Legislative Commission
State Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Manpower Development and Training Program of the Department of Education for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits and schedules:

Statement of Financial Condition, June 30, 1968.....	Exhibit A
Statement of Comparison of Authorized Receipts and Expenditures with Actual Receipts and Expenditures for the Fiscal Year Ended June 30, 1968.....	Exhibit B
Statement of Administrative Expenses and Advances for Training Projects for the Fiscal Year Ended June 30, 1968.....	Exhibit C
Schedule of Data on Projects Completed During the Fiscal Year Ended June 30, 1968.....	Schedule 1
Schedule of Costs of Projects Completed During the Fiscal Year Ended June 30, 1968.....	Schedule 2
Schedule of Fiscal Year 1966-67 Individual Referrals, June 30, 1968.....	Schedule 3
Schedule of Uncompleted Projects and Balance of Funds Advanced to Counties, June 30, 1968.....	Schedule 4
Schedule of Accounts Receivable - Letter of Credit and Letter of Credit - Unapplied, June 30, 1968.....	Schedule 5

Scope of Examination

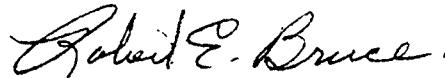
Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except

that we did not review the supporting detail of the expenditure reports filed with the State Department of Education on the training projects. Most of the supporting detail is located at the school districts' offices.

Denial of Opinion

Because of the inadequacies of the accounting records supporting the accompanying financial statements, we are unable to express an opinion that they present fairly the financial position of the Manpower Development and Training Program of the Department of Education at June 30, 1968, or the results of its operations for the year then ended.

Respectfully submitted,

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

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

November 14, 1969
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH

Accountable by State Treasurer:

Federal Funds	\$ 45,192.65
State Appropriation	18,875.56
Total Cash	<u>64,068.21</u>

\$ 64,068.21

ACCOUNTS RECEIVABLE

Health, Education & Welfare - Letter of Credit - Schedule 5	\$150,072.22
State Appropriation	552.00
Reimbursements	8.07
Advances to Local Educational Agencies - Schedule 4	<u>111,287.26</u>
Total Accounts Receivable	261,919.55

261,919.55

FIXED ASSETS

Equipment	<u>1.00</u>
Total Assets	<u>\$325,988.76</u>

\$325,988.76

LIABILITIES

ACCOUNTS PAYABLE

Accrued Liabilities - Operating	\$ 1,620.42
Accrued Liabilities - Training Projects	<u>20,012.28</u>
Total Accounts Payable	\$ 21,632.70

\$ 21,632.70

LETTER OF CREDIT UNAPPLIED - SCHEDULE 5

282,453.10

STATE APPROPRIATION UNAPPLIED

18,031.39

STATE APPROPRIATION RESTRICTED

3,870.57

RESERVE FOR INVESTMENT IN FIXED ASSETS

1.00

Total Liabilities

\$325,988.76

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
STATEMENT OF COMPARISON OF AUTHORIZED RECEIPTS AND EXPENDITURES
WITH ACTUAL RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

	<u>Authorized Amounts</u>	<u>Actual Amounts</u>	<u>Actual Over (Under) Authorized</u>
<u>SOURCE OF FUNDS RECEIVED</u>			
Federal Grants (Note No. 1)	\$333,562.00	\$274,375.44	\$(59,186.56)
General Fund Appropriation	<u>28,214.00</u>	<u>28,214.00</u>	<u>---</u>
Total Source of Funds Received	<u>\$361,776.00</u>	<u>\$302,589.44</u>	<u>\$(59,186.56)</u>
<u>EXPENDITURES - EXHIBIT C</u>			
Administrative Expenses:			
Payroll Costs	\$ 37,469.00	\$ 35,623.83	\$ (1,845.17)
Out-of-State Travel	800.00	383.04	(416.96)
In-State Travel	6,850.00	1,748.63	(5,101.37)
Operating	5,385.00	4,596.93	(788.07)
Equipment	<u>275.00</u>	<u>270.68</u>	<u>(4.32)</u>
Total Administrative Expenses	\$ 50,779.00	\$ 42,623.11	\$ (8,155.89)
Training Projects	<u>310,997.00</u>	<u>223,098.22</u>	<u>(87,898.78)</u>
Total Expenditures	<u>\$361,776.00</u>	<u>\$265,721.33</u>	<u>\$(96,054.67)</u>
<u>EXCESS OF RECEIPTS OVER EXPENDITURES</u>		<u>\$ 36,868.11</u>	

Note No. 1

Federal grant receipts of \$274,375.44 include balance available at July 1, 1967 in the amount of \$21,676.86.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
STATEMENT OF ADMINISTRATIVE EXPENSES AND
ADVANCES FOR TRAINING PROJECTS
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT C

	<u>Fiscal Year Ended June 30</u>		<u>Increase</u>
	<u>1967</u>	<u>1968</u>	<u>(Decrease)</u>
<u>ADMINISTRATIVE EXPENSES</u>			
Payroll Costs:			
Salaries	\$ 30,313.11	\$ 33,026.35	\$ 2,713.24
Employee Benefits	2,259.14	2,597.43	338.34
Total Payroll Costs	<u>\$ 32,572.25</u>	<u>\$ 35,623.83</u>	<u>\$ 3,051.58</u>
Travel:			
Out-of-State	\$ 1,250.75	\$ 383.04	\$ (867.71)
In-State	1,016.71	1,748.63	731.92
Total Travel	<u>\$ 2,267.46</u>	<u>\$ 2,131.67</u>	<u>\$ (135.79)</u>
Operating:			
Office Supplies	\$ 1,091.15	\$ 268.73	\$ (822.42)
Postage and Freight	118.08	65.68	(52.40)
Telephone and Telegraph	597.61	613.35	15.74
Printing	46.98	---	(46.98)
Contract Services	---	2,438.70	2,438.70
Office Equipment Repair	119.20	190.96	71.76
Building Space Rental	---	678.00	678.00
Special Services (Accounting Services Provided by Education's Administrative Accounting Office)	278.80	326.47	47.67
Miscellaneous	22.22	15.04	(7.18)
Total Operating	<u>\$ 2,274.04</u>	<u>\$ 4,596.93</u>	<u>\$ 2,322.89</u>
Equipment - Office	<u>\$ 187.69</u>	<u>\$ 270.68</u>	<u>\$ 82.99</u>
Total Administrative Expenses	<u>\$ 37,301.44</u>	<u>\$ 42,623.11</u>	<u>\$ 5,321.67</u>
<u>ADVANCES FOR TRAINING PROJECTS</u>			
Aid to Institutional Courses	\$201,161.96	\$190,207.04	\$ (10,954.92)
Individual Referrals	7,634.54	18,407.78	10,773.24
On-the-Job Training	22,000.00	14,483.40	(7,516.60)
Area Redevelopment	5,264.00	---	(5,264.00)
Total Advances for Training Projects	<u>\$236,060.50</u>	<u>\$223,098.22</u>	<u>\$ (12,962.28)</u>
Total Administrative Expenses and Advances for Training Projects	<u>\$273,361.94</u>	<u>\$265,721.33</u>	<u>\$ (7,640.61)</u>

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SCHEDULE OF DATA ON PROJECTS COMPLETED
DURING THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 1

<u>Type of Training</u>	<u>Project Number</u>	<u>County</u>	<u>Number of Trainees</u>		<u>Total Cost</u>
			<u>Enrolled</u>	<u>Completed</u>	
<u>ON-THE-JOB TRAINING</u>					
Remedial Basic Education	307-3008	Clark	53	35	\$ 12,210.93
Multiple Hotel Occupations	6037-38-39	Clark	350	72	22,400.73
<u>AID TO INSTITUTIONAL COURSES</u>					
Draftsman - Mechanical	7004	Clark	20	13	13,295.64
Programmer	7008	Clark	21	16	18,635.17
Stenographer	7009	Clark	20	15	11,448.42
Electronic Technician	7010	Clark	21	12	22,027.52
Auto Engine Repairman	7011	Clark	22	15	24,322.22
Auto Body Repairman	7012	Clark	21	10	26,080.54
Landscape Gardener	7015	Clark	12	9	5,813.56
Communications Skills	7017	Clark	62	48	3,897.63
Auto Mechanic - Tune-up	8009	Clark	22	11	2,585.50
Auto Mechanic - Transmissions	8012	Clark	20	14	6,061.61
Data Processing	6021	Washoe	40	22	24,986.00
General Office Clerk	6022	Washoe	33	23	16,696.23
Medical Records Clerk	7002	Washoe	22	15	10,590.95
Bookkeeping Machine Operator	7003	Washoe	38	28	5,915.34
Clerk Typist	7006	Washoe	21	14	9,310.16
Clerk Typist	7007	Washoe	14	6	10,401.96
Stenographer	7016	Washoe	25	14	7,464.74
Bookkeeping Machine Operator	8013	Washoe	20	15	3,036.77
Farmer - General	8008	Elko	14	14	8,815.42
<u>INDIVIDUAL REFERRALS</u>					
Schedule 3	7001	---	31	22	<u>14,441.56</u>
Total Costs of Completed Projects - Per Schedule 2					\$280,438.60
Completed Costs Charged to Prior Years					<u>171,359.86</u>
Completed Costs Charged to Fiscal Year 1967-68					<u>\$109,078.74</u>

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SCHEDULE OF COST OF PROJECTS COMPLETED
DURING THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 2

Type of Training	Project Number	Cost of Projects			
		Federal	In-Kind	Non-Federal State Cash	Total
<u>ON-THE-JOB TRAINING</u>					
Remedial Basic Education	307-3008	\$ 12,210.93	\$ ---	\$ ---	\$ 12,210.93
Multiple Hotel Occupations	6037-33-39	22,400.73	---	---	22,400.73
<u>AID TO INSTITUTIONAL COURSES</u>					
Draftsman - Mechanical	7004	11,966.64	1,329.00	---	13,295.64
Programmer	7008	16,771.17	1,364.00	---	18,635.17
Stenographer	7009	10,303.42	1,145.00	---	11,448.42
Electronic Technician	7010	19,824.52	2,203.00	---	22,027.52
Auto Engine Repairman	7011	21,894.61	2,427.61	---	24,322.22
Auto Body Repairman	7012	23,472.54	2,608.00	---	26,080.54
Landscape Gardner	7015	5,190.56	623.00	---	5,813.56
Communications Skills	7017	3,507.63	390.00	---	3,897.63
Auto Mechanic - Tune-up	8009	2,327.00	---	258.50	2,585.50
Auto Mechanic - Transmissions	8012	5,455.45	---	606.16	6,061.61
Data Processing	6021	24,986.00	---	---	24,986.00
General Office Clerk	6022	16,696.23	---	---	16,696.23
Medical Records Clerk	7002	9,531.95	1,059.00	---	10,590.95
Bookkeeping Machine Operator	7003	5,323.34	592.00	---	5,915.34
Clerk Typist	7006	8,379.16	931.00	---	9,310.16
Clerk Typist	7007	9,361.96	1,040.00	---	10,401.96
Stenographer	7016	6,717.74	747.00	---	7,464.74
Bookkeeping Machine Operator	8013	2,733.09	---	303.68	3,036.77
Farmer - General	8003	7,933.93	---	881.49	8,815.42
<u>INDIVIDUAL REFERRALS</u>					
Schedule 3	7001	14,441.56	---	---	14,441.56
Total Cost		<u>\$261,430.16</u>	<u>\$16,958.61</u>	<u>\$2,049.83</u>	<u>\$280,438.60</u>

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SCHEDULE OF FISCAL YEAR 1966-67 INDIVIDUAL REFERRALS
JUNE 30, 1968

SCHEDULE 3

Job Number	Occupation	Trainee's County of Residence	Number of Trainees in Course		Cost
			Not Completed	Completed	
7001-01	Legal Secretary	Washoe	---	1	\$ 792.50
7001-09	Legal Secretary	Washoe	1	---	700.00
7001-08	Senior Steno	Washoe	---	1	525.00
7001-11	Senior Steno	Washoe	---	1	542.50
7001-22	Stenotype Operator	Washoe	1	---	175.00
7001-26	Stenotype Operator	Washoe	---	1	685.00
7001-31	Bookkeeper	Washoe	---	1	665.00
7001-02	Business Office Admin.- Manager	Eureka	---	1	757.50
7001-13	Jr. Accountant	Mineral	---	1	700.00
7001-25	Instructor-Cosmetology	Washoe	1	---	---
7001-03	Cosmetologist	Lincoln	---	1	415.00
7001-04	Cosmetologist	Washoe	---	1	365.00
7001-07	Cosmetologist	Carson City	---	1	70.00
7001-15	Cosmetologist	Washoe	1	---	169.00
7001-17	Cosmetologist	Washoe	1	---	---
7001-18	Cosmetologist	Washoe	---	1	43.75
7001-19	Cosmetologist	Churchill	1	---	125.00
7001-20	Cosmetologist	White Pine	---	1	370.00
7001-21	Cosmetologist	White Pine	---	1	370.00
7001-23	Cosmetologist	Washoe	1	---	---
7001-24	Cosmetologist	Washoe	---	1	370.00
7001-30	Cosmetologist	Washoe	---	1	370.00
7001-10	Barber	Washoe	---	1	452.44
7001-16	Barber	Washoe	1	---	427.44
7001-27	Barber	Washoe	---	1	187.44
7001-05	Commercial Photographer	Washoe	1	---	---
7001-06	Dental Assistant	Douglas	---	1	350.00
7001-12	Office Machine Serviceman	White Pine	---	1	2,050.00
7001-14	Shoe Repairman	Elko	---	1	910.00
7001-28	Stereo Serviceman	Clark	---	1	951.99
7001-29	Auto Mechanic	Washoe	---	1	902.00
Totals			<u>9</u>	<u>22</u>	<u>\$14,441.56</u>

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SCHEDULE OF UNCOMPLETED PROJECTS AND
BALANCE OF FUNDS ADVANCED TO COUNTIES
JUNE 30, 1968

SCHEDULE 4

UNCOMPLETED PROJECTS	Total	Funds	Remaining Spending Authority		
	Authorized	Advanced to	June 30, 1968		
	Project Costs	Counties	Total	Fed. Funds	State Funds
#308-3001 (O.J.T.)	\$ 8,239.00	\$ 4,051.91	\$ 4,187.09	\$ 4,187.09	\$ ---
#308-3004 (O.J.T.)	231.00	---	231.00	231.00	---
#7013	42,822.00	32,240.00	10,582.00	6,300.00	(1) 4,282.00
#7014	25,262.00	7,274.50	17,987.50	15,462.50	(1) 2,525.00
#8001	25,000.00	10,073.66	14,926.34	14,926.34	---
#8002	20,337.00	4,018.00	16,319.00	14,060.00	(1) 2,259.00
#8003	8,010.00	3,086.00	4,924.00	4,123.00	(1) 801.00
#8004	10,531.00	5,082.00	5,449.00	4,279.00	(1) 1,170.00
#8005	12,208.00	7,032.87	5,175.13	3,954.13	(1) 1,221.00
#8006	12,012.00	3,175.00	8,837.00	7,953.50	(2) 883.50
#8007	24,582.00	10,241.70	14,340.30	12,906.47	(2) 1,433.83
#8010	20,930.00	6,118.39	14,811.61	13,330.45	(2) 1,481.16
#8011	23,789.00	12,413.72	11,375.28	10,237.65	(2) 1,137.63
#8014	2,893.00	1,972.75	920.25	828.52	(2) 91.73
#8015	2,327.00	2,159.71	167.29	151.26	(2) 16.03
#8016	2,591.00	---	2,591.00	2,303.00	(2) 288.00
#8017	2,591.00	---	2,591.00	2,303.00	(2) 288.00
#8018	17,846.00	1,279.45	16,566.55	14,909.50	(2) 1,657.05
#8019	4,106.00	1,344.00	2,762.00	2,485.40	(2) 276.60
#8021	20,596.00	---	20,596.00	20,596.00	---
#8023	8,498.00	---	8,498.00	8,498.00	---
#8024	8,356.00	---	8,356.00	8,356.00	---
Total - Uncompleted Projects	<u>\$303,757.00</u>	\$111,563.66	<u>\$192,193.34</u>	<u>\$172,381.81</u>	<u>\$19,811.53</u>
COMPLETED PROJECTS					
#15		(3) (127.30)			
#212		(3) (150.52)			
#7003		(4) 8.92			
#7007		(3) (8.50)			
#8009		(4) 1.00			
BALANCE - FUNDS ADVANCED TO					
COUNTIES, JUNE 30, 1968		<u>\$111,287.26</u>			

Notes:

- (1) Requires In-Kind Matching Funds - \$12,258.00.
- (2) Requires State Cash Matching Funds - \$7,553.53.
- (3) Represents Amounts Owed by the State to Counties.
- (4) Represents Amounts Due from Counties from Completed Projects.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SCHEDULE OF ACCOUNTS RECEIVABLE - LETTER OF CREDIT
AND LETTER OF CREDIT - UNAPPLIED
JUNE 30, 1968

SCHEDULE 5

	Account Receivable - Federal <u>Letter of Credit</u>	Federal Letter of Credit <u>Unapplied</u>
<u>SUPERVISION GRANTS</u>		
Supervision Grant - Forward - 7/1/67	\$ 12,624.54	\$ ---
Supervision - Forward on Status Account - 7/1/67	(35.94)	---
Program Development - Forward - 7/1/67	951.54	---
State Supervision - Special	4,718.00	4,718.00
Supervision - Not Drawn, 1967-68	3,355.00	---
Program Development - Not Drawn, 1967-68	441.00	---
Subtotals	<u>\$ 22,054.14</u>	<u>\$ 4,718.00</u>
<u>INSTITUTIONAL TRAINING</u>		
#222-4R	\$ (1)	\$ (100.00)
#7013	(1)	38,540.00
#7014	(1)	22,737.00
#8002	(1)	13,078.00
#8003	(1)	7,209.00
#8004	(1)	9,361.00
#8005	(1)	10,987.00
#8006	(1)	10,811.00
#8007	(1)	22,124.00
#8010	(1)	18,837.00
#8011	(1)	21,410.00
#8014	(1)	2,604.00
#8015	(1)	2,095.00
#8016	(1)	2,303.00
#8017	(1)	2,303.00
#8018	(1)	16,061.00
#8019	(1)	3,695.00
#8021	(1)	20,596.00
#8022	(1)	8,498.00
#8024	(1)	8,356.00
Subtotals	<u>\$119,548.08</u>	<u>\$246,505.00</u>
<u>ON-THE-JOB TRAINING</u>		
#30-8-3001	\$ 8,239.00	\$ 8,239.00
#30-8-3004	231.00	231.00
Subtotals	<u>\$ 8,470.00</u>	<u>\$ 8,470.00</u>
<u>INDIVIDUAL REFERRALS</u>		
#8001	\$ ---	\$ 25,000.00
<u>UNIDENTIFIED VARIANCE</u>		
	\$ ---	\$ (2,239.90)
Totals	<u>\$150,072.22</u>	<u>\$282,453.10</u>

Notes:

(1) Lack of information prevented us from being able to identify the individual project balances.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
MANPOWER DEVELOPMENT AND TRAINING PROGRAM
SUPPLEMENTAL LETTER TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1963

GENERAL

The federal authority for the Manpower Development and Training Program is contained in Public Law 87-415, 87th Congress, March 15, 1962, Section 206(a).

The Department of Education provides training for gainful employment to individuals lacking the qualifications for job placement, to individuals who are now employed but whose skills are inadequate to be in demand in the labor force, and to individuals whose skills have been rendered obsolete by automation or other technological improvements.

The Employment Security Department is also involved in this program. Its functions are to:

1. Determine the need for the training;
2. Select the applicants;
3. Pay the allowances to the trainees;
4. Refer for employment those completing the courses;
5. Make follow-up studies on the graduates.

OPERATIONS

SOURCES OF FUNDS

The program is divided into six categories of operations. Initially, the program was financed entirely by the Federal Government. In 1966 the following sharing arrangement was established by the Federal Government.

	<u>Percent Financed by</u>	
	<u>Federal</u>	<u>Non-Federal</u>
State Supervision	90%	10%
Program Development	90%	10%
Aid to Institutional Courses	90%	10%
On-the-job Training	100%	---
Individual Referrals	100%	---
Area Redevelopment	100%	---

During the fiscal year 1967-68, there was activity in all categories except Area Redevelopment.

From July, 1966 to December, 1967, the Department utilized in-kind contributions, i.e., estimated cost for plant maintenance, rental value of office space and equipment, etc., to fulfill the non-federal required ten percent contributions. Since January, 1968, the Department has utilized only State funds to meet the required ten percent contributions.

RECOMMENDATION

We recommend that the Department reexamine the possibility of again utilizing in-kind contributions from both the State and local levels to meet the required ten percent non-federal contributions to the program.

REVERSION OF GENERAL FUND APPROPRIATIONS

We determined that of the \$28,214 appropriated to the Manpower Development and Training Program, \$18,031.39 should have been reverted to the General Fund

on September 1, 1968. The Department of Education caused the following reversions to be made:

March, 1969	\$15,353.01
May, 1969	<u>2,678.38</u>
Total	<u>\$18,031.39</u>

RECOMMENDATION

We recommend that the General Fund reversions be made on a timely basis in accordance with applicable statutes.

STATISTICAL INFORMATION ON PROGRAM

The Department's annual report on the activities of the program is on a calendar year basis. These annual reports are in summary form only.

RECOMMENDATIONS

We recommend that:

1. The annual report of the Manpower Development and Training Program be made on a fiscal year basis instead of a calendar year basis.
2. The annual report include more detail information on each type of training, such as:
 - a. Total cost of each course
 - b. Number of enrollees
 - c. Number of enrollees completing course
 - d. Location of course

ACCOUNTING RECORDS

Due to the lack of certain accounting records, we had to review all of the transactions of this program for the four preceding fiscal years in order to determine the status of the various projects which were active during the fiscal year ended June 30, 1968.

RECOMMENDATION

We recommend that the Department establish and maintain an accounting system in which the transactions are recorded in the proper fiscal years and which provides information for the program, as a whole and for each project, as follows:

- a. Assets, liabilities, and fund balance
- b. Sources of spending authority
- c. Purposes for which the funds are expended
- d. Transactions regarding the Federal Letter of Credit

UNIDENTIFIED PROJECT COSTS

We were unable to determine the allocation of \$2,455.62 in expenditures for training projects to any particular project. The amount of expenditures allocated to specific projects is:

Total Training Project Expenditures - Exhibit B		\$223,098.22
Allocation to Projects:		
Completed Projects - Schedule 1	\$109,078.74	
Uncompleted Projects - Schedule 4	<u>111,563.66</u>	
Total Costs Allocated		<u>220,642.40</u>
Unidentified Amount		<u>\$ 2,455.82</u>

ACCOUNTS RECEIVABLE - FEDERAL LETTER OF CREDIT

We obtained a confirmation from the Federal Government regarding the balance of funds available to the State to be drawn against the Letter of Credit as of June 30, 1968. Their confirmation stated that this balance was \$150,072.22.

On June 30, 1968, the unspent funds for the following completed projects had not been officially deobligated by the State:

Program Development	\$ 288.58
State Supervision	9,734.61
Project:	
#5001	40.00
#5017	222.56
#6022	3,179.77
#6037-38-39 O.J.T.	2,676.27
#6136	93.00
#7002	1,558.44
#7003	1.00
#7007	8.50
#8008	7.26
#8009	318.57
#8012	2,554.55
#8013	<u>508.91</u>

Total Funds to Be Deobligated,
June 30, 1963

\$21,192.02

We were unable to verify that the effect of deobligating the above-listed amounts is reflected in the balance available of \$150,072.22 as confirmed by the Federal Government.

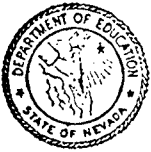
DISPOSITION OF RECOMMENDATION
PRESENTED IN PREVIOUS AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1964

Audit Item		No	<u>Implemented</u>
<u>No.</u>	<u>Recommendation</u>	<u>Action</u>	<u>Partially</u> <u>Fully</u>
9.	Title to equipment purchased with Federal money be allowed to pass to the school district rather than the State upon completion of the project.	X ⁽¹⁾	

Note:

(1) Recommendation not repeated in current audit report.

Note: At a meeting held November 24, 1969, between the Fiscal Analyst and the Superintendent of Public Instruction of the Department of Education, 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

November 26, 1969

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


Dear Mr. Bruce:

This is to acknowledge receipt of your audit report of the Manpower Development and Training Program for the fiscal year ended June 30, 1969.

Responses to your recommendations are:

1. Whenever training courses are established, the possibility of in-kind contributions by the operating agency to be applied for matching purposes will be explored and, if feasible, will be applied.
2. Reversions to the General Fund will be timely.
3. Annual reports will be made on fiscal year basis.
4. Annual reports will include detail information on each type of training.
5. A more formal system of project accounting will be established.

Sincerely,


Burnell Larson,
Superintendent of
Public Instruction

BL:ms

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	6.5
Scope of Examination, Audit Standards, and Denial of Opinion.....	6.6
<u>Comments to the Audit Report:</u>	
General.....	6.9
Agriculture Working Capital Fund.....	6.9
Livestock Inspection Fund.....	6.10
Plant Industry Fund.....	6.10
Apiary Inspection Fund.....	6.11
Noxious Weed and Insect Pest Control Fund.....	6.11
Agriculture Registration and Enforcement Fund.....	6.12
Agriculture County Reimbursement Fund.....	6.12
Rural Rehabilitation Trust Fund.....	6.13
Livestock Aid Fund.....	6.13
Organization.....	6.13
Operations.....	6.15
Financing the Department's Programs.....	6.15
Work Program Revisions.....	6.15
Prior Year Expenditures.....	6.16
Non-Reverting Receipt Accounts for Special Revenue Funds.....	6.16
Farm Labor Contractors Licenses.....	6.17
Recording and Control of Special Tax on Livestock.....	6.18
Travel Expenditure Not Contemplated in Original Budget.....	6.19
Deposit of County Reimbursement Fees.....	6.19

TABLE OF CONTENTS
(Continued)

<u>Comments to the Audit Report (Continued):</u>	<u>Page</u>
Disposition of Recommendations and Suggested Legislation Presented in Previous Audit Report for the Fiscal Year Ended June 30, 1964.....	6.20
<u>Financial Statements:</u>	<u>Exhibit</u>
AGRICULTURE WORKING CAPITAL FUND	
Statement of Financial Condition..... A	6.21
Statement of Change in Fund Balance..... B	6.22
Statement of Receipts and Disbursements..... C	6.23
SPECIAL REVENUE FUNDS	
Combined Statement of Financial Condition..... D	6.24
Combined Statement of Changes in Fund Balances.... E	6.26
Combined Schedule of Changes in Accounts' Fund Balances..... 1	6.28
	<u>Schedule</u>
Combined Statement of Revenues..... F	6.29
Combined Statement of Expenditures..... G	6.31
	<u>Schedule</u>
Combined Schedule of Accounts' Expenditures..... 2	6.33
	<u>Exhibit</u>
Statements of Comparison of Basis for Authorized Expenditures with Actual Expenditures:	
Livestock Inspection Fund:	
Livestock Inspection Account..... H	6.34
Livestock Disease Control Account..... I	6.35
Animal Disease Laboratory Account..... J	6.36

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>Financial Statements (Continued):</u>	
	<u>Exhibit</u>
Plant Industry Fund.....	K 6.37
Apiary Inspection Fund.....	L 6.38
Noxious Weed and Insect Pest Control Fund.....	M 6.39
Agriculture Registration and Enforcement Fund.....	N 6.40
 AGRICULTURE COUNTY REIMBURSEMENT FUND	
Statement of Financial Condition.....	O 6.41
Statement of Collection and Disbursement of County Inspection Fees.....	P 6.41
 RURAL REHABILITATION TRUST FUND	
Statement of Financial Condition.....	Q 6.42
Statement of Revenue and Change in Fund Balance.....	R 6.42
<u>Appendix A</u> - Legal Opinion of the Legislative Counsel.....	6.43
<u>Appendix B</u> - Agency Reply.....	6.46

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Legislature review the various special funds and programs administered by the Department of Agriculture to simplify the funding structure.....	6.15
Discontinue the practice of requesting work program revisions other than as provided by NRS 353.220, as amended by Chapter 594, Statutes of Nevada, 1969.....	6.16
Improve control of encumbrance and expenditure accounting.....	6.16
Cause unspent funds to be reverted to the General Fund.....	6.17
Discontinue the use of separate receipt accounts.....	6.17
Transfer \$110 from Agriculture Working Capital Fund to Agriculture Registration and Enforcement Fund as required by NRS 561.325.....	6.18
Record special taxes on livestock and bee stands at the time the counties assess the tax.....	6.18
Deposit money collected for Agriculture County Reimbursement Fund intact into the fund in accordance with NRS 561.395.....	6.19

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

Scope of Examination

We have examined the accounts and records of the State Department of Agriculture for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits and schedules:

AGRICULTURE WORKING CAPITAL FUND

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

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

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

SPECIAL REVENUE FUNDS

Combined Statement of Financial Condition,
June 30, 1968..... Exhibit D

Combined Statement of Changes in Fund Balances
for the Fiscal Year Ended June 30, 1968..... Exhibit E

Combined Schedule of Changes in Accounts' Fund
Balances for the Fiscal Year Ended June 30, 1968 -
Livestock Inspection Fund.....Schedule 1

Combined Statement of Revenues for the Fiscal Year
Ended June 30, 1968..... Exhibit F

Combined Statement of Expenditures for the Fiscal
Year Ended June 30, 1968..... Exhibit G

Combined Schedule of Accounts' Expenditures for
the Fiscal Year Ended June 30, 1968 - Livestock
Inspection Fund.....Schedule 2

Statements of Comparison of Basis for Authorized
Expenditures with Actual Expenditures for the
Fiscal Year Ended June 30, 1968:

Livestock Inspection Fund:

Livestock Inspection Account..... Exhibit H

Livestock Disease Control Account.....	Exhibit I
Animal Disease Laboratory Account.....	Exhibit J
Plant Industry Fund.....	Exhibit K
Apiary Inspection Fund.....	Exhibit L
Noxious Weed and Insect Pest Control Fund.....	Exhibit M
Agriculture Registration and Enforcement Fund.....	Exhibit N
AGRICULTURE COUNTY REIMBURSEMENT FUND	
Statement of Financial Condition, June 30, 1968.....	Exhibit O
Statement of Collection and Disbursement of County Inspection Fees for the Fiscal Year Ended June 30, 1968.....	Exhibit P
RURAL REHABILITATION TRUST FUND	
Statement of Financial Condition, June 30, 1968.....	Exhibit Q
Statement of Revenue and Change in Fund Balance for the Fiscal Year Ended June 30, 1968.....	Exhibit R

Audit Standards

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 accounts of the Department's Funds basically are limited to the proper recording of receipts and disbursements. The Department maintains Special Revenue, Working Capital, and Trust Funds. The preferred accounting for a Working Capital Fund is the accrual basis. The preferred accounting for Special Revenue Funds is the modified accrual basis where the General Fund of the government uses modified accrual basis of accounting. Trust Fund accounting should follow the method which most clearly satisfies the requirements of the

trust agreement. In preparing the accompanying financial statements for all the Funds of the State Department of Agriculture, we have made adjustments in order to present these financial statements on the preferred basis of accounting described above.

A general ledger is not maintained. Accordingly, the following are not accounted for:

1. Assets
2. Liabilities

Because we had to develop a material amount of the accounting information for the assets and liabilities shown on the exhibits, we are unable to express an independent opinion as to the fairness of the accompanying financial statements for the fiscal year ended June 30, 1968.

Respectfully submitted,



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

November 18, 1969
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
COMMENTS TO THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

The State Department of Agriculture and the State Board of Agriculture were created by Chapter 304, Statutes of Nevada, 1961. The powers and programs provided for in Chapter 304 are to be administered by the Board of Agriculture through the Department's executive director and two division directors. The Department is empowered to fix an annual special tax on specific classes of livestock.

Chapter 304 also created the following nine funds:

AGRICULTURE WORKING CAPITAL FUND

All moneys collected by the Department as provided by law may be deposited into the Agriculture Working Capital Fund and held until transferred to the proper funds in the State Treasury, as required by law and in accordance with the provisions of NRS 353.250.

The Fund is to be used specifically for carrying out the provisions of NRS 569.010 to 569.130, inclusive - estrays. In addition, it may be used for:

1. A revolving fund for paying expenses of all programs and laws administered by the Department. The Fund is to be promptly reimbursed from the proper funds in the State Treasury.
2. Providing travel advances to officers and employees of the Department of Agriculture.

The Fund's balance was established at \$5,000 by transfer of the appropriated balance of the State Board of Stock Commissioners' Revolving Fund. Chapter 177, Statutes of Nevada, 1967, increased the amount to be used as a revolving fund to \$10,000. However, the additional \$5,000 was not appropriated.

LIVESTOCK INSPECTION FUND

The following special taxes, fees, and money are to be deposited into the Livestock Inspection Fund:

1. All special taxes on livestock as provided by law.
2. Fees and moneys collected for administering the provisions of the following sections of NRS:
 - a. 564.010 through 564.150 - Recording Brands and Marks;
 - b. 565.010 through 565.170 - Brand Inspections;
 - c. 569.010 through 569.130 - Unclaimed Proceeds from Sale of Estrays;
 - d. 573.010 through 573.190 - Public Livestock Sales;
 - e. 576.010 through 576.150 - Livestock and Farm Products Dealers, Brokers, Commission Merchants, Cash Buyers, and Agents.
3. Laboratory fees collected for the diagnosis of diseases of livestock.

Expenditures from the Livestock Inspection Fund shall be made only for the purpose of carrying out the above-listed programs and the provisions of Chapter 304.

PLANT INDUSTRY FUND

The following fees and moneys are to be deposited into the Plant Industry Fund:

1. Laboratory fees collected for the diagnosis of infectious, contagious, and destructive diseases of agricultural commodities, and infestations thereof by pests.
2. Laboratory fees collected for the survey and identification of insect pests, plant diseases, and noxious weeds.

3. Fees and moneys collected for administering the provisions of the following sections of NRS:

- a. 555.010 through 555.460 - Insect Control, Noxious Weeds;
- b. 581.010 through 581.460 - Weights and Measures;
- c. 582.010 through 582.180 - Public Weighmasters;
- d. 587.010 through 587.450 - Agricultural Products and Seeds.

Expenditures from the Plant Industry Fund shall be made only for the purpose of carrying out the programs listed above and the provisions of Chapter 304.

APIARY INSPECTION FUND

The following fees and taxes shall be deposited into the Apiary Inspection Fund:

- 1. Any special tax on stands of bees as provided by law.
- 2. Fees collected for administering the provisions of NRS 552.085 to 552.310, inclusive - bees and apiaries.
- 3. Laboratory fees collected for the diagnosis of infectious, contagious, and parasitic diseases of bees.

Expenditures from the Apiary Inspection Fund shall be made only for the purpose of carrying out the programs listed above and the provisions of Chapter 304.

NOXIOUS WEED AND INSECT PEST CONTROL FUND

Moneys may be accepted and deposited into the Noxious Weed and Insect Pest Control Fund for the investigation, destruction, and control of insects, pests, and noxious weeds from the Federal Government, a county, a city, a public district, a public or private corporation, or an individual. Expenditures shall be made only for the purpose of carrying out the provisions of NRS Chapter 555 and Chapter 304.

AGRICULTURE REGISTRATION AND ENFORCEMENT FUND

The following fees are to be deposited into the Agriculture Registration and Enforcement Fund:

1. Fees collected for administering the provisions of the following sections of NRS:
 - a. 586.010 through 586.450 - Economic Poisons;
 - b. 588.010 through 588.350 - Commercial Fertilizers and Agricultural Minerals;
 - c. 590.340 through 590.450 - Nevada Antifreeze Act;
 - d. 619.010 through 619.160 - Farm Labor Contractors.
2. Laboratory fees collected for the analysis and testing of:
 - a. Economic poisons, insecticides, fungicides, herbicides, and rodenticides;
 - b. Commercial fertilizers and agricultural minerals;
 - c. Petroleum products;
 - d. Antifreeze.

Expenditures from the Agriculture Registration and Enforcement Fund shall be made only for the purpose of carrying out the above-listed programs and the provisions of Chapter 304.

AGRICULTURE COUNTY REIMBURSEMENT FUND

Moneys collected by county employees as agricultural inspection fees under the provisions of NRS 587.290 to 587.450, inclusive, and moneys collected by county employees under the provisions of NRS 555.010 through 555.460, shall be deposited into the Agriculture County Reimbursement Fund. Expenditures shall be made only for the purpose of reimbursing amounts due the counties pursuant to the provisions of NRS 587.370.

RURAL REHABILITATION TRUST FUND

The Rural Rehabilitation Trust Fund was created by Chapter 304, Statutes of Nevada, 1961, for the purpose of carrying out the provisions of NRS 561.425 through 561.465 - liquidation of rural rehabilitation trust.

LIVESTOCK AID FUND

The Livestock Aid Fund is to be funded by direct legislative appropriation for the purpose of granting emergency financial aid for benefit of the livestock industry. No money has ever been appropriated to this fund.

ORGANIZATION

The Department presently functions through two divisions - Plant Industry and Animal Industry.

The Division of Plant Industry administers the following programs assigned to the Department by Nevada law:

- Agricultural Produce Buyers - Licensing
- Agricultural Seed
- Grain Laboratory
- Antifreeze Registration and Analysis
- Apiary Inspection
- Economic Poisons
- Insect Pest Detection and Survey
- Insect Control Programs
- Farm Labor Contractors
- Fertilizers and Agricultural Minerals
- Nursery Services
- Pest Control Operators - Licensing
- Petroleum Products
- Violative Findings of Laboratory Tests
- Petroleum Products Price Advertising
- Plant Pathology
- Plant Quarantine
- Public Weighmasters
- Standardization and Grading Agricultural Products
- Weed Control
- Weights and Measures
- Prepackaged Commodities
- Metrology Laboratory

The Division of Animal Industry administers the following programs assigned to the Department by Nevada law:

- Livestock Imports and Exports
- Animal Disease Laboratory
- Estray Livestock
- Hide and Carcass Inspections
- Livestock Theft
- Livestock Killed on Railroad Rights of Way
- Public Livestock Auction Markets - Licensing and Bonding
- Livestock Brokers, Dealers, and Commission Merchants -
Licensing and Bonding
- Brand Inspection
- Livestock Brand Recording

OPERATIONS

FINANCING THE DEPARTMENT'S PROGRAMS

Nine separate funds were created by the Legislature to account for the special programs of the Department. In addition, two budget accounts have been created administratively to account for General Fund appropriations in support of specific livestock programs.

These funds may have been created in order to provide a method of separating the costs of certain programs. However, it cannot be proven that individually the several funds and accounts are fairly matching costs with individual program activities. Nor can it be demonstrated that the variety of special taxes, fees, and sales designated by law to be deposited into the special funds are financing the activities or meeting the costs of the programs under each special fund.

RECOMMENDATION

We recommend that the Legislature review the various special funds and programs administered by the Department of Agriculture with the objective of combining the several special revenue funds in order that the accounting for the programs may be matched with the activities of such funds, and a comparison of program costs may be made to the fees, licenses, and special taxes imposed.

WORK PROGRAM REVISIONS

The Department submitted and received approval on work program revisions during and after the fiscal year 1967-68 which were improper and not in accordance with NRS 353.220. These inter-category transfers are reflected in the authorization column of the Statement of Comparison of Basis for Authorized Expenditures with Actual Expenditures of the following:

Livestock Inspection Account
Livestock Disease Control Account
Animal Disease Control Account
Plant Industry Fund
Noxious Weed and Insect Pest Control Fund

RECOMMENDATION

We recommend that the State Department of Agriculture discontinue the practice of requesting work program revisions other than as provided by NRS 353.220, as amended by Chapter 594, Statutes of Nevada, 1969.

PRIOR YEAR EXPENDITURES

The Department submitted various claims for 1967-68 expenditures against 1968-69 budget appropriations, which are summarized as follows:

Livestock Inspection Fund	\$644.93
Noxious Weed and Insect Pest Control Fund	\$493.91

The State Controller honored and paid these claims as submitted. These claims are reflected in the accompanying financial statements as 1967-68 expenditures chargeable to 1967-68 budgets.

RECOMMENDATION

We recommend that the State Department of Agriculture improve its control of encumbrance and expenditure accounting in order to prevent a reoccurrence of this type of error.

NON-REVERTING RECEIPT ACCOUNTS FOR SPECIAL REVENUE FUNDS

The Plant Industry Fund and the Noxious Weed and Insect Pest Control Fund receive special revenues arising from administering agricultural programs in addition to their General Fund appropriations.

In order to control the expenditures against both the appropriations and the authorized receipts, a receipt account has been established for each fund.

The receipt account is credited only with revenues arising from administration of the agriculture programs for each fund. The General Fund appropriation is credited to the operating account and theoretically used first. When the General Fund appropriation has been expended, administrative receipts are transferred to the operating account from the receipt account. Receipts not transferred to the expenditure account are carried forward from year to year and are not reverted to the General Fund of the State.

Our legal counsel's opinion states that the balances of these funds at June 30, 1968 should have reverted to the General Fund in accordance with Section 50 of the General Appropriation Act of 1967.

The amounts to be reverted, as reported in Exhibit D, are \$7,885.25 for the Plant Industry Fund and \$10,279.04 for the Noxious Weed and Insect Pest Control Fund.

RECOMMENDATION

We recommend that the State Department of Agriculture:

1. Cause the above-mentioned unspent funds to be reverted to the General Fund.
2. Discontinue the use of separate receipt accounts for minor administrative fees collected in special revenue funds.

FARM LABOR CONTRACTORS LICENSES

The 1960 Session of the Legislature created licensing and control provisions for those persons desiring to act as farm labor contractors. These provisions are contained in NRS Chapter 619. Chapter 304, Statutes of Nevada, 1961, created the Agriculture Registration and Enforcement Fund and required that fees collected under the provisions of NRS 619.010 to 619.160 be deposited into that fund.

Since May, 1960, \$110 of such fees have been collected and held in the Department's Agriculture Working Capital Fund.

RECOMMENDATION

We recommend that accumulated farm labor contractors license fees totaling \$110 be transferred from the Department's Working Capital Fund to the Agriculture Registration and Enforcement Fund.

COMMENTS

We are advised by the Executive Director that the Federal Government now licenses farm labor contractors, and he would recommend repealing the provisions of NRS Chapter 619.

RECORDING AND CONTROL OF SPECIAL TAX ON LIVESTOCK

Special livestock tax in the amount of \$678.34 remitted by Eureka County in January, 1968 was deposited in error by the State Controller to the account of the Sheep Commission. This error was not detected and corrected until disclosed by our audit procedures in February, 1969.

The Department's procedure for recording these special taxes is to record the amount reported by the State Controller as received in the State Treasury.

RECOMMENDATION

We recommend that the special taxes on livestock and bee stands be recorded in the Department's records as taxes receivable at the time they are assessed by the counties. When county collections are received and reported by the State Controller, the special taxes receivable are to be credited. Uncollected special taxes receivable should be reconciled annually with each county's open tax rolls.

TRAVEL EXPENDITURE NOT CONTEMPLATED IN ORIGINAL BUDGET

On November 17, 1967, the cost of an airplane fare to Los Angeles, California, was paid and charged as an expenditure of the Agriculture Registration and Enforcement Fund. The trip was made Friday, November 3, 1967, by an executive officer of the State to tape a television guest appearance on "Agriculture, U.S.A." The executive officer was not an employee of the Department of Agriculture.

Pursuant to a legal opinion prepared for us by the Legislative Counsel (Appendix A), the payment of the above-mentioned airplane fare from the Agriculture Registration and Enforcement Fund was improper.

DEPOSIT OF COUNTY REIMBURSEMENT FEES

The Department has followed the practice of depositing only 90% of county reimbursement fees to the Agriculture County Reimbursement Fund, and the remaining 10% is deposited directly to the Plant Industry Fund at the time of collection.

RECOMMENDATION

We recommend that the Department deposit all such moneys collected intact into the Agriculture County Reimbursement Fund as required by NRS 561.395, and expenditures may then be made as provided by NRS 587.370.

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

Audit Item No.	Administrative Recommendations	No Action	Implemented	
			Partially	Fully
1.	Employees to turn in copies of gasoline credit card purchases for billing control.			X
3.	Clear travel advances within 60 days.			X
4.	Deposit receipts in bank more frequently than once a week.			X
5.	Deposit receipts with State Treasurer as prescribed by NRS 353.250.		X	
6.a.	Fund ledgers separated into 4 sections.		X	
b.	Separate section for budget and allotment control.		X	
7.a.	Use of prenumbered receipts.		X	
c.	Deposit each day's receipts in bank intact.		X	
d.	Use of prenumbered license and registration forms.	* X		
8.	All office supplies be obtained through State Purchasing.			X
<u>Legislative Recommendations</u>				
2.	Amend NRS 561.335 - Increase amount to \$10,000.	_____	_____	<u>X</u>
	Totals	<u>1</u>	<u>5</u>	<u>5</u>

* We still recommend implementation of this recommendation.

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE WORKING CAPITAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH IN BANK		\$12,894.40
ACCOUNTS RECEIVABLE:		
Advances for Travel - Employees	\$3,150.50	
Expense Reimbursements Due from:		
Livestock Inspection Fund	158.00	
Livestock Disease Control Account	29.50	
Plant Industry Fund	79.53	
Noxious Weed and Insect Pest Control Fund	223.93	
Apiary Inspection Fund	<u>235.00</u>	
Total Accounts Receivable		<u>3,876.46</u>
Total Assets		<u>\$16,770.86</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Receipts Deposited in Bank Due to:		
Livestock Inspection Fund		\$ 1,364.68
Livestock Disease Control Account		24.95
Animal Disease Laboratory Account		17.49
Plant Industry Fund		5,845.80
Noxious Weed and Insect Pest Control Fund		17.49
Agriculture Registration and Enforcement Fund		3,149.17
Apiary Inspection Fund		922.58
Agriculture County Reimbursement Fund		<u>109.37</u>
Total Liabilities		\$11,451.53

FUND BALANCE:

Revolving Account	\$5,000.00	
Estray Escrow	<u>319.33</u>	
Total Fund Balance		<u>5,319.33</u>
Total Liabilities and Fund Balance		<u>\$16,770.86</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE WORKING CAPITAL FUND
STATEMENT OF CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

	<u>Estray Escrow</u>	<u>Revolving Fund</u>	<u>Combined</u>
FUND BALANCE, JULY 1, 1967	\$1,066.17	\$5,000.00	\$6,066.17
Excess of Disbursements over Receipts	(746.84)	(763.90)	(1,510.74)
Increase in Accounts Receivable - Advances for Travel	---	1,220.76	1,220.76
Decrease in Accounts Receivable - Expense	<u>---</u>	<u>(456.86)</u>	<u>(456.86)</u>
FUND BALANCE, JUNE 30, 1968	<u>\$ 319.33</u>	<u>\$5,000.00</u>	<u>\$5,319.33</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE WORKING CAPITAL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT C

	<u>For Agriculture Funds</u>	<u>Revolving Fund</u>
RECEIPTS		
Livestock Inspection Fund	\$ 25,506.69	\$ ---
Livestock Disease Control Account	162.35	---
Animal Disease Laboratory Account	101.99	---
Plant Industry Fund	22,705.59	---
Apiary Inspection Fund	4,957.58	---
Noxious Weed and Insect Pest Control Fund	3,655.47	---
Agriculture Registration and Enforcement Fund	24,843.14	---
Agriculture County Reimbursement Fund	1,412.75	---
Rural Rehabilitation Trust Fund	29,335.68	---
Estrays	---	3,600.27
Reimbursed Expenses Paid for Agriculture Funds	---	8,416.82
Reimbursed Travel Advances to Employees	---	21,616.94
Total Receipts	<u>\$112,681.24</u>	<u>\$33,634.03</u>
REFUNDS MADE FROM RECEIPTS		
Livestock Inspection Fund	\$ 842.85	\$ ---
Plant Industry Fund	95.77	---
Agriculture Registration and Enforcement Fund	408.00	---
Estrays	---	2,922.63
Total Refunds	<u>\$ 1,346.62</u>	<u>\$ 2,922.63</u>
Net Receipts Collected	<u>\$111,334.62</u>	<u>\$30,711.40</u>
TRANSFERS TO AGRICULTURE FUNDS		
Livestock Inspection Fund	\$ 24,663.84	\$ ---
Livestock Disease Control Account	162.35	---
Animal Disease Laboratory Account	101.99	---
Plant Industry Fund	22,609.82	---
Apiary Inspection Fund	4,957.58	---
Noxious Weed and Insect Pest Control Fund	3,655.47	---
Agriculture Registration and Enforcement Fund	24,435.14	---
Agriculture County Reimbursement Fund	1,412.75	---
Rural Rehabilitation Trust Fund	29,335.68	---
Estrays	---	1,424.48
Total Transfers	<u>\$111,334.62</u>	<u>\$ 1,424.48</u>
DISBURSEMENTS		
Expenses Paid for Agriculture Funds	\$ ---	\$ 7,959.96
Travel Advances to Employees	---	22,837.70
Total Disbursements	<u>\$ ---</u>	<u>\$30,797.66</u>
EXCESS OF TRANSFERS AND DISBURSEMENTS OVER RECEIPTS	<u>\$ ---</u>	<u>\$(1,510.74)</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT D
 Page 1 of 2

<u>ASSETS</u>	<u>Livestock Inspection Fund</u>	<u>Plant Industry Fund</u>	<u>Apiary Inspection Fund</u>
CASH DEPOSITED WITH STATE TREASURER	<u>\$132,062.13</u>	<u>\$ 9,398.16</u>	<u>\$6,358.92</u>
ACCOUNTS RECEIVABLE:			
Due from Agriculture Working Capital Fund	\$ 1,407.12	\$ 5,845.80	\$ 922.58
Due from General Fund	2,576.00	10,452.00	---
Due from Sheep Commission	678.34	---	---
Livestock Inspection Fees	977.75	---	---
Total Accounts Receivable	<u>\$ 5,639.21</u>	<u>\$16,297.80</u>	<u>\$ 922.58</u>
FURNITURE AND EQUIPMENT	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ ---</u>
Total Assets	<u>\$137,702.39</u>	<u>\$26,196.96</u>	<u>\$7,281.50</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCES</u>			
ACCOUNTS PAYABLE	<u>\$ 11,305.16</u>	<u>\$18,310.71</u>	<u>\$1,005.21</u>
RESERVES:			
Livestock Inspection Fees	\$ 977.75	\$ ---	\$ ---
Furniture and Equipment	1.00	1.00	---
Total Reserves	<u>\$ 978.75</u>	<u>\$ 1.00</u>	<u>\$ ---</u>
REVERSIONS:			
Due to General Fund	<u>\$ 9,893.28</u>	<u>\$ 7,885.25</u>	<u>\$ ---</u>
FUND BALANCES, JUNE 30, 1968	<u>\$115,525.20</u>	<u>\$ ---</u>	<u>\$6,276.29</u>
Total Liabilities, Reserves, and Fund Balances	<u>\$137,702.39</u>	<u>\$26,196.96</u>	<u>\$7,281.50</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT D
Page 2 of 2

	Noxious Weed & Insect Pest Control Fund	Agriculture Registration & Enforcement Fund	Total Special Revenue Funds
<u>ASSETS</u>			
CASH DEPOSITED WITH STATE TREASURER	<u>\$15,805.25</u>	<u>\$14,537.34</u>	<u>\$178,711.85</u>
ACCOUNTS RECEIVABLE:			
Due from Agriculture Working Capital Fund	\$ 17.49	\$ 3,149.17	\$ 11,342.16
Due from General Fund	1,132.00	---	14,210.00
Due from Sheep Commission	---	---	678.34
Livestock Inspection Fees	---	---	977.75
Total Accounts Receivable	<u>\$ 1,199.49</u>	<u>\$ 3,149.17</u>	<u>\$ 27,208.25</u>
FURNITURE AND EQUIPMENT	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 4.00</u>
Total Assets	<u>\$17,005.74</u>	<u>\$17,737.51</u>	<u>\$205,924.10</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCES</u>			
ACCOUNTS PAYABLE	<u>\$ 6,725.70</u>	<u>\$ 1,230.18</u>	<u>\$ 38,576.96</u>
RESERVES:			
Livestock Inspection Fees	\$ ---	\$ ---	\$ 977.75
Furniture and Equipment	1.00	1.00	4.00
Total Reserves	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 981.75</u>
REVERSIONS:			
Due to General Fund	<u>\$10,279.04</u>	<u>\$ ---</u>	<u>\$ 28,057.57</u>
FUND BALANCES, JUNE 30, 1968	<u>\$ ---</u>	<u>\$16,506.33</u>	<u>\$138,307.82</u>
Total Liabilities, Reserves, and Fund Balances	<u>\$17,005.74</u>	<u>\$17,737.51</u>	<u>\$205,924.10</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT E
 Page 1 of 2

	<u>Livestock Inspection Fund</u>	<u>Plant Industry Fund</u>	<u>Apiary Inspection Fund</u>
FUND BALANCE, JULY 1, 1967	\$151,502.68	\$4,985.77	\$5,904.92
Prior Years' Receipts Due from Agriculture Working Capital Fund	15.00	---	---
Excess of Revenues over Expenditures	9,893.28	2,899.48	371.37
Excess of Expenditures over Revenues	(35,992.48)	---	---
Reversion to the General Fund	<u>(9,893.28)</u>	<u>(7,885.25)</u>	<u>---</u>
FUND BALANCE, JUNE 30, 1968	<u>\$115,525.20</u>	<u>\$ ---</u>	<u>\$6,276.29</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT E
 Page 2 of 2

	<u>Noxious Weed & Insect Pest Control Fund</u>	<u>Agriculture Registration & Enforcement Fund</u>	<u>Total Special Revenue Funds</u>
FUND BALANCE, JULY 1, 1967	\$ 3,690.29	\$20,201.41	\$191,285.07
Prior Years' Receipts Due from Agriculture Working Capital Fund	---	110.00	125.00
Excess of Revenues over Expenditures	1,588.75	---	14,752.88
Excess of Expenditures over Revenues	---	(3,805.08)	(39,797.56)
Reversion to the General Fund	<u>(10,279.04)</u>	<u>---</u>	<u>(28,057.57)</u>
FUND BALANCE, JUNE 30, 1968	<u>\$ ---</u>	<u>\$16,506.33</u>	<u>\$138,307.82</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
LIVESTOCK INSPECTION FUND
 COMBINED SCHEDULE OF CHANGES IN ACCOUNTS' FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 1

	<u>Livestock Inspection Account</u>	<u>Livestock Disease Control Account</u>	<u>Animal Disease Laboratory Account</u>	<u>Total Livestock Inspection Fund</u>
FUND BALANCE, JULY 1, 1967	\$151,502.63	\$ ---	\$---	\$151,502.63
Excess of Revenues over Expenditures	---	9,282.04	611.24	9,893.28
Excess of Expenditures over Revenues	(35,992.43)	---	---	(35,992.43)
Reversion Due to the General Fund	---	(9,282.04)	(611.24)	(9,893.28)
Prior Years' Receipts Due from Agriculture Working Capital Fund	<u>15.00</u>	<u>---</u>	<u>---</u>	<u>15.00</u>
FUND BALANCE, JUNE 30, 1968	<u>\$115,525.20</u>	<u>\$ ---</u>	<u>\$---</u>	<u>\$115,525.20</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT F
Page 1 of 2

<u>REVENUES</u>	<u>Livestock Inspection Fund</u>	<u>Plant Industry Fund</u>	<u>Apiary Inspection Fund</u>
SPECIAL REVENUES:			
Annual Special Tax	\$ 97,590.43	\$ ---	\$1,833.04
Brand Recording Fees	1,930.00	---	---
Brand Transfer Fees	360.00	---	---
Brand Inspection Fees	13,367.48	---	---
Brand Book Sales	269.50	---	---
Dealers License Fees	5,765.00	---	---
Salesyard License Fees	200.00	---	---
Estrays	1,424.48	---	---
Certification Fees	79.20	---	---
Miscellaneous Fees and Sales	2.00	---	---
Reimbursements	160.94	59.45	---
Sale of Vehicles	965.51	---	---
Seed Certification Fees	---	6,866.20	---
Nursery License Fees	---	2,475.00	---
Pest Control Operators License Fees	---	2,955.00	---
Insect Pest Survey, U.S.D.A.	---	4,000.00	---
Agriculture Inspection Fees	---	385.31	---
Public Weighmaster:			
License Fees	---	555.00	---
Book Sales	---	350.00	---
Weights and Measures:			
Scale Terminal Fees	---	305.65	---
Reimbursement Highway Department	---	4,526.88	---
Registration and Inspection Fees	---	---	4,955.00
Cities, Counties, and Weed Districts			
Contributions	---	---	---
Sale of Chemicals	---	---	---
Economic Poison Registration Fees	---	---	---
Fertilizer Tonnage	---	---	---
Antifreeze Registration Fees	---	---	---
Total Special Revenues	<u>\$122,164.54</u>	<u>\$ 22,478.49</u>	<u>\$6,788.04</u>
GENERAL FUND CONTRIBUTIONS:			
Appropriations	\$115,132.00	\$319,235.00	\$ ---
Salary Adjustments	5,001.00	10,452.00	---
Total General Fund Contributions	<u>\$120,133.00</u>	<u>\$329,687.00</u>	<u>\$ ---</u>
Total Revenues	<u>\$242,297.54</u>	<u>\$352,165.49</u>	<u>\$6,788.04</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT F
Page 2 of 2

<u>REVENUES</u>	<u>Noxious Weed & Insect Pest Control Fund</u>	<u>Agriculture Registration & Enforcement Fund</u>	<u>Total Special Revenue Funds</u>
SPECIAL REVENUES:			
Annual Special Tax	\$ ---	\$ ---	\$ 99,423.47
Brand Recording Fees	---	---	1,980.00
Brand Transfer Fees	---	---	360.00
Brand Inspection Fees	---	---	13,367.48
Brand Book Sales	---	---	269.50
Dealers License Fees-	---	---	5,765.00
Salesyard License Fees	---	---	200.00
Estrays	---	---	1,424.48
Certification Fees	---	---	79.20
Miscellaneous Fees and Sales	8.25	---	10.25
Reimbursements	---	---	220.39
Sale of Vehicles	162.50	---	1,128.01
Seed Certification Fees	---	---	6,866.20
Nursery License Fees	---	---	2,475.00
Pest Control Operators License Fees	---	---	2,955.00
Insect Pest Survey, U.S.D.A.	---	---	4,000.00
Agriculture Inspection Fees	---	---	385.31
Public Weighmaster:			
License Fees	---	---	555.00
Book Sales	---	---	350.00
Weights and Measures:			
Scale Terminal Fees	---	---	305.65
Reimbursement Highway Department	---	---	4,526.88
Registration and Inspection Fees	---	---	4,955.00
Cities, Counties, and Weed Districts			
Contributions	2,712.05	---	2,712.05
Sale of Chemicals	755.18	---	755.18
Economic Poison Registration Fees	---	16,181.96	16,181.96
Fertilizer Tonnage	---	6,544.01	6,544.01
Antifreeze Registration Fees	---	1,700.00	1,700.00
Total Special Revenues	<u>\$ 3,637.98</u>	<u>\$24,425.97</u>	<u>\$179,495.02</u>
GENERAL FUND CONTRIBUTIONS:			
Appropriations	\$54,873.00	\$ ---	\$489,240.00
Salary Adjustments	1,182.00	---	16,635.00
Total General Fund Contributions	<u>\$56,055.00</u>	<u>\$ ---</u>	<u>\$505,875.00</u>
Total Revenues	<u>\$59,692.98</u>	<u>\$24,425.97</u>	<u>\$685,370.02</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT G
 Page 1 of 2

<u>EXPENDITURES</u>	<u>Livestock Inspection Fund</u>	<u>Plant Industry Fund</u>	<u>Apiary Inspection Fund</u>
PAYROLL COSTS:			
Salaries	\$174,508.65	\$231,473.53	\$3,908.14
Employee Benefits	14,222.40	19,230.91	103.45
Total Payroll Costs	<u>\$188,731.05</u>	<u>\$250,704.44</u>	<u>\$4,011.59</u>
TRAVEL:			
Out-of-State	\$ 2,490.50	\$ 1,328.60	\$ 395.95
In-State	22,725.23	26,346.16	1,647.41
Total Travel	<u>\$ 25,215.73</u>	<u>\$ 27,674.76</u>	<u>\$2,043.36</u>
OPERATING:			
Office Supplies	\$ 2,713.35	\$ 1,544.64	\$ 5.60
Postage and Freight	947.81	909.00	6.05
Telephone	5,820.70	2,881.99	---
Printing	2,774.30	1,592.27	171.84
Subscriptions	536.40	158.00	38.50
Dues and Registrations	578.00	527.00	5.00
Bonds and Insurance	1,049.84	1,313.74	36.38
Contract Services	266.50	411.00	3.90
Equipment Rental and Repair	988.12	636.80	---
Building Space Costs	20,850.75	32,011.74	7.46
Grounds Maintenance	138.22	18.84	---
Truck Operation	---	3,817.17	---
Clothing Purchases	60.00	89.71	---
Laundry Supplies	343.10	18.55	---
Improvements and Betterments	---	517.66	---
Advertising	6.00	20.40	---
Photos, Prints, and Maps	78.60	8.41	17.05
Laboratory Supplies	6,721.89	161.15	23.40
Special Projects Supplies	1,326.50	1,395.14	46.54
Special Projects	373.90	90.91	---
Statistical Reporting Service	---	6,500.00	---
Raw Material Purchases	---	---	---
Total Operating	<u>\$ 45,573.98</u>	<u>\$ 54,624.12</u>	<u>\$ 361.72</u>
EQUIPMENT:			
Vehicles	\$ 7,809.38	\$ 8,462.97	\$ ---
Office	60.94	849.67	---
Other	1,005.66	6,950.05	---
Total Equipment	<u>\$ 8,875.98</u>	<u>\$ 16,262.69</u>	<u>\$ ---</u>
Total Expenditures	<u>\$268,396.74</u>	<u>\$349,266.01</u>	<u>\$6,416.67</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT G
Page 2 of 2

<u>EXPENDITURES</u>	<u>Noxious Weed & Insect Pest Control Fund</u>	<u>Agriculture Registration & Enforcement Fund</u>	<u>Total Special Revenue Funds</u>
PAYROLL COSTS:			
Salaries	\$30,914.00	\$16,464.05	\$457,268.37
Employee Benefits	1,541.33	1,296.18	36,394.27
Total Payroll Costs	<u>\$32,455.33</u>	<u>\$17,760.23</u>	<u>\$493,662.64</u>
TRAVEL:			
Out-of-State	\$ 177.00	\$ 274.15	\$ 4,666.20
In-State	6,250.69	756.19	57,725.68
Total Travel	<u>\$ 6,427.69</u>	<u>\$ 1,030.34</u>	<u>\$ 62,391.88</u>
OPERATING:			
Office Supplies	\$ 212.43	\$ 496.62	\$ 4,972.64
Postage and Freight	468.45	400.68	2,731.99
Telephone	229.20	1,729.21	10,661.10
Printing	90.43	117.82	4,746.66
Subscriptions	298.21	509.92	1,541.03
Dues and Registrations	37.00	82.00	1,229.00
Bonds and Insurance	789.79	9.02	3,198.77
Contract Services	150.00	---	831.40
Equipment Rental and Repair	1,331.73	187.45	3,144.10
Building Space Costs	1,331.16	231.31	54,932.42
Grounds Maintenance	---	---	157.06
Truck Operation	6,755.20	---	10,572.37
Clothing Purchases	---	13.96	163.67
Laundry Supplies	101.90	232.18	695.73
Improvements and Betterments	---	---	517.66
Advertising	---	---	26.40
Photos, Prints, and Maps	76.86	---	180.92
Laboratory Supplies	279.26	1,248.41	8,434.11
Special Projects Supplies	924.86	47.29	3,740.33
Special Projects	---	---	464.81
Statistical Reporting Service	---	---	6,500.00
Raw Material Purchases	5,402.51	---	5,402.51
Total Operating	<u>\$18,978.99</u>	<u>\$ 5,305.87</u>	<u>\$124,844.68</u>
EQUIPMENT:			
Vehicles	\$ ---	\$ ---	\$ 16,272.35
Office	---	---	910.61
Other	242.22	4,134.61	12,332.54
Total Equipment	<u>\$ 242.22</u>	<u>\$ 4,134.61</u>	<u>\$ 29,515.50</u>
Total Expenditures	<u>\$58,104.23</u>	<u>\$28,231.05</u>	<u>\$710,414.70</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
LIVESTOCK INSPECTION FUND
COMBINED SCHEDULE OF ACCOUNTS' EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 2

<u>EXPENDITURES</u>	<u>Livestock Inspection Account</u>	<u>Livestock Disease Control Account</u>	<u>Animal Disease Laboratory Account</u>	<u>Total Livestock Inspection Fund</u>
PAYROLL COSTS:				
Salaries	\$100,948.32	\$41,792.12	\$31,768.21	\$174,508.65
Employee Benefits	8,589.21	3,016.68	2,616.51	14,222.40
Total Payroll Costs	<u>\$109,537.53</u>	<u>\$44,808.80</u>	<u>\$34,384.72</u>	<u>\$188,731.05</u>
TRAVEL:				
Out-of-State	\$ 1,490.50	\$ 780.00	\$ 220.00	\$ 2,490.50
In-State	16,375.63	5,899.60	450.00	22,725.23
Total Travel	<u>\$ 17,866.13</u>	<u>\$ 6,679.60</u>	<u>\$ 670.00</u>	<u>\$ 25,215.73</u>
OPERATING:				
Office Supplies	\$ 2,049.40	\$ 659.75	\$ 4.20	\$ 2,713.35
Postage and Freight	850.86	21.82	75.13	947.81
Telephone	5,175.30	582.75	62.65	5,820.70
Printing	2,305.50	468.80	---	2,774.30
Subscriptions	102.25	265.05	169.10	536.40
Dues and Registrations	195.00	358.00	25.00	578.00
Bonds and Insurance	1,014.68	15.04	20.12	1,049.84
Contract Services	186.50	---	80.00	266.50
Equipment Rental and Repair	294.29	117.60	576.23	988.12
Building Space Costs	9,201.47	4,602.12	7,047.16	20,850.75
Grounds Maintenance	138.22	---	---	138.22
Clothing Purchases	---	---	60.00	60.00
Laundry Supplies	30.01	90.88	222.21	343.10
Advertising	6.00	---	---	6.00
Photos, Prints, and Maps	15.76	21.38	41.46	78.60
Laboratory Supplies	244.81	544.83	5,932.25	6,721.89
Special Services or Projects Supplies	368.52	957.98	---	1,326.50
Special Services or Projects	373.90	---	---	373.90
Total Operating	<u>\$ 22,552.47</u>	<u>\$ 8,706.00</u>	<u>\$14,315.51</u>	<u>\$ 45,573.98</u>
EQUIPMENT:				
Automobiles	\$ 7,809.38	\$ ---	\$ ---	\$ 7,809.38
Office Furniture & Equipment	27.92	---	33.02	60.94
Other Furniture & Equipment	363.59	259.56	382.51	1,005.66
Total Equipment	<u>\$ 8,200.89</u>	<u>\$ 259.56</u>	<u>\$ 415.53</u>	<u>\$ 8,875.98</u>
Total Expenditures	<u>\$158,157.02</u>	<u>\$60,453.96</u>	<u>\$49,785.76</u>	<u>\$268,396.74</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
LIVESTOCK INSPECTION FUND
LIVESTOCK INSPECTION ACCOUNT
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT H

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Authorization to Spend from Revenues Collected	<u>\$170,401.00</u>	<u>\$122,164.54</u>	<u>\$(48,236.46)</u>
EXPENDITURES - SCHEDULE 2:			
Payroll Costs	\$109,460.00	\$109,537.53	\$ 77.53
Travel	18,565.00	17,866.13	(698.87)
Operating	34,175.00	22,552.47	(11,622.53)
Equipment	<u>8,201.00</u>	<u>8,200.89</u>	<u>(.11)</u>
Total Expenditures	<u>\$170,401.00</u>	<u>\$158,157.02</u>	<u>\$(12,243.98)</u>
EXCESS OF EXPENDITURES OVER REVENUES		<u>\$(35,992.48)</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
LIVESTOCK INSPECTION FUND
LIVESTOCK DISEASE CONTROL ACCOUNT
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT I

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Appropriations:			
General Fund	\$67,160.00	\$67,160.00	\$ ---
Salary Adjustment	<u>3,751.00</u>	<u>2,576.00</u>	<u>(1,175.00)</u>
Total Source of Funds	<u>\$70,911.00</u>	<u>\$69,736.00</u>	<u>\$ (1,175.00)</u>
EXPENDITURES - SCHEDULE 2:			
Payroll Costs	\$55,265.00	\$44,808.80	\$(10,456.20)
Travel	6,680.00	6,679.60	(.40)
Operating	8,706.00	8,706.00	---
Equipment	<u>260.00</u>	<u>259.56</u>	<u>(.44)</u>
Total Expenditures	<u>\$70,911.00</u>	<u>\$60,453.96</u>	<u>\$(10,457.04)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ 9,282.04</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
LIVESTOCK INSPECTION FUND
ANIMAL DISEASE LABORATORY ACCOUNT
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT J

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Appropriations:			
General Fund	\$47,972.00	\$47,972.00	\$ ---
Salary Adjustment	<u>2,694.00</u>	<u>2,425.00</u>	<u>(269.00)</u>
Total Source of Funds	<u>\$50,666.00</u>	<u>\$50,397.00</u>	<u>\$(269.00)</u>
EXPENDITURES - SCHEDULE 2:			
Payroll Costs	\$35,264.00	\$34,384.72	\$(879.28)
Travel	670.00	670.00	---
Operating	14,316.00	14,315.51	(.49)
Equipment	<u>416.00</u>	<u>415.53</u>	<u>(.47)</u>
Total Expenditures	<u>\$50,666.00</u>	<u>\$49,785.76</u>	<u>\$(880.24)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ 611.24</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
PLANT INDUSTRY FUND
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT K

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Appropriations:			
General Fund	\$319,235.00	\$319,235.00	\$ ---
Salary Adjustment	11,613.00	10,452.00	(1,161.00)
Authorization to Spend from			
Revenues Collected	<u>26,854.00</u>	<u>22,478.49</u>	<u>(4,375.51)</u>
Total Source of Funds	<u>\$357,702.00</u>	<u>\$352,165.49</u>	<u>\$(5,536.51)</u>
EXPENDITURES - EXHIBIT G:			
Payroll Costs	\$258,218.00	\$250,704.44	\$(7,513.56)
Travel	27,829.00	27,674.76	(154.24)
Operating	55,392.00	54,624.12	(767.88)
Equipment	<u>16,263.00</u>	<u>16,262.69</u>	<u>(.31)</u>
Total Expenditures	<u>\$357,702.00</u>	<u>\$349,266.01</u>	<u>\$(8,435.99)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ 2,899.48</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
APIARY INSPECTION FUND
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT L

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Authorization to Spend from Revenues Collected	<u>\$8,069.00</u>	<u>\$6,733.04</u>	<u>\$(1,280.96)</u>
EXPENDITURES - EXHIBIT G:			
Payroll Costs	\$5,597.00	\$4,011.59	\$(1,585.41)
Travel	2,010.00	2,043.36	33.36
Operating	362.00	361.72	(.28)
Equipment	<u>100.00</u>	<u>---</u>	<u>(100.00)</u>
Total Expenditures	<u>\$8,069.00</u>	<u>\$6,416.67</u>	<u>\$(1,652.33)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ 371.37</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
NOXIOUS WEED AND INSECT PEST CONTROL FUND
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1963

EXHIBIT M

	<u>Basis for</u> <u>Authorization</u>	<u>Actual</u> <u>Amounts</u>	<u>Over or</u> <u>(Under)</u> <u>Authorization</u>
SOURCE OF FUNDS:			
Appropriations:			
General Fund	\$54,873.00	\$54,873.00	\$ ---
Salary Adjustment	1,313.00	1,182.00	(131.00)
Authorization to Spend from			
Revenues Collected	<u>2,807.00</u>	<u>3,637.98</u>	<u>830.98</u>
Total Source of Funds	<u>\$58,993.00</u>	<u>\$59,692.98</u>	<u>\$ 699.98</u>
EXPENDITURES - EXHIBIT G:			
Payroll Costs	\$33,836.00	\$32,455.33	\$(1,380.67)
Travel	6,428.00	6,427.69	(.31)
Operating	18,486.00	18,978.99	492.99
Equipment	<u>243.00</u>	<u>242.22</u>	<u>(.78)</u>
Total Expenditures	<u>\$58,993.00</u>	<u>\$58,104.23</u>	<u>\$ (888.77)</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>\$ 1,588.75</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE REGISTRATION AND ENFORCEMENT FUND
STATEMENT OF COMPARISON OF BASIS FOR AUTHORIZED
EXPENDITURES WITH ACTUAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1963

EXHIBIT N

	<u>Basis for Authorization</u>	<u>Actual Amounts</u>	<u>Over or (Under) Authorization</u>
SOURCE OF FUNDS:			
Authorization to Spend from Revenues Collected	<u>\$30,065.00</u>	<u>\$24,425.97</u>	<u>\$(5,639.03)</u>
EXPENDITURES - EXHIBIT G:			
Payroll Costs	\$17,837.00	\$17,760.23	\$ (126.77)
Travel	1,075.00	1,030.34	(44.66)
Operating	6,953.00	5,305.87	(1,647.13)
Equipment	<u>4,150.00</u>	<u>4,134.61</u>	<u>(15.39)</u>
Total Expenditures	<u>\$30,065.00</u>	<u>\$28,231.05</u>	<u>\$(1,833.95)</u>
EXCESS OF EXPENDITURES OVER REVENUES		<u>\$ (3,805.08)</u>	

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE COUNTY REIMBURSEMENT FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT O

ASSETS

ACCOUNTS RECEIVABLE:	
Due from Agriculture Working Capital Fund	<u>\$109.37</u>
Total Assets	<u>\$109.37</u>

LIABILITIES

ACCOUNTS PAYABLE:	
Due to Clark County	\$ 33.87
Due to Washoe County	<u>75.50</u>
Total Liabilities	<u>\$109.37</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
AGRICULTURE COUNTY REIMBURSEMENT FUND
STATEMENT OF COLLECTION AND DISBURSEMENT
OF COUNTY INSPECTION FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT P

INSPECTION FEES REMITTED BY COUNTY	
INSPECTORS (Net of 10% Charge):	
Clark County Inspectors	\$ 475.50
Washoe County Inspectors	<u>937.25</u>
Total Inspection Fees Collected	<u>\$1,412.75</u>
DISTRIBUTION OF INSPECTION FEES COLLECTED:	
Clark County Treasurer	\$ 475.50
Washoe County Treasurer	<u>937.25</u>
Total Distribution of Inspection Fees	<u>\$1,412.75</u>

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
RURAL REHABILITATION TRUST FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1963

EXHIBIT Q

ASSETS

CASH DEPOSITED WITH STATE TREASURER	\$ 16,588.71
LOANS RECEIVABLE	117,403.41
ACCRUED INTEREST RECEIVABLE	<u>1,376.09</u>
Total Assets	<u><u>\$135,368.21</u></u>

FUND BALANCE

FUND BALANCE, JUNE 30, 1963	<u><u>\$135,368.21</u></u>
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STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
RURAL REHABILITATION TRUST FUND
STATEMENT OF REVENUE AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1963

EXHIBIT R

LOAN INTEREST EARNED	\$ 5,193.16
FUND BALANCE - BEGINNING OF FISCAL YEAR	<u>130,675.05</u>
FUND BALANCE - JUNE 30, 1963	<u><u>\$135,368.21</u></u>

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

Room 45, Capitol Building
CARSON CITY, NEVADA 89701

FISCAL AND AUDITING
ROBERT E. BRUCE
Fiscal Analyst
LEGAL DIVISION
RUSSELL W. McDONALD
Legislative Counsel
RESEARCH DIVISION
ARTHUR J. PALMER, JR.
Research Director

January 28, 1970

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

Dear Bob:

A travel claim originating in an out-of-state trip made by the Governor of the State of Nevada to appear on a nationally televised program which featured Nevada agriculture was transmitted for payment to the State Department of Agriculture at the request of the Governor's office. The department charged the claim against the agriculture registration and enforcement fund.

The handling of this claim has raised the following questions:

1. Is this obligation and expenditure for travel expense a violation of NRS 353.255?
2. Based upon the facts presented, is this an expenditure for objects for which the Agriculture Registration and Enforcement Fund had received authority, either statutory or budgetary, to expend the fees of this fund?
3. Are there any other provisions in law which limit or clarify the orderly conduct of state spending by state officials from funds other than those specifically appropriated to them by the legislature?
4. Is this a problem which needs legislative review?

Appendix A - Page 1.

Mr. Robert E. Bruce
January 28, 1970
Page 2

Subsection 3 of NRS 561.385 provides:

3. Expenditures from the agriculture registration and enforcement fund shall be made only for the purposes of carrying out the provisions of chapters 586, 588, 590 and 619 of NRS, NRS 555.260 to 555.-460, inclusive, and the provisions of this chapter.

The purposes which may be found in the chapters and sections of NRS enumerated above are quite explicit. With the possible exception of some implied provision which might be traced to chapter 561 of NRS, no authority existed for charging the travel claim against the fund in question. An examination of NRS 561.-194 to 561.325, inclusive, which covers the composition, powers and duties of the State Department of Agriculture, bestirs, in our opinion, no implied authority which could have been asserted as proper reason for so charging the travel claim.

Without more appearing, we have no reason to assume that this type of travel expense was budgeted and allotted by the department as required by the provisions of NRS 353.150 to 353.245, inclusive. This travel claim was, plainly, not an anticipated Department of Agriculture expense as is evidenced by the department's initial handling of the claim, that is, in forwarding it to the Governor's office as having been received by the department in error. The office memorandum of November 7, 1967, demonstrates this.

Section 3 of chapter 440, Statutes of Nevada 1967, the authorized expenditures act of 1967, provides in part:

The funds authorized to be expended by the provisions of sections 1 and 2 shall be expended in accordance with the allotment, transfer, work program and budget provisions of NRS 353.150 to 353.-245, inclusive; * * *.

Section 1 of chapter 440 authorized the State Department of Agriculture to expend \$28,729 out of the agriculture registration and enforcement fund for the fiscal year 1967-1968.

Mr. Robert E. Bruce
January 28, 1970
Page 3

Subsection 1 of NRS 353.255 provides:

1. The sums appropriated for the various branches of expenditure in the public service of the state shall be applied solely to the objects for which they are respectively made, and for no others.

AGO 137 (6-2-1934) is representative of a series of attorney general's opinions addressed to authorized expenditures of public moneys. In the opinion we find this significant language:

* * * State officials, boards, and commissions are absolutely prohibited by law from paying out funds unless expressly appropriated by the Legislature for the purpose for which they are expended; * * *.

We conclude, in view of the foregoing, that the use of funds from the agriculture registration and enforcement fund in this instance was an application of sums appropriated which was contrary to law and was in violation of subsection 1 of NRS 353.255. It follows that question number 2 must be answered in the negative.

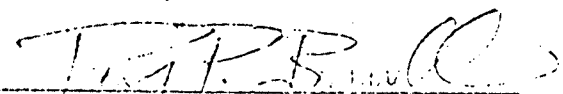
Section 19 of article 4 of the constitution of the State of Nevada, read in conjunction with the appropriate appropriations act or authorized expenditures act, delimit the withdrawal of moneys from funds in the treasury to such sums as are appropriated by law. Any deviation for such constitutionally and legislatively sanctioned conduct of state spending must, we believe, be considered violative of the spirit of proper state financial administration.

The function of the state budget, we would assume, must always be a legitimate object of legislative review. We believe that the particular problem raised, however, can be resolved under existing law.

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

By


Perry P. Burnett
Deputy Legislative Counsel

PPB:ab

PAUL LAXALT
GOVERNOR

STATE OF NEVADA
DEPARTMENT OF AGRICULTURE
350 CAPITOL HILL AVENUE - P.O. Box 1209
RENO, NEVADA 89504
TELEPHONE 784-6401

LEE M. BURGE
EXECUTIVE DIRECTOR

February 13, 1970

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

Dear Mr. Bruce:

Reference is made to your preliminary audit report for the fiscal year ended June 30, 1968.

We wish to make the following comments on your recommendations.

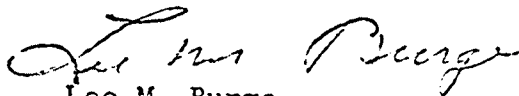
In regard to the Legislature reviewing the funds and programs administered by the Department with the objective of combining various funds, it appears that such a review is in order and that some of the income could be combined into one fund. We do not feel, however, that combining all of the fees and taxes into one fund would be workable, as discussed in our office on February 11.

With reference to your recommendation on recording and control of special taxes on livestock and bees, we feel legislation should be passed to require the county assessors to submit information on taxes receivable to this office so that this department can maintain the records you recommend.

Reference is made to the item on "Travel expenditure not contemplated in original budget." This refers to this department's payment of plane fare for the Governor's trip to California to appear on the television program, "Agriculture, U. S. A.", to discuss Nevada agriculture. This program is a good one, with wide distribution throughout the country. This department prepared the information the Governor used on the program. We feel the program did much good in making the general public aware of the importance of agriculture in the State of Nevada. As of this date, February 13, 1970, because of the indication in the preliminary audit report that this was an improper expenditure, the Agricultural Registration and Enforcement Fund has been reimbursed \$84.15, the amount of the claims one and two on list 10, dated November 7, 1967.

All of the other recommendations have already been complied with, or will be complied with in the future.

Very truly yours,



Lee M. Burge
Executive Director

LMB/AH

Appendix B - Page 1.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
SCHOOL LUNCH PROGRAM
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Scope of Examination and Denial of Opinion.....	7.3
<u>Comments on the Audit Report:</u>	
General.....	7.5
1969 Legislative Session.....	7.7
Abolishment of the School Lunch Revolving Fund.....	7.7
Operations.....	7.8
Legislative Review of School Lunch Program Budget.....	7.8
<u>Financial Statements:</u>	<u>Exhibit</u>
Statement of Financial Condition..... A	7.9
Statement of Revenue and Expenditures and Change in Revolving Fund Balance..... B	7.10
<u>Appendix A</u> - Agency Reply.....	7.11

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the records of the School Lunch Program of the Department of Education for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits:

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

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

Scope of Examination

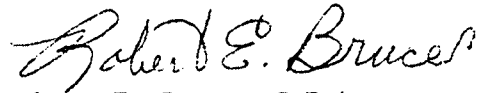
Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not audit the books and records of the recipient agencies to determine that their records and procedures were in conformity with applicable federal regulations.

Denial of Opinion

The accounting records of the School Lunch Program are maintained on a cash basis, which is not in accordance with generally accepted accounting principles. General and special revenue funds require the use of the modified accrual basis of accounting. Accordingly, it was necessary for us to combine data from the Controller's fund status reports for the School Lunch Program with data in the records maintained by the agency in order to develop the accompanying financial statements. Therefore, we are not in a position to

express an independent opinion as to the fairness of the accompanying financial statements of the School Lunch Program 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

January 30, 1970
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF EDUCATION
SCHOOL LUNCH PROGRAM
COMMENTS ON THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

The National School Lunch Program's primary purpose is to provide school children with nutritionally adequate low-cost lunches. Administration, operation, and supervision of the program are the responsibility of the State Department of Education. Within each school district, the responsibility is vested in the district educational authorities. Any public grade or high school is eligible to participate in the program and must abide by the terms of a written agreement with the State agency.

The National School Lunch Act of 1946 authorized the apportionment of funds for food assistance and donations of agricultural commodities to the states. The United States Department of Agriculture acquires supplies of food in the operations of its price support and surplus removal programs. These surplus foods are made available to the Department of Education for distribution to the eligible recipient agencies without cost, except for storage, handling, and transportation costs from the state central distribution center. Some of the eligible recipient agencies are schools, institutions, ~~summer~~ camps, and county welfare agencies.

The Special Milk Program is also a part of the National School Lunch Act. This program was authorized by Congress and inaugurated by the United States Department of Agriculture in 1954. The purpose is to reduce the cost of fresh milk to school children and encourage their milk-drinking habits. The responsibility for administration, operation, and supervision of the program is the same as for the School Lunch Program.

The Non-Food Assistance Program was authorized by Section 5 of the Child Nutrition Act of 1966. The funds made available are to be used to reimburse schools for the cost of equipment to establish, maintain, and expand school food service programs. Federal reimbursements to the school districts are not to exceed 75% of the equipment costs. The school districts have provided the funds for that portion of the equipment costs not paid by the Federal Government.

1969 LEGISLATIVE SESSION

ABOLISHMENT OF THE SCHOOL LUNCH REVOLVING FUND

Chapter 39, Statutes of Nevada, 1951, appropriated \$3,500 for the purpose of establishing the School Lunch Revolving Fund for use by the Department of Education in the School Lunch Program. Chapter 432, Statutes of Nevada, 1969, abolished the School Lunch Revolving Fund and created the Donated Commodities Revolving Fund and also transferred the function from the Department of Education to the State Purchasing Division, effective July 1, 1969.

Chapter 432 also provided that the cash balance as of July 1, 1969 in the School Lunch Revolving Fund would be transferred to the Donated Commodities Revolving Fund, except for the original appropriation of \$3,500, which would be reverted to the General Fund. Our examination revealed that the original appropriation of \$3,500 was reverted to the General Fund twice. The amount of \$3,500 was reverted to the General Fund from the School Lunch Revolving Fund, and a like amount was reverted to the General Fund from the Donated Commodities Revolving Fund. We have notified the State Controller of the necessary adjustment.

OPERATIONS

LEGISLATIVE REVIEW OF SCHOOL LUNCH PROGRAM BUDGET

General Fund appropriations for administrative costs pertaining to the School Lunch Program are included in the Governor's Budget under the Department of Education's administration request. Federal reimbursement money processed for the School Lunch Program for school lunches, special milk, and non-food assistance is not included in the Governor's Budget. As shown in Exhibit B of the accompanying financial statements, federal reimbursement money for the fiscal year ended June 30, 1963 amounted to \$258,325.12.

RECOMMENDATION

We recommend that federal reimbursement money for the school lunch programs be included in the Governor's Budget.

Note: At a meeting held on March 3, 1970, between the Fiscal Analyst and the Superintendent of Public Instruction, the foregoing recommendations were discussed, and the Superintendent's comments and exceptions are attached to this report as Appendix A.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
SCHOOL LUNCH PROGRAM
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

CASH:

Accountable by State Treasurer	\$30,369.08
--------------------------------	-------------

ACCOUNTS RECEIVABLE:

Federal Government	\$36,632.60	
County Welfare Agencies	\$1,672.00	
Institutions	857.50	
Summer Camps	<u>487.50</u>	<u>3,017.00</u>
Total Accounts Receivable		<u>39,649.60</u>
Total Assets		<u>\$70,018.68</u>

LIABILITIES AND FUND BALANCE

ACCOUNTS PAYABLE:

School Districts	\$36,632.60	
Operating	<u>2,436.15</u>	
Total Accounts Payable		\$39,068.75

SCHOOL LUNCH REVOLVING FUND:

Accumulated Surplus	\$27,449.93	
Working Capital Advance	<u>3,500.00</u>	
Fund Balance, June 30, 1968 - Exhibit B		<u>30,949.93</u>
Total Liabilities and Fund Balance		<u>\$70,018.68</u>

STATE OF NEVADA
DEPARTMENT OF EDUCATION
SCHOOL LUNCH PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGE IN REVOLVING FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

	<u>Total</u>	<u>School Lunch Program</u>	<u>Revolving Fund</u>
REVENUES:			
Federal Government	\$258,825.12	\$258,825.12	\$ ---
Freight and Storage Charges	<u>63,829.77</u>	<u>---</u>	<u>63,829.77</u>
Total Revenues	<u>\$322,654.89</u>	<u>\$258,825.12</u>	<u>\$63,829.77</u>
EXPENDITURES:			
Reimbursements to School Districts:			
Lunch Program	\$125,204.00	\$125,204.00	\$ ---
Milk Program	129,150.16	129,150.16	---
Non-Food Assistance - Equipment	<u>1,257.96</u>	<u>1,257.96</u>	<u>---</u>
Total Reimbursements to School Districts	\$255,612.12	\$255,612.12	\$ ---
Special Assistance to Needy Schools	3,213.00	3,213.00	---
Freight and Handling	45,500.92	---	45,500.92
Storage	12,119.39	---	12,119.39
Insurance	<u>916.33</u>	<u>---</u>	<u>916.33</u>
Total Expenditures	<u>\$317,361.76</u>	<u>\$258,825.12</u>	<u>\$58,536.64</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 5,293.13</u>	<u>\$ ---</u>	\$ 5,293.13
REVOLVING FUND BALANCE, JULY 1, 1967			<u>25,656.80</u>
REVOLVING FUND BALANCE, JUNE 30, 1968			<u>\$30,949.93</u>



STATE OF NEVADA

Department of Education

BURNELL LARSON
SUPERINTENDENT OF PUBLIC INSTRUCTION

CARSON CITY, NEVADA 89701

JOHN R. GAMBLE
FIRST ASSISTANT SUPERINTENDENT

March 11, 1970

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

Dear Mr. Bruce:

RE: Audit Report, Fiscal 1968
Department of Education School Lunch Program

This is to acknowledge receipt of the reference audit report and to make written response to your findings or recommendation.

Opinions expressed about the department's accounting system and the basis on which its accounts are maintained will be responded to in regards to your report on the department as a whole.

Recommendation: "...that federal reimbursement money for the school lunch programs be included in the Governor's Budget."

Response: Positive reaction to the recommendation would depend upon authoritative response by the governor and legislature.

A local agency, if it operates a non-profit feeding program in accordance with regulations, can be reimbursed for a limited amount of its expenditures. The amount of reimbursement is earned before paid.

Federal appropriations to pay earned reimbursements are available through letter of credit procedures. The federal funds are drawn in exact amounts only after earned reimbursements are known.

The amounts of money involved are determined entirely by other than the state agency. The local agency decides to participate or not, and when it does, budgets for its programs. The federal agency decides how much it will allot for reimbursement payments. The lunch fund, then, is a kind of escrow fund to serve as a vehicle to transfer earned federal appropriations.

Mr. Robert E. Bruce, C.P.A.
March 11, 1970

2.

A current statute, NRS 387.075, has authorized these transactions since it was enacted in 1956.

It does not seem important to me that each session of the legislature consider the continuation of federal food programs.

When I say this, I do not mean to oppose the recommendation. Insofar as the department of education is concerned, there is no difference whether the authorization is established in 1956, or every odd-numbered year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnell Larson".

Burnell Larson
Superintendent of Public Instruction

BL:mp

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL EDUCATION GIFT FUND
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Scope of Examination and Opinion.....	9.3
<u>Comments on the Audit Report:</u>	
General.....	9.4
Operations.....	9.5
Vocational Education Gift Fund Disbursements.....	9.5
<u>Financial Statements:</u>	<u>Exhibit</u>
Statement of Financial Condition.....	A 9.6
Statement of Grants and Expenditures, Max C. Fleischmann Foundation.....	B 9.7
<u>Appendix A</u> - Agency Reply.....	9.8

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the Vocational Education Gift Fund of the Department of Education for the fiscal year ended June 30, 1968, and have prepared therefrom the following exhibits:

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

Statement of Grants and Expenditures,
Max C. Fleischmann Foundation, for
the Fiscal Year Ended June 30, 1968..... Exhibit B

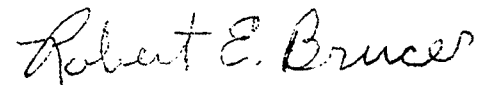
Scope of Examination

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.

Opinion

In our opinion, the accompanying financial statements present fairly the financial condition of the Vocational Education Gift Fund of the Department of Education at June 30, 1968 and the grants received and expenditures made by this fund arising from cash transactions during the year then ended.

Respectfully submitted,


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

February 6, 1970
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL EDUCATION GIFT FUND
COMMENTS ON THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

During the fiscal year ended June 30, 1968, funds were received from the Max C. Fleischmann Foundation and deposited into the Vocational Education Gift Fund. The Max C. Fleischmann Foundation was established on July 23, 1952 by a decree from the First Judicial District Court of the State of Nevada in Douglas County, pursuant to the will of the late Major Max C. Fleischmann.

The Foundation provides scholarships for outstanding graduates of Nevada high schools, including Indian students. The scholarships are formulated and financed entirely by the Foundation and administered by the Nevada State Department of Education. There are five scholarship programs in operation: General, Medical, Indian, Fish and Game Work Study, and Forestry Work Study. Medical scholarship awards are given on a four-year basis. Other scholarships are awarded for a one-year period only.

OPERATIONS

VOCATIONAL EDUCATION GIFT FUND DISBURSEMENTS

The Department of Education accepted a gift of \$250,000 during the fiscal year 1967-68. The money was deposited into the Vocational Education Gift Fund (NRS 388.365).

During the fiscal year 1968-69, \$226,373.74 was disbursed by the Department of Education. Pursuant to a legal opinion prepared by our legal counsel, there is no express or implied provision in NRS 388.365 for the Department of Education to authorize disbursements of money from the Vocational Education Gift Fund without legislative approval.

RECOMMENDATION

We recommend that the Legislature review the subject of the acceptance and disposition of gifts received by the State of Nevada.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL EDUCATION GIFT FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

	<u>Total</u>	<u>Scholarships</u> <u>Fleischmann</u>	<u>Other</u>	<u>Vocational Education Gifts</u>
<u>ASSETS</u>				
CASH				
Accountable by State Treasurer	\$413,508.03	\$162,658.03	\$850.00	\$250,000.00
FURNITURE AND EQUIPMENT	<u>1.00</u>	<u>1.00</u>	<u>---</u>	<u>---</u>
Total Assets	<u>\$413,509.03</u>	<u>\$162,659.03</u>	<u>\$850.00</u>	<u>\$250,000.00</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$ 288.36	\$ 288.36	\$ ---	\$ ---
DEFERRED GRANTS (Note 1)	388,350.00	137,500.00	850.00	250,000.00
RESERVE FOR INVESTMENT IN FIXED ASSETS	<u>1.00</u>	<u>1.00</u>	<u>---</u>	<u>---</u>
BALANCE AVAILABLE, PER EXHIBIT B	<u>24,869.67</u>	<u>24,869.67</u>	<u>---</u>	<u>---</u>
Total Liabilities	<u>\$413,509.03</u>	<u>\$162,659.03</u>	<u>\$850.00</u>	<u>\$250,000.00</u>

Note:

1. The deferred grants of \$388,350 represent grants received during the fiscal year 1967-68, but designated by the grantors for use during the fiscal year 1968-69.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL EDUCATION GIFT FUND
STATEMENT OF GRANTS AND EXPENDITURES
MAX C. FLEISCHMANN FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

GRANTS

Balance Available, July 1, 1967	\$208,641.70
Fiscal Year 1967-68 Indian Scholarship Grant	<u>13,000.00</u>
Total Amount Available	\$221,641.70

EXPENDITURES

PAYROLL COSTS

Salaries	\$6,136.00	
Employee Benefits	<u>553.31</u>	
Total Payroll Costs		\$ 6,689.31

IN-STATE TRAVEL	181.50
-----------------	--------

OPERATING

Office Supplies	\$ 299.36	
Postage and Freight	234.42	
Telephone and Telegraph	230.49	
Contract Services	175.00	
Office Equipment Repair	54.40	
Building Space Rental	414.00	
Accounting and Duplicating (Department of Education's Administrative Office)	323.08	
Miscellaneous	<u>68.22</u>	
Total Operating		1,798.97

SCHOLARSHIP GRANTS	<u>188,102.25</u>
--------------------	-------------------

Total Expenditures	<u>196,772.03</u>
--------------------	-------------------

<u>BALANCE AVAILABLE, JUNE 30, 1968</u>	<u>\$ 24,869.67</u>
---	---------------------



BURNELL LARSON
SUPERINTENDENT OF
PUBLIC INSTRUCTION

STATE OF NEVADA

Department of Education

CARSON CITY, NEVADA 89701

April 9, 1970

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

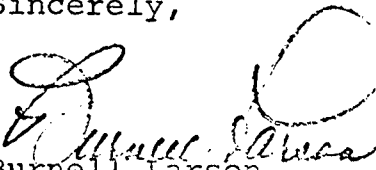
Dear Mr. Bruce:

Reference is made to your audit report submitted to me on March 31, 1970, and relating to the Vocational Education Gift Fund.

It would appear that recommendations made in the audit are directed more specifically to the Legislature than to this agency.

Insofar, however, as the general comments might imply that disbursements were made illegally, I suggest that NRS 388.365 clearly authorizes disbursement of gift moneys accepted by the State Board, because it provides that . . . "If all . . . funds accepted by the board . . . are not expended prior to the end of the fiscal year in which . . . accepted, . . . they shall remain . . ." etc. The statute could not have anticipated such a situation without authorizing disbursement of at least some of the gift in the same fiscal year in which it was accepted.

Sincerely,


Burnell Larson,
Superintendent of
Public Instruction

BL:ms

cc: Lincoln W. Liston

APPENDIX A

STATE OF NEVADA
DEPARTMENT OF EDUCATION
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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

TABLE OF CONTENTS

	<u>Page</u>
Summary of Recommendations.....	9.4
Scope of Examination and Denial of Opinion.....	9.5
<u>Comments on the Audit Report:</u>	
General.....	9.7
Public School Teachers' Retirement.....	9.8
Improper Expenditures.....	9.8
Costs in Excess of Appropriation.....	9.8
Civil Defense Adult Education Program.....	9.9
Improper Expenditure of \$35,339.....	9.9
Operations.....	9.13
Accounting Records and Controls.....	9.13
Non-Reverting Appropriation.....	9.14
Audits Performed by the Department of Education.....	9.14
Nevada Administrative Procedures Act.....	9.16
Work Program Revisions.....	9.17
Fixed Assets Inventory Records.....	9.17
Internal Control.....	9.18
Teachers' Certification Fee Receipts.....	9.18
Disposition of Recommendations Presented in Previous Audit Report.....	9.19
<u>Financial Statements:</u>	
	<u>Exhibit</u>
Statement of Financial Condition..... A	9.21
Statement of Authorization Compared with Actual Funds Received and Expended for Combined Programs..... B	9.22

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
<u>Financial Statements (Continued):</u>	
<u>Exhibit</u>	
Statement of Expenditures for Combined Programs..... C	9.23
Statement of Revenue and Expenditures for Federal Grants for Combined Programs..... D	9.24
Statement of General Fund Revenue Collected..... E	9.25
Notes to Financial Statements.....	9.26
<u>Appendix A</u> - Individual Program Financial Statements, Schedules 1 - 13.....	9.27
<u>Appendix B</u> - Legal Opinions Prepared by the Legislative Counsel...	9.37
<u>Appendix C</u> - Agency Reply.....	9.45

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Inform the State Controller of monies owed to the State.....	9.11
Amend Chapter 353 of NRS to require certain distribution of all audit reports for any State agency.....	9.12
Establish and maintain an accounting system as required by Chapter 293, Statutes of Nevada, 1969.....	9.13
Employ qualified persons to maintain the accounting system.....	9.13
All appropriations contain a provision for reversion on a specified date.....	9.14
Correct deficiencies in audit procedures.....	9.15
Amend NRS 387.126 to require annual verification of daily attendance reports.....	9.15
Amend NRS 354.624 to require independent auditors to review daily attendance records and to report their findings.....	9.16
Legislature review NRS 233B for clarification of intent.....	9.16
Discontinue requesting improper work program revisions.....	9.17
Establish inventory records for fixed assets.....	9.17
Deposit receipts daily with State Treasurer.....	9.18
Deposit receipts collected by the Las Vegas office with the State Treasurer.....	9.18

Nevada Legislative Commission
Capitol Building
Carson City, Nevada

Gentlemen:

We have examined the books and records of the State Department of Education for the fiscal year ended June 30, 1968, and have prepared the following exhibits and schedules:

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

Statement of Authorization Compared with Actual
Funds Received and Expended for Combined Programs
for the Fiscal Year Ended June 30, 1968..... Exhibit B

Statement of Expenditures for Combined Programs for
the Fiscal Years Ended June 30, 1967 and 1968..... Exhibit C

Statement of Revenue and Expenditures for Federal
Grants for Combined Programs for the Fiscal
Year Ended June 30, 1968..... Exhibit D

Statement of General Fund Revenue Collected for
the Fiscal Year Ended June 30, 1968..... Exhibit E

Statement of Authorization Compared with Actual
Funds Received and Expended for the Fiscal
Year Ended June 30, 1968 (Schedules 1 - 18).....Appendix A

Other functions administered by the Department of Education for which we have issued separate reports are as follows:

<u>Title of Report</u>	<u>Issue Date</u>
Distributive School Fund	December 27, 1968
Manpower Development and Training Program	November 14, 1969
School Lunch Program	(To Be Issued)
Scholarship and Gift Funds	(To Be Issued)

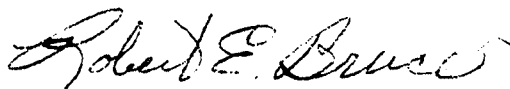
Scope of Examination

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 records of the local school districts regarding disbursements for Teachers' Retirement and Aid to School Programs.

Denial of Opinion

Because of the inadequacies of the accounting records supporting the accompanying financial statements, and because we did not examine the records of the school districts regarding Teachers' Retirement and Aid to School disbursements, we are unable to express an independent opinion that they present fairly the financial position of the Department of Education at June 30, 1968, or the results of its operations for the year then ended.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert E. Bruce".

Robert E. Bruce, C.P.A.

Fiscal Analyst

February 9, 1970
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF EDUCATION
COMMENTS ON THE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

GENERAL

The State Department of Education was created by Chapter 32, 1956 Special Session of the Legislature. The State Department of Education consists of the State Board of Education, State Board for Vocational Education, and State Text-book Commission.

The 1956 Special Session created new county school districts, the boundaries being the same as the boundaries for the seventeen counties of the State. Educational supervision districts were created by Chapter 32, Statutes of Nevada, 1956, as follows:

- District No. 1 - Elko County
- District No. 2 - White Pine, Nye, Esmeralda, and Eureka Counties
- District No. 3 - Humboldt, Pershing, and Lander Counties
- District No. 4 - Washoe and Churchill Counties
- District No. 5 - Lincoln and Clark Counties
- District No. 6 - Storey, Ormsby, Douglas, Lyon, and Mineral Counties

The State Board of Education and the State Board for Vocational Education consist of nine lay members - one elected from each of the educational supervision districts, one additional member from the district having the greatest population, and two members appointed by the elected members.

PUBLIC SCHOOL TEACHERS' RETIREMENT

IMPROPER EXPENDITURES

Fiscal Year Ended June 30, 1967

Funds in the amount of \$7,660.00 were used to prepay costs incurred during the next fiscal year. Costs in the amount of \$310.23 incurred during fiscal year 1967 were paid from funds appropriated for fiscal year 1968. The net amount of improper expenditures for fiscal year 1967 was \$7,349.77.

Fiscal Year Ended June 30, 1968

Funds in the amount of \$9,706.75 were used to prepay costs incurred during the next fiscal year.

Fiscal Year Ended June 30, 1969

Funds in the amount of \$136,817.39 which were appropriated for fiscal year 1969 were used for payment of costs incurred during the previous fiscal year. After deducting the amount of the prepayment of \$9,706.75 made in the previous fiscal year, the net amount of \$127,110.64 was paid for costs belonging to the previous fiscal year.

The appropriation acts for the three fiscal years listed above provide that after June 30 for each year of appropriation, unexpended balances of the appropriations shall not be encumbered or committed for expenditure and shall revert to the General Fund.

COSTS IN EXCESS OF APPROPRIATION

Fiscal Year Ended June 30, 1969

In December, 1969, the Department of Education informed the Interim Finance Committee that the Public School Teachers' Retirement costs for the fiscal year ended June 30, 1969 were \$132,814.60 in excess of the funds appropriated for payment.

CIVIL DEFENSE ADULT EDUCATION PROGRAM

IMPROPER EXPENDITURE OF \$35,339

The U.S. Department of Health, Education, and Welfare Audit Agency performed an audit of federal funds administered by the Department of Education for the period beginning April 1, 1965 and ending December 31, 1967 for the Civil Defense Adult Education Program. Their audit report disclosed that the Department of Education did not have sufficient controls over fund expenditures to administer this program in an effective and efficient manner. The audit revealed that funds amounting to \$35,339 were improperly expended and should be refunded to the Federal Government.

The expenditures were classified improper for the following reasons:

Payments to instructors not entitled to extra compensation	\$19,728
Excess reimbursement for courses taught	7,217
Salary payments for courses not taught by payee	6,552
Non-authorized payment for travel and subsistence	<u>1,842</u>
Total Improper Expenditures	<u>\$35,339</u>

These improper expenditures were made during the following periods of time:

During the year ended December 31, 1966	\$13,754
During the year ended December 31, 1967	<u>21,585</u>
Total	<u>\$35,339</u>

The improper expenditures were disbursed to 14 instructors, as described in the schedule on the following page.

Improper Disbursements to 14 Instructors

Instructor No. 1	\$ 120.00
Instructor No. 2	11,448.00
Instructor No. 3	9,504.00
Instructor No. 4	1,304.60
Instructor No. 5	6,192.00
Instructor No. 6	762.00
Instructor No. 7	54.00
Instructor No. 8	2,448.00
Instructor No. 9	1,080.00
Instructor No. 10	1,584.00
Instructor No. 11	144.00
Instructor No. 12	40.00
Instructor No. 13	298.40
Instructor No. 14	<u>360.00</u>
Total	<u>\$35,339.00</u>

The U.S. Commissioner of Education in Washington, D.C. informed the Department of Education that Instructor No. 2 and Instructor No. 3 listed above admitted that they did not teach any courses, and that they "kicked back" all but \$1,500 each to a former official of the State CDAE program.

The United States Attorney, District of Nevada, has informed us that the Justice Department has completed its review, and criminal proceedings are anticipated against some of the persons paid as instructors and at least one State official.

We asked the State Superintendent of Public Instruction if the State Department of Education had caused any legal action to be taken against any of the State, local, and federal employees for dollar exceptions reported in the federal audit. His reply was, "No, since it was felt that the Department of Education had no authority to cause any legal action in the matter."

It would appear that the responsible State officials do not intend to pursue recovery of the improper expenditures in the amount of \$35,339 from those individuals who received the money.

The Office of Civil Defense, Region Seven, Santa Rosa, California, stated in its telegram addressed to the Director, State Civil Defense, Nevada, dated September, 1968:

"....As an alternative, we urge the Office of Education to make the necessary arrangements with Nevada for a vigorous and diligent pursuit of its legal remedies, including specifically restitution of funds erroneously obtained, against the individuals involved. Consideration of a determination that no further repayment is required by the State of Nevada, should, in our judgment, depend in large degree upon the State's efforts in this regard."

The State Department of Education entered into a contract with the Federal Government in December, 1968, Article 14 of which reads as follows:

"It is mutually agreed between the State of Nevada and the U.S. Office of Education, Department of Health, Education and Welfare that completion for the work called for under this contract shall constitute repayment to the Federal Government for overpayment of federal funds in the amount of \$35,339.00, which were made available to the state under contracts OE-6-18-038 and OEC-4-7-001686-1686, provided not less than 2,356 class hours have been taught. If a lesser number of class hours have been taught, each class hour taught shall be valued at \$15.00 towards repayment."

Under this contract, the State of Nevada and the local governments (school districts) will provide \$35,339 worth of "in-kind" costs (salary, travel, and operating costs), and the Federal Government will provide funds in the amount of \$12,390.

The Legislative Counsel has prepared a legal opinion regarding possible legal actions available to the State to effect recovery of the erroneous payments in the amount of \$35,339. A copy of this legal opinion is included in Appendix B.

RECOMMENDATIONS

We recommend that:

1. The Department of Education, without further delay, inform the State Controller of these monies owing. The State Controller will then be able to commence action to recover the \$35,339, as provided for by NRS 227.240.

2. Chapter 353 of NRS be amended to provide that all State agencies shall submit one copy of all audit reports pertaining to such agencies within ten days after the receipt by the agencies of the audit reports to:
 - a. The Fiscal Analyst
 - b. The State Budget Director
 - c. The State Controller

OPERATIONS

ACCOUNTING RECORDS AND CONTROLS

The accounting records of the Department of Education are maintained on a cash basis. Accounting information in usable form, which is needed to determine the costs of the many projects and programs, is almost non-existent.

The lack of certain accounting records made it extremely difficult and in some cases impossible for us to determine:

1. Whether all revenues or accounts due have been collected or properly accounted for.
2. Whether expenditures have been made in conformance with law and good business practice.

The accounting controls are inadequate. The handling of public money is not protected by the existing system of control.

The accounting reports and statements issued by the Department have not provided an accurate reflection of the operations and financial condition.

RECOMMENDATIONS

We recommend that:

1. The Department cause to be established and maintained, on a current basis, a complete accounting system as required by Chapter 293, Statutes of Nevada, 1969.
2. The Department obtain proper authority to employ that number of employees required to maintain the accounting system currently and properly. Such employees should be fully qualified to perform the accounting duties in accordance with generally accepted accounting principles and fiscal procedures.

NON-REVERTING APPROPRIATION

Chapter 432, Statutes of Nevada, 1967, appropriated \$250,000 to the Department of Education for Area Vocational Technical School Programs. This act did not specify a reversion date. We believe that all appropriation acts should contain a provision for the reversion of unspent and unencumbered funds on a specific date. If the purpose of the appropriation has not been completed, the agency would be required to request an extension of the reversion from the Legislature.

RECOMMENDATION

We recommend that all appropriation acts should contain a provision that unexpended and unencumbered balances revert to the proper fund on a specified date.

AUDITS PERFORMED BY THE DEPARTMENT OF EDUCATION

The Associate Superintendent of Public Instruction is required by NRS 385.315 to:

1. Inspect the record books and accounts of boards of trustees, and he shall authorize and enforce an efficient method of keeping the financial records and accounts of the school districts.
2. Inspect the school fund accounts of the county auditors of the several counties, and he shall report the condition of the funds of any school district to the board of trustees thereof.

NRS 387.126 provides that the Superintendent of Public Instruction may in his discretion and shall when so directed by the State Board of Education verify by independent audit or other suitable examination:

1. The reports of daily attendance submitted by any school district for the purpose of computing its average daily attendance, and
2. The number of pupils attending each class in any school district.

Several school districts were audited by the Department's audit staff during the fiscal year ended June 30, 1963. Our review of the workpapers prepared for these audits disclosed the following deficiencies:

1. The workpapers did not contain sufficient information and evidential matter required to properly indicate the amount and type of audit work performed and the results and recommendations resulting therefrom.
2. The average daily attendance calculations as submitted by the school districts were not verified by the audit staff.
3. The audit staff was unable to reconcile the differences in the total amount of funds remitted by the State to the school districts as reported in the records of the:
 - a. School District
 - b. County Auditor
 - c. Department of Education

RECOMMENDATIONS

We recommend that:

1. The deficiencies in the audit procedures be corrected.
2. NRS 337.126 be amended to provide that the Superintendent of Public Instruction shall verify annually the reports of daily attendance and the number of pupils attending each class in every school district.

3. NRS 354.624 be amended to provide that:

- a. The annual audit reports of school districts performed by independent auditors shall require a statement by the auditors that they have reviewed the records pertaining to those reports of average daily attendance and the number of pupils in each class submitted by the school district to the State Department of Education.
- b. The independent auditor shall include a statement in his report regarding the validity of such reports.

NEVADA ADMINISTRATIVE PROCEDURES ACT

The Department of Education does not follow the minimum requirements for regulation-making and adjudication procedure for executive agencies, as established under NRS Chapter 233B.

The Department was advised by the Attorney General, A.G.O. No. 252 dated August 10, 1965, that it is an educational institution and thus exempt from NRS Chapter 233B.

We have been advised by the Legislative Counsel that the ordinary and accepted meaning of "educational institution" excludes the Department of Education. In addition, the Department is a State agency authorized by law to make regulations or to determine contested cases, and thus is subject to the provisions of the Nevada Administrative Procedures Act. A copy of the Legislative Counsel's opinion is included in Appendix B.

RECOMMENDATION

We recommend that the Legislature review NRS 233B to consider the need for clarifying its intent.

WORK PROGRAM REVISIONS

The Department submitted and received approval on several work program revisions during the fiscal year 1967-68 which were not in accordance with NRS 353.220.

RECOMMENDATION

We recommend that the Department of Education discontinue the practice of requesting work program revisions other than as provided by NRS 353.220, as amended by Chapter 594, Statutes of Nevada, 1969.

FIXED ASSETS INVENTORY RECORDS

The Department of Education is now required to maintain current inventory records on all fixed assets. An annual physical inventory and reconciliation to the permanent records is also required in accordance with Chapter 178, Statutes of Nevada, 1969.

The only record of fixed assets for the Department of Education is the I.B.M. print-out issued by the Purchasing Division of the Department of Administration.

RECOMMENDATION

We recommend that inventory records be prepared for all fixed assets presently charged to the Department of Education and for all future purchases. The inventory records should contain the following information:

- 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. Disposal of property
- h. Source from which borrowed assets were obtained

INTERNAL CONTROL

TEACHERS' CERTIFICATION FEE RECEIPTS

Receipts for teachers' certification fees are deposited no less than weekly in the State Treasury. Prior to being deposited, these receipts are kept in an employee's desk instead of locked up in the safe. Receipts collected in the Las Vegas office are sent to the Department of Education office in Carson City for deposit with the State Treasurer.

RECOMMENDATIONS

We recommend that:

1. All receipts be deposited daily with the State Treasurer.
2. Receipts collected by the Las Vegas office be deposited directly into the State Treasurer's bank account in Las Vegas. The State Treasurer provides special deposit forms for this procedure.

DEPARTMENT OF EDUCATION
DISPOSITION OF RECOMMENDATIONS
PRESENTED IN PREVIOUS AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1964

Audit Item No.	Administrative Recommendations	No Action	Implemented	
			Partially	Fully
1.	Improve accounting and budgeting for costs attributable to publishing the department's educational bulletin.	(Note 1)		
2.	Reinstatement of a card file inventory control, taking annual physical inventories, and reconciliation of the two records.	X (Note 2)		
6.(a)	Prenumbered receipts be used for all transactions and accountability be established for all receipts.			X
(b)	Tests should be filed by fiscal year so that tests administered can be reconciled to revenues for a given fiscal year.		X	
(c)	One person should be designated as cashier and all receipts should be turned in to the cashier daily. Cash should not be accumulated in desk drawers.		X	
(d)	Daily deposit of receipts with State Treasurer.	X (Note 2)		
(e)	Test papers should indicate whether or not persons tested were veterans. Receipt numbers should be entered on test papers to establish a cross-reference.			X
(f)	Incoming mail receipts should be listed by one person before being distributed to various departments and later checked against receipts turned over to cashier.			X
(g)	Deposit slips should indicate receipt numbers covered.		X	
7.	Preparation and use of an accounting and procedures manual.		X	

DEPARTMENT OF EDUCATION
DISPOSITION OF RECOMMENDATIONS
PRESENTED IN PREVIOUS AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1964

Audit Item No.	Administrative Recommendations	No Action	Implemented	
			Partially	Fully
10.	Where possible, all purchases be made through the Purchasing Division of the Department of Administration.			X
16.	Improvement in reporting of cash and invested funds of the various school districts in the biennial report.		X	
	TOTALS	<u>2</u>	<u>5</u>	<u>4</u>

Notes:

1. The department's educational bulletin has not been published since 1965.
2. We still recommend implementation of this recommendation.

Note: At a meeting held on March 3, 1970 between the Fiscal Analyst and the Superintendent of Public Instruction, agreement was reached on implementation of most of the foregoing recommendations. The Superintendent's comments and exceptions are attached to this report as Appendix C.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1968

EXHIBIT A

ASSETS

<u>CASH - ACCOUNTABLE BY STATE TREASURER</u>		\$1,259,789.24
<u>ACCOUNTS RECEIVABLE</u>		
Federal Government	\$ 3,595.65	
Funds to Be Recovered - Improper Expenditures (Note 1)	35,339.00	
Board of Examiners - Salary Increase	6,611.00	
Miscellaneous	<u>10.25</u>	
Total Accounts Receivable		45,555.90
<u>PREPAID TEACHERS' RETIREMENT</u>		9,706.75
<u>FURNITURE AND FIXTURES</u>		<u>1.00</u>
Total Assets		<u>\$1,315,052.89</u>

LIABILITIES AND RESERVES

<u>ACCOUNTS PAYABLE</u>		
For Operating Costs	\$ 54,051.67	
Aid to Schools	602,170.06	
Public Employees' Retirement System	432,025.45	
Federal Government (Note 1)	35,339.00	
State of Idaho (Note 2)	<u>11,235.00</u>	
Total Accounts Payable		\$1,134,821.18
<u>RESERVE FOR INVESTMENT IN FURNITURE AND FIXTURES</u>		1.00
<u>BALANCE OF APPROPRIATIONS AND AUTHORIZATIONS</u>		
Restricted:		
Unexpended Federal Grants - Exhibit D	\$154,480.87	
Unexpended Ford Foundation Grant - Schedule 9	8,526.61	
Non-Reverting Appropriation - Schedule 18	<u>141,492.29</u>	
Balance - Restricted Appropriations and Authorizations		304,499.77
Unrestricted:		
General Fund Appropriations - To Be Reverted	\$ 14,076.58	
Less Improper Expenditures and Encumbrances:		
Teachers' Retirement Program (Note 3)	(127,110.64)	
Care of Deaf and Blind Program (Note 2)	<u>(11,235.00)</u>	
Balance - Unrestricted Appropriations (Deficit)		<u>(124,269.06)</u>
Total Liabilities and Reserves		<u>\$1,315,052.89</u>

(See Accompanying Notes to Financial Statements)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED FOR COMBINED PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT B

	<u>Authorization</u>	<u>Actual</u>	Over or (Under) <u>Authorization</u>
<u>SOURCE OF FUNDS</u>			
Available from Prior Year	\$ ---	\$ 155,914.05	\$ 155,914.05
Appropriations	3,835,722.00	3,835,722.00	---
Federal Subventions	2,862,812.00	2,405,349.90	(457,462.10)
Salary Adjustments - Appropriated	33,207.00	29,886.00	(3,321.00)
Travel Adjustment - Appropriated	900.00	900.00	---
Ford Foundation Grant	44,679.00	---	(44,679.00)
Reimbursement	18,458.00	3,879.04	(14,578.96)
Total Source of Funds	<u>\$6,795,778.00</u>	<u>\$6,431,650.99</u>	<u>\$(364,127.01)</u>
<u>FUNDS EXPENDED - EXHIBIT C</u>			
Payroll Costs	\$ 857,006.00	\$ 727,991.12	\$(129,014.88)
Out-of-State Travel	29,449.00	20,783.78	(8,665.22)
In-State Travel	90,038.00	68,538.32	(21,499.18)
Operating	370,669.00	215,662.34	(155,006.66)
Equipment	5,129.00	3,293.22	(1,835.78)
Teachers' Retirement - Cash Basis (Note 3)	2,573,707.00	2,566,904.76	(6,802.24)
Aid to Schools	2,869,780.00	2,505,555.11	(364,224.89)
Total Funds Expended	<u>\$6,795,778.00</u>	<u>\$6,108,729.15</u>	<u>\$(687,048.85)</u>
<u>FEDERAL FUNDS REVERTED TO GENERAL FUND</u>			
	\$ ---	\$ 4,345.49	\$ 4,345.49
Total Funds Expended and Federal Funds Reverted	<u>\$ ---</u>	<u>\$6,113,074.64</u>	<u>\$(682,703.36)</u>
<u>BALANCE, JUNE 30, 1968</u>	<u>\$ ---</u>	<u>\$ 318,576.35</u>	<u>\$(318,576.35)</u>

(See Accompanying Notes to Financial Statements)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
STATEMENT OF EXPENDITURES FOR COMBINED PROGRAMS
FOR THE FISCAL YEARS ENDED JUNE 30, 1967 AND 1968

EXHIBIT C

	<u>Fiscal Years Ended June 30,</u>		<u>Increase</u>
	<u>1967</u>	<u>1968</u>	<u>(Decrease)</u>
<u>PAYROLL COSTS</u>			
Salaries	\$ 634,343.44	\$ 672,709.38	\$ 38,365.94
Employee Benefits	46,622.48	55,281.74	8,659.26
Total Payroll Costs	<u>\$ 680,965.92</u>	<u>\$ 727,991.12</u>	<u>\$ 47,025.20</u>
<u>TRAVEL</u>			
Out-of-State	\$ 17,286.51	\$ 20,783.78	\$ 3,497.27
In-State	67,135.81	68,538.82	1,403.01
Total Travel	<u>\$ 84,422.32</u>	<u>\$ 89,322.60</u>	<u>\$ 4,900.28</u>
<u>OPERATING</u>			
Office Supplies	\$ 27,725.35	\$ 21,386.10	\$ (6,339.25)
Postage and Freight	7,583.38	8,278.84	695.46
Telephone and Telegraph	21,851.03	20,376.89	(1,474.14)
Printing	9,916.82	7,627.66	(2,289.16)
Subscriptions and Reference Manuals	3,450.70	736.23	(2,714.47)
Dues and Registrations	2,150.75	1,621.50	(529.25)
Bonds and Insurance Premiums	462.90	823.99	361.09
Contract Services	86,950.98	68,483.49	(18,467.49)
Equipment Repairs	4,001.17	4,377.32	876.15
Equipment Rental	10,143.75	17,243.12	7,099.37
Building Space Rental	562.93	37,415.49	36,852.56
Instructional Supplies	5,236.24	2,093.91	(3,142.33)
Improvements and Betterments	270.40	1,101.00	830.60
Prisoner Stipends and Food	745.95	1,680.10	934.15
Scholarships	15,299.79	20,699.70	5,399.91
Other Costs	1,334.79	1,217.00	(117.79)
Total Operating	<u>\$ 197,686.93</u>	<u>\$ 215,662.34</u>	<u>\$ 17,975.41</u>
<u>EQUIPMENT</u>			
Office Furniture	\$ 1,345.47	\$ 316.96	\$ (1,028.51)
Office Equipment	13,672.29	2,776.26	(10,896.03)
Other Furniture and Equipment	88.99	200.00	111.01
Total Equipment	<u>\$ 15,106.75</u>	<u>\$ 3,293.22</u>	<u>\$ (11,813.53)</u>
<u>TEACHERS' RETIREMENT</u>	<u>\$2,376,637.50</u>	<u>\$2,566,904.76</u>	<u>\$190,267.26</u>
<u>AID TO SCHOOLS</u>	<u>\$2,314,927.86</u>	<u>\$2,505,555.11</u>	<u>\$190,627.25</u>
Total Expenditures	<u>\$5,669,747.28</u>	<u>\$6,108,729.15</u>	<u>\$438,981.87</u>

(See Accompanying Notes to Financial Statements)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
STATEMENT OF REVENUE AND EXPENDITURES
FOR FEDERAL GRANTS FOR COMBINED PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 1963

EXHIBIT D

REVENUE

Federal Grants

\$2,405,349.90

EXPENDITURES

	<u>Administration</u>	<u>Program Costs</u>	<u>Total</u>
Education Administration	\$ 17,500.00	\$ ---	\$ 17,500.00
Teacher Training - Handi- capped Children	26,434.01	---	26,434.01
Indian Education	9,761.69	76,931.90	86,693.59
ESEA - Title I	62,648.03	913,282.91	975,930.94
ESEA - Title V	120,597.82	---	120,597.82
NDEA - Title III, V-A	---	153,234.92	153,234.92
ESEA - Title II	23,626.90	140,593.49	169,220.39
Eight-State Project	42,485.18	---	42,485.18
ESEA - Title VI	6,523.42	---	6,523.42
Vocational Education	291,992.02	311,322.98	603,315.00
Adult Basic Education	12,370.66	100,096.26	112,474.92
Civil Defense Adult Education	13,585.04	15,352.55	33,937.59
NDEA - Title X	4,409.96	---	4,409.96
Reversion to General Fund	---	4,345.49	4,345.49

Total Expenditures	<u>\$641,942.73</u>	<u>\$1,720,160.50</u>	<u>\$2,362,103.23</u>	<u>2,362,103.23</u>
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EXCESS REVENUE OVER EXPENDITURES

\$ 43,246.67

UNEXPENDED FEDERAL GRANTS, JUNE 30, 1967

111,234.20

UNEXPENDED FEDERAL GRANTS, JUNE 30, 1963

\$ 154,480.87

(See Accompanying Notes to Financial Statements)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
STATEMENT OF GENERAL FUND REVENUE COLLECTED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

EXHIBIT E

Teachers' Certification Fees	\$ 9,526.00
Private School License Fees	<u>595.00</u>
Total General Fund Revenue Collected	<u>\$10,121.00</u>

(See Accompanying Notes to Financial Statements)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1968

1. Funds in the amount of \$35,339 were improperly expended for the Civil Defense Adult Education Program. The State has not commenced the action necessary for collection. A reserve for uncollectible amounts has not been established at this time.

At June 30, 1968, the State owed the Federal Government for the amount of improperly expended funds, \$35,339. Additional reference to this item is included in the section of this audit report entitled "Comments on the Audit Report."

2. Costs of the Care of Deaf and Blind Program exceeded the funds appropriated by \$11,235. The 1969 Legislature subsequently appropriated funds to cover the deficit (Chapter 162, Statutes of Nevada, 1969).
3. Costs of the Public School Teachers' Retirement exceeded the funds available by \$127,110.64 as described below:

<u>Costs</u>	
Retirement - Fiscal Year 1967-68	\$2,701,209.83
Retirement - Fiscal Year 1966-67	310.23
Refunds	155.50
Total Costs	<u>\$2,701,675.56</u>
<u>Funds Available</u>	
Appropriation - Fiscal Year 1967-68	\$2,573,707.00
Prepayment - Fiscal Year 1966-67	7,660.16
Less Funds Reverted June 30, 1968	(6,802.24)
Total Funds Available	<u>\$2,574,564.92</u>
<u>Excess of Costs</u>	<u>\$ 127,110.64</u>

Additional reference to this item is included in the section of this audit report entitled "Comments on the Audit Report."

4. Financial statements for the individual programs are included in Appendix A.

STATE OF NEVADA
DEPARTMENT OF EDUCATION
 APPENDIX A
STATEMENTS OF AUTHORIZATION COMPARED WITH ACTUAL FUNDS
RECEIVED AND EXPENDED FOR THE FISCAL YEAR ENDED JUNE 30, 1968

	<u>Schedule</u>	<u>Page</u>
Administrative Division.....	1	9.28
Care of Deaf, Dumb and Blind.....	2	9.28
Public School Teachers' Retirement.....	3	9.29
Drivers Training.....	4	9.29
Teacher Training - Handicapped Children.....	5	9.30
Titles III and V - National Defense Education Act....	6	9.30
Title X - National Defense Education Act.....	7	9.31
Indian Education.....	8	9.31
Western States Small Schools Project.....	9	9.32
Title I - Elementary and Secondary Education Act of 1965.....	10	9.32
Title II - Elementary and Secondary Education Act of 1965.....	11	9.33
Title V - Elementary and Secondary Education Act of 1965.....	12	9.33
Title VI - Elementary and Secondary Education Act of 1965.....	13	9.34
Eight-State Rocky Mountain Project.....	14	9.34
Vocational Education.....	15	9.35
Adult Basic Education.....	16	9.35
Civil Defense Adult Education.....	17	9.36
Vocational Special State Aid.....	18	9.36

STATE OF NEVADA
DEPARTMENT OF EDUCATION
ADMINISTRATIVE DIVISION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 1

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Appropriation	\$388,385.00	\$388,385.00	\$ ---
Salary and Travel Adjustment	26,761.00	24,175.00	(2,586.00)
Federal Subvention	61,500.00	17,500.00	(44,000.00)
Accounting and Other Services	17,458.00	2,716.78	(14,741.22)
Total Source of Funds	<u>\$494,104.00</u>	<u>\$432,776.78</u>	<u>\$(61,327.22)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$381,763.00	\$348,558.88	\$(33,204.12)
Out-of-State Travel	2,500.00	2,447.51	(52.49)
In-State Travel -	31,137.00	31,136.98	(.02)
Operating	78,000.00	48,466.88	(29,533.12)
Equipment	704.00	749.01	45.01
Total Funds Expended	<u>\$494,104.00</u>	<u>\$431,359.26</u>	<u>\$(62,744.74)</u>
 <u>BALANCE, JUNE 30, 1968, REVERTED</u>			
<u>TO GENERAL FUND</u>		<u>\$ 1,417.52</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
CARE OF DEAF, DUMB AND BLIND
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 2

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Appropriation	<u>\$125,225.00</u>	<u>\$125,225.00</u>	\$ ---
 <u>FUNDS EXPENDED</u>			
Operating	\$ 225.00	\$ 132.64	\$ (92.36)
Aid to Schools	125,000.00	120,983.71	(4,016.29)
Total Funds Expended	<u>\$125,225.00</u>	<u>\$121,116.35</u>	<u>\$(4,108.65)</u>
 <u>BALANCE, JUNE 30, 1968, REVERTED</u>			
<u>TO GENERAL FUND</u>		<u>\$ 4,108.65</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL TEACHERS' RETIREMENT
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 3

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Appropriation	<u>\$2,573,707.00</u>	<u>\$2,573,707.00</u>	<u>\$ ---</u>
<u>FUNDS EXPENDED</u>			
Retirement Benefits	<u>\$2,573,707.00</u>	<u>\$2,566,904.76</u>	<u>\$(6,802.24)</u>
<u>BALANCE, JUNE 30, 1968, REVERTED TO GENERAL FUND</u>		<u>\$ 6,802.24</u>	

(Refer to Comments on the Audit Report)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
DRIVERS TRAINING
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 4

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Appropriation	<u>\$100,000.00</u>	<u>\$100,000.00</u>	<u>\$ ---</u>
<u>FUNDS EXPENDED</u>			
Aid to Schools	<u>\$100,000.00</u>	<u>\$100,000.00</u>	<u>\$ ---</u>
<u>BALANCE, JUNE 30, 1968</u>		<u>\$ ---</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TEACHER TRAINING - HANDICAPPED CHILDREN
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 5

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 4,665.51	\$ 4,665.51
Federal Subvention	54,446.00	45,999.49	(8,446.51)
Total Source of Funds	<u>\$54,446.00</u>	<u>\$50,665.00</u>	<u>\$ (3,781.00)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 5,035.00	\$ 4,413.31	\$ (621.69)
Operating	43,751.00	22,020.70	(26,730.30)
Equipment	660.00	---	(660.00)
Total Funds Expended	<u>\$54,446.00</u>	<u>\$26,434.01</u>	<u>\$ (28,011.99)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$24,230.99</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLES III AND V - NATIONAL DEFENSE EDUCATION ACT
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 6

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 3,534.69	\$3,534.69
Federal Subvention	158,235.00	160,583.50	2,348.50
Total Source of Funds	<u>\$158,235.00</u>	<u>\$164,118.19</u>	<u>\$5,883.19</u>
 <u>FUNDS EXPENDED</u>			
Aid to Schools	\$158,235.00	\$158,234.92	\$ (.08)
Reversion to General Fund	---	4,318.69	4,318.69
Total Funds Expended	<u>\$158,235.00</u>	<u>\$162,553.61</u>	<u>\$4,318.61</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 1,564.58</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLE X - NATIONAL DEFENSE EDUCATION ACT
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 7

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 4,409.96	\$ 4,409.96
Appropriation	9,000.00	9,000.00	---
Federal Subvention	26,000.00	---	(26,000.00)
Total Source of Funds	<u>\$35,000.00</u>	<u>\$13,409.96</u>	<u>\$(21,590.04)</u>
 <u>FUNDS EXPENDED</u>			
Operating	<u>\$35,000.00</u>	<u>\$11,830.02</u>	<u>\$(23,169.98)</u>
 <u>BALANCE, JUNE 30, 1968, REVERTED TO GENERAL FUND</u>		<u>\$ 1,579.94</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
INDIAN EDUCATION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 8

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 5,728.15	\$ 5,728.15
Federal Subvention	95,728.00	92,000.00	(3,728.00)
Total Source of Funds	<u>\$95,728.00</u>	<u>\$97,728.15</u>	<u>\$ 2,000.15</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 5,316.00	\$ 5,315.62	\$ (.38)
Out-of-State Travel	500.00	354.00	(146.00)
In-State Travel	2,000.00	1,292.64	(707.36)
Operating	2,989.00	2,799.43	(189.57)
Aid to Schools	84,923.00	76,931.90	(7,991.10)
Total Funds Expended	<u>\$95,728.00</u>	<u>\$86,693.59</u>	<u>\$(9,034.41)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$11,034.56</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
WESTERN STATES SMALL SCHOOLS PROJECT
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 9

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$44,679.35	\$ 44,679.85
Ford Foundation Grant	44,679.00	---	(44,679.00)
Total Source of Funds	<u>\$44,679.00</u>	<u>\$44,679.35</u>	<u>\$.85</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$22,422.00	\$20,648.62	\$ (1,773.38)
Out-of-State Travel	2,160.00	1,497.34	(662.66)
In-State Travel	2,400.00	1,461.92	(938.08)
Operating	17,697.00	2,121.26	(15,575.74)
Aid to Schools	---	10,424.10	10,424.10
Total Funds Expended	<u>\$44,679.00</u>	<u>\$36,153.24</u>	<u>\$ (8,525.76)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FORD FOUNDATION</u>		<u>\$ 8,526.61</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLE I - ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 10

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 3,571.14	\$ 3,571.14
Federal Subvention	1,075,000.00	1,034,500.69	(40,499.31)
Total Source of Funds	<u>\$1,075,000.00</u>	<u>\$1,038,071.83</u>	<u>\$ (36,928.17)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 37,513.00	\$ 36,338.70	\$ (1,174.30)
Out-of-State Travel	2,904.00	940.26	(1,963.74)
In-State Travel	10,000.00	1,681.08	(8,318.92)
Operating	23,983.00	23,687.99	(295.01)
Equipment	600.00	---	(600.00)
Aid to Schools	1,000,000.00	913,282.91	(86,717.09)
Total Funds Expended	<u>\$1,075,000.00</u>	<u>\$ 975,930.94</u>	<u>\$ (99,069.06)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 62,140.89</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLE II - ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 11

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 83,269.30	\$ 83,269.30
Federal Subvention	277,845.00	121,960.87	(155,884.13)
Total Source of Funds	<u>\$277,845.00</u>	<u>\$205,230.17</u>	<u>\$ (72,614.83)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 23,219.00	\$ 16,173.42	\$ (7,045.58)
Out-of-State Travel	1,752.00	1,037.15	(714.85)
In-State Travel	3,600.00	2,655.15	(944.85)
Operating	11,929.00	8,761.18	(3,167.82)
Aid to Schools	237,345.00	140,593.49	(96,751.51)
Total Funds Expended	<u>\$277,845.00</u>	<u>\$169,220.39</u>	<u>\$ (108,624.61)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 36,009.78</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLE V - ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 12

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 10.10	\$ 10.10
Federal Subvention	210,404.00	124,989.90	(85,414.10)
Total Source of Funds	<u>\$210,404.00</u>	<u>\$125,000.00</u>	<u>\$ (85,404.00)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$123,973.00	\$ 77,389.97	\$ (51,583.03)
Out-of-State Travel	10,451.00	7,707.03	(2,743.97)
In-State Travel	7,661.00	3,231.10	(4,429.90)
Operating	62,619.00	31,582.59	(31,036.41)
Equipment	700.00	687.13	(12.87)
Total Funds Expended	<u>\$210,404.00</u>	<u>\$120,597.82</u>	<u>\$ (89,806.18)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 4,402.18</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
TITLE VI - ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 13

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Federal Subvention	<u>\$20,000.00</u>	<u>\$10,000.00</u>	<u>\$(10,000.00)</u>
 <u>FUNDS EXPENDED</u>			
Out-of-State Travel	\$ 2,500.00	\$ 1,481.60	\$ (1,018.40)
In-State Travel	1,000.00	624.44	(375.56)
Operating	16,000.00	4,417.38	(11,582.62)
Equipment	500.00	---	(500.00)
Total Funds Expended	<u>\$20,000.00</u>	<u>\$ 6,523.42</u>	<u>\$(13,476.58)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		 <u>\$ 3,476.58</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
EIGHT-STATE ROCKY MOUNTAIN PROJECT
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 14

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 2,053.82	\$ 2,053.82
Federal Subvention	<u>46,806.00</u>	<u>44,753.49</u>	<u>(2,052.51)</u>
Total Source of Funds	<u>\$46,806.00</u>	<u>\$46,807.31</u>	<u>\$ 1.31</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$13,078.00	\$12,995.23	\$ (82.77)
Out-of-State Travel	2,682.00	2,482.51	(199.49)
In-State Travel	5,470.00	4,491.35	(978.65)
Operating	<u>25,576.00</u>	<u>22,516.09</u>	<u>(3,059.91)</u>
Total Funds Expended	<u>\$46,806.00</u>	<u>\$42,485.18</u>	<u>\$(4,320.82)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		 <u>\$ 4,322.13</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL EDUCATION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 15

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 1,310.80	\$ 1,310.80
Appropriation	384,405.00	384,405.00	---
Federal Subvention	615,735.00	601,531.00	(14,254.00)
Salary Adjustment	7,130.00	6,462.00	(713.00)
Reimbursements	1,000.00	1,162.26	162.26
Total Source of Funds	<u>\$1,008,370.00</u>	<u>\$995,371.06</u>	<u>\$(12,998.94)</u>
<u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 190,756.00	\$178,316.88	\$(11,939.12)
Out-of-State Travel	3,000.00	2,836.38	(163.62)
In-State Travel	20,000.00	18,394.35	(1,105.65)
Operating	31,962.00	31,377.39	(84.61)
Equipment	1,571.00	1,603.47	32.47
Aid to Schools	761,081.00	761,147.56	66.56
Reversion to General Fund	---	26.80	26.80
Total Funds Expended	<u>\$1,008,370.00</u>	<u>\$995,202.83</u>	<u>\$(13,167.17)</u>
<u>BALANCE, JUNE 30, 1968, REVERTED TO GENERAL FUND</u>		<u>\$ 168.23</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
ADULT BASIC EDUCATION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 16

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 843.04	\$ 843.04
Appropriation	5,000.00	5,000.00	---
Federal Subvention	117,374.00	116,530.96	(843.04)
Salary Adjustment	166.00	149.00	(17.00)
Total Source of Funds	<u>\$122,540.00</u>	<u>\$122,523.00</u>	<u>\$(17.00)</u>
<u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 12,456.00	\$ 12,455.57	\$ (.43)
In-State Travel	1,770.00	1,573.14	(196.86)
Operating	3,324.00	3,245.34	(78.66)
Equipment	254.00	253.61	(.39)
Aid to Schools	104,736.00	100,096.26	(4,639.74)
Total Funds Expended	<u>\$122,540.00</u>	<u>\$117,623.92</u>	<u>\$(4,916.08)</u>
<u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 4,899.08</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
CIVIL DEFENSE ADULT EDUCATION
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 17

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Available from Prior Year	\$ ---	\$ 1,337.69	\$ 1,337.69
Federal Subvention	103,689.00	35,000.00	(68,689.00)
Total Source of Funds	<u>\$103,689.00</u>	<u>\$36,337.69</u>	<u>\$(67,351.31)</u>
 <u>FUNDS EXPENDED</u>			
Payroll Costs	\$ 36,475.00	\$14,884.92	\$(21,590.08)
Out-of-State Travel	1,000.00	---	(1,000.00)
In-State Travel	5,000.00	1,496.67	(3,503.33)
Operating	12,614.00	2,203.45	(10,410.55)
Equipment	140.00	---	(140.00)
Aid to Schools	48,460.00	15,352.55	(33,107.45)
Total Funds Expended	<u>\$103,689.00</u>	<u>\$33,937.59</u>	<u>\$(69,751.41)</u>
 <u>BALANCE, JUNE 30, 1968, ACCOUNTABLE TO FEDERAL GOVERNMENT</u>		<u>\$ 2,400.10</u>	

(Refer to Comments on the Audit Report)

STATE OF NEVADA
DEPARTMENT OF EDUCATION
VOCATIONAL SPECIAL STATE AID
STATEMENT OF AUTHORIZATION COMPARED WITH
ACTUAL FUNDS RECEIVED AND EXPENDED
FOR THE FISCAL YEAR ENDED JUNE 30, 1968

SCHEDULE 18

<u>SOURCE OF FUNDS</u>	<u>Authorization</u>	<u>Actual</u>	<u>Over (Under) Authorization</u>
Appropriation	<u>\$250,000.00</u>	<u>\$250,000.00</u>	<u>\$ ---</u>
 <u>FUNDS EXPENDED</u>			
Aid to Schools	<u>\$250,000.00</u>	<u>\$108,507.71</u>	<u>\$(141,492.29)</u>
 <u>BALANCE, JUNE 30, 1968, NON-REVERTING</u>		<u>\$141,492.29</u>	

STATE OF NEVADA
DEPARTMENT OF EDUCATION
APPENDIX B
LEGAL OPINIONS PREPARED BY THE LEGISLATIVE COUNSEL

	<u>Page</u>
Adult Civil Defense Education Program.....	9.38
Administrative Procedures Act.....	9.43

RUSSELL W. McDONALD
Director

FRANK W. DAYKIN
Deputy Director

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Room 45, Capitol Building
CARSON CITY, NEVADA 89701

FISCAL AND AUDITING DIVISION
ROBERT E. BRUCE
Fiscal Analyst

LEGAL DIVISION
RUSSELL W. McDONALD
Legislative Counsel

RESEARCH DIVISION
ARTHUR J. PALMER, Jr.
Research Director

January 27, 1970

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

Dear Bob:

You have requested a legal opinion on several questions arising out of the discovery that certain federal funds expended by the state in the federal civil defense adult education program were apparently misused by certain state and other personnel. The State Department of Education approved payments of instructor salaries and advanced the money to county or private organizations who made the actual payment to the instructors. An audit of the program revealed that payments were being made in some instances where the persons paid were not entitled to the full amount received. As a result, the state was required to enter into an agreement with the Federal Government for the repayment of over \$35,000 for sums allegedly misused. This opinion is based on the file submitted and information orally supplied.

1. You first ask whether there is any reason for the state to collect the amount of the overpayments from the instructors in view of the fact that a contract was entered into whereby the state would repay the amount misused by giving classes under the program at no cost to the Federal Government. This contract was entered into as an alternative to making a cash repayment to the Federal Government. The State Department of Education apparently decided that it would more easily absorb the cost of giving the classes than come up with that amount of cash. Although the state thus took care of its liability to the Federal Government, it still had suffered a loss which would give it reason to seek recovery for that loss. The liability of the instructors is discussed in Item 5.

Mr. Robert E. Bruce
January 27, 1970
Page 2

2. Since the State Department of Education approved all of the instructors' claims, you then ask whether the counties and private organizations who actually paid the instructors were guilty of any wrong-doing. The files in this matter indicate that the Federal Government is contemplating prosecution against certain state employees and other persons involved in the misuse of the funds. From a criminal standpoint, it is probable that personnel of counties or private organizations who paid the instructors were not guilty of any wrongdoing. From the information in the files, it would appear that the fault on the part of such personnel would be in their failure to take adequate precautions to assure the proper management of funds passing through their control. Such failure may not have been unreasonable, however, and may not, of itself, give rise to civil liability except on the part of school boards, where members are made liable by NRS 387.315 for money paid out in violation of the law. (See Item 5.)
3. You then ask whether the state can bring criminal charges against persons involved in the improper expenditures even though only federal funds were involved. Neither the federal courts nor the state courts have jurisdiction over offenses exclusively against the other. Bush v. Kennedy, 107 U.S. 110 (1882); see also, 4 Wharton's Criminal Law and Procedure (ed. 1957) § 1483. However, the same act may constitute an offense against both the federal and state governments. If an act is punishable under both the federal and state governments, the courts of each have concurrent jurisdiction. Crossley v. California, 168 U.S. 640 (1898). 18 U.S.C. § 3231 expressly states that the federal criminal code is not intended "to take away or impair the jurisdiction of the courts of the several States under the laws thereof." We have found nothing to indicate that the Federal Government has exclusive jurisdiction in this area and it would seem that the state could institute any criminal proceeding which it deems to be warranted.
4. NRS 218.880 provides:
 1. If the fiscal analyst finds, in the course of his audit, evidence of improper practices of financial administration or

inadequacy of fiscal records, he shall report the same immediately to the governor, the legislative commission, and the department head or heads affected.

2. If the fiscal analyst shall find evidence of illegal transactions, he shall forthwith report such transactions to the governor, the legislative commission, and the attorney general.

You ask whether these provisions apply to a situation where only federal funds are involved. "Improper practices of financial administration" or "illegal transactions" are areas of state concern, regardless of the source of the funds involved. There is no indication that NRS 218.880 was intended by the legislature to be limited to improper practices of financial administration of state funds or illegal transactions involving state funds. The Fiscal Analyst is charged with the duty to examine the records of "all state departments that are charged with the collection, custody or expenditure of public funds." (NRS 218.-770.) No provision limits the definition of "public funds" to less than what the term implies. Therefore, any evidence of "improper practices" or "illegal transactions" should be reported as required by NRS 218.880.

5. Finally, you ask what legal action is available to recover the improperly disbursed funds from the counties, private organizations or individual instructors. It has long been held that where public officials fraudulently misapply public funds in their charge, they are personally liable for the loss thus caused. See for example Boston v. Simmons, 23 N.E. 210 (Mass. 1890). There seems to be general agreement among the state courts that public moneys illegally paid are recoverable also from the recipient. See State v. Axtell, 393 P.2d 451 (N.M. 1964), where the court states: "Public monies are trust funds belonging to the people, and must be reimbursed by the recipient if they are paid out illegally by a public official * * *." See also, Opinion of the Justices, 175 A.2d 396 (N.H. 1961); State v. Walker, 117 S.E.2d 509 (W. Va. 1960).

It apparently makes no difference that the public official charged with the misapplication of funds is exonerated of

Mr. Robert E. Bruce
January 27, 1970
Page 4

criminal charges by a verdict. The recipient is still liable to the public body for the amount of the funds received. Brown v. Walker, 123 S.E. 633 (N.C. 1924). Liability of the recipient is not based on tort where he takes the money in good faith. Recovery against him is allowed on the theory of restitution as a matter of public policy. See Kiel v. Frank Shoe Mfg. Co., 14 N.W.2d 164 (Wis. 1944).

The rule concerning public moneys does not apply, however, where the contract under which the payment is made is between two private parties. See Flammia v. Maller, 169 A.2d 488 (N.J. Super. 1961); In re Linton's Estate, 181 N.E.2d 48 (Ohio 1961); State v. Walker, *supra*; Newton v. Newton, 118 S.E.2d 656 (Va. 1961).

In addition to the cases cited, there appears to be a provision of the Nevada Revised Statutes which is applicable in this situation. Subsection 3 of NRS 387.315 provides:

3. If the clerk of any board of trustees shall draw any order for the payment of school moneys in violation of law, the members of the board of trustees shall be jointly and severally liable for the amount of the order.

From the cases cited, it would appear unquestionable that the state could bring an action for recovery of fraudulently misapplied funds against the state officials who were personally responsible for the expenditure of such funds. Any funds paid by the state directly to individual instructors could also be recovered, as could funds paid to the counties or other local governments. The county or other local government involved could then turn around and bring an action against the recipient of such funds from such local governments. The basis of these actions would be that all of such funds, either paid by the state or a local government, are still public moneys, thus trust funds, and are recoverable as a matter of public policy.

Mr. Robert E. Bruce
January 27, 1970
Page 5

Nevada Revised Statutes give an additional remedy to school districts which may have paid out money under an unlawful scheme. Such money can also be recovered from any or all of the members of the board of trustees of that school district.

The private organizations, however, probably could not recover from individual instructors, although it might be possible to do so on the theory that the moneys do not lose their public character in view of the fact that the state enters into an agreement with the private organization to have the classes taught as part of the public program. Our research did not turn up any cases to this effect, however. Therefore, recovery by private organizations against instructors employed by or paid by such organizations remains questionable. It is not a problem of the state, however.

Of course, the total amount recoverable by the state can be no more than the total amount misapplied. If the state can recover everything that was wrongfully paid either from the person responsible for making fraudulent payment or from the local government which first received it, the state has no further remedy.

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

By 

Dennis L. Wright
Deputy Legislative Counsel

DLW:ab

RUSSELL W. McDONALD
Director

FRANK W. DAYKIN
Deputy Director

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
Room 45, Capitol Building
CARSON CITY, NEVADA 89701

FISCAL AND AUDITING DIVISION
ROBERT E. BRUCE,
Fiscal Analyst

LEGAL DIVISION
RUSSELL W. McDONALD,
Legislative Counsel

RESEARCH DIVISION
J. E. SPRINGMEYER,
Research Director

July 8, 1963

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

Dear Bob:

You have inquired whether the State Department of Education is to be considered as an "educational institution" for the purposes of exemption from (1) the Nevada Administrative Procedure Act, pursuant to paragraph (b) of subsection 1 of NRS 233B.020, and (2) the state personnel system, pursuant to subsection 6 of NRS 284.140.

The question under the Administrative Procedure Act is certainly a debatable one. We have found no case which construes these words as used in this type of statute. The Attorney General, in AGO 252 (8-10-1965), rules it to be exempt, citing Board of Education v. Spurlin, 141 Colo. 508, 349 P.2d 357 (1960), which held that the Colorado department of education was an educational institution for the purpose of exclusion from the state civil service system. This holding was by a split court, 4-3, and appears to disregard the plain meaning of the words. In State ex rel. Keith v. Westerfield, 23 Nev. 468, 49 Pac. 119 (1897), the supreme court defined the educational system of the state as including the common schools, the state university and such intermediate schools as the legislature might establish. Significantly, it did not mention the Superintendent of Public Instruction or his staff, though that office was then as now a constitutional one. Specifically, it excluded the "educational department of the state orphans' home." With this as our guide to a strict construction, we prefer the definition given by the supreme court of New Jersey, which rejected the argument that an educational institution is any which performs an educational function, and said:

The ordinary meaning of "educational institution" is a place where classes are conducted, such as schools and colleges.

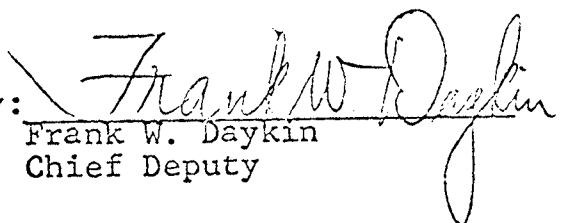
Mr. Robert E. Bruce, Fiscal Analyst
July 8, 1968
Page 2

Board of Nat. Missions v. Neeld, 9 N.J. 349, 88 A.2d 500 (1952).
We therefore respectfully disagree with the Attorney General and conclude that the State Department of Education is subject to the requirements of the Nevada Administrative Procedure Act.

We likewise conclude that employees of the State Department of Education are generally included in the classified service under the state personnel system. Although Board of Education v. Spurlin, supra, applies expressly to a state civil service system, the counter-vailing cases cited in the preceding paragraph also apply to this situation. In addition, subsection 6 of NRS 284.140 refers to "officers and members of the teaching staff * * * of the University of Nevada, or any other state institution of learning." (Emphasis added.) In this context, the rule of eiusdem generis applies and "institution of learning" means a school or college in the ordinary sense. State ex rel. Kaegle v. Holekamp, 151 S.W.2d 685 (Mo. Ct. App. 1941).

Very truly yours,

RUSSELL W. McDONALD
Legislative Counsel

By: 
Frank W. Daykin
Chief Deputy

FWD:tc



BURNELL LARSON
SUPERINTENDENT OF
PUBLIC INSTRUCTION

STATE OF NEVADA

Department of Education

CARSON CITY, NEVADA 89701

March 12, 1970

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

Dear Mr. Bruce:

Re: Audit Report, Fiscal 1968
Department of Education

This is to acknowledge receipt of the reference audit report and make written response to your findings and recommendations.

Improper Expenditures - Teacher's Retirement

Reference: Your report Page 8.8

Statutes required, during the period audited, that employer contributions, due because of earnings of teachers, be paid by the State of Nevada, through the department of education.

Contributions due could be determined only after receipt of earnings reports and employee contributions from employer school districts. The cash flow of fiscal year appropriations could be, and were, adversely affected by salary payment and reporting practices of local school districts.

All costs were determined by local school district salary and hiring practices, and became payable at times when reports were received. The state had a responsibility to respond to actions of local school districts. Meeting that responsibility seems to have conflicted with state fiscal policy. The state no longer has teacher retirement responsibility.

Improper Expenditures of \$35,339 - Civil Defense Adult Education

Reference: Your report pages 8.9 - 8.11

In regard to your report of the federal audit report, and your reference to various comments of federal and state officers, I enclose copies of pertinent documents that will give a complete history of the communications that transpired about the issue you raise.

1. A chronological review of events, as reported to me by Lincoln Liston, May 20, 1968

This information and documents related thereto were reviewed thoroughly by the state board of education and Peter Breen of the attorney general's office. Items 14 and 15 of this report were made after findings conference with the federal auditor. When he later isolated, and reconstructed his Nellis findings with Mr. Liston's findings, the total exceptions amounted to \$35,339.00.

2. Letter to Dr. Williams, dated October 10, 1967.
Note particularly findings reported at pages 3 to 5; that the state plan was virtually dictated by federal officials, had to be approved by the Office of Civil Defense, and contained provisions that tended to promote, more than prevent, the actions that transpired.
3. Letter to Dr. Williams, dated January 29, 1968.
Note particularly that the investigation and review of activities were made mostly by state department staff, not federal auditors. Also note that approved administrative procedures were followed. The only breakdown was delay in finding that attested-to documents contained false information. Actually, coordinators of the program were as much federal employees as state, because the state plan ordered that they respond directly to instructions of federal officials. The state plan made no provision in writing; by implication, except in contradiction to the statement that coordinators respond to federal supervision; nor with money, to establish pre-audit check of honesty nor accuracy.
4. Letters exchanged between Grant Venn, federal office associate commissioner, and Burnell Larson, state superintendent, in July, 1968 and October, 1968.
5. Minutes of state board of education meeting, May 23, 1968
6. Letter from Peter Breen, deputy attorney general, to Burnell Larson, dated November 21, 1969.
7. Memo from Lincoln Liston to Burnell Larson, dated February 17, 1970.
8. Memo from James Menath to John Gamble, dated February 24, 1970.

Recommendation - Report amounts owing to the state controller.

Such a report would need to show:

1. The name of the person owing.
2. The amount of monies owing and unpaid.
3. The reasons why the monies are owing.

I do not feel that I can file a report sufficiently factual to guide the controller. My legal counsel has so advised me.

Accounting Records and Controls and Recommendations Related Thereto
Reference: Your report page 8.13

The form for budget requests and work programs are prescribed under provisions of statutes and regulations of state authorities.

Accounts of transactions related thereto are maintained in accordance with policy and directions furnished by the state department of administration. We have followed all such policies and directions. Likewise, the initiation of all transactions have been in accordance with prescribed rules and regulations.

Because the accounting records resulting from the prescribed forms did not permit identity of expenditures with agency functions and cost control centers of the agency, in 1967 request was made and granted for our agency to develop and apply a special set of accounts and codes to be applied to a special suffix field in the controller's accounting records. Computer output of reports of these suffix accounts have been very helpful to our agency.

However, all these accounts are maintained on a cash basis, thus periodic reports never show unpaid encumbrances, so a balance sheet cannot be prepared from any accounting statement at any date to show the current status of assets and liabilities.

During the last several months our agency has been working with the consultants and other state officers charged with the responsibilities to develop an accounting system for the state and its agencies as directed by the 1969 legislature. We expect the results to be beneficial to all concerned.

It is our intent to await the results of this total state effort before taking any independent action toward establishing a different accounting system.

Recommendation - Clarification or amendments to statutes.

Reference: Your report pages 8.14 and 8.16

NRS 233

NRS 353

Chapter 432, Statutes of Nevada, 1967

If it is deemed important to revise statutes regarding administrative procedures of state agencies, regarding periods to be covered by legislative appropriations, or regarding audit distribution, I would be interested in discussing effects of the proposals on the department of education.

In the meantime, I have felt no adverse effects on agency operation under the statutes as they exist.

Recommendation - Audits

Reference: Your report pages 8.15, 8.16

Department of education auditors have the responsibility to make fiscal audits of projects carried on by local school districts with support of federal dollars that flow through our agency.

These auditors were never expected to conduct complete fiscal audits of local school districts, even though prior to 1963 considerable work was done at making extensive checks of sample segments of school district fiscal affairs.

After 1963, when statutes were passed to require fiscal audits of school districts by independent auditors, and because federal projects have become more and more extensive, major efforts of the state auditors were directed to federal projects and serving as consultants in establishing and maintaining accounting systems prescribed by our agency.

I would be in favor of arranging some instruction seminars for our auditors that might be suggested or conducted by legislative auditors, that would particularly aim at improving the effectiveness of their work.

In 1967 our agency initiated a new procedure for recording and reporting enrollments and attendance. Such records now originate at each school in the state and continue to be identified with the school of origination. All calculations of enrollments and attendance are made by the state computer.

We have initiated a procedure whereby auditors make occasional spot checks of enrollments in various schools. These counts will be compared to reports of corresponding schools as a means to test the reasonableness of attendance reports.

If a local school district calculates its average daily attendance, it does so through some activity of its own design and initiation. So there is no A.D.A. at the local district to audit.

Official calculations of A.D.A. are made by the computer from data reported from each and every school in the state. Before data is accepted for input it is checked for "balance" accuracy. That is, an attendance report is accepted only if it accounts for every potential pupil-day as determined from enrollment reported and number of days in the school month.

On-site tests of enrollment will give us the only valid measurement that I can see against which attendance reports can be checked, except that the state might place attendance takers in various schools at various times.

Audits of attendance reports cannot be made at local school district sites.

Recommendation - Assets Inventory

Reference: Your report page 8.17

Our agency has already commenced activities toward the accomplishment of developing an assets inventory as provided in statutes enacted in 1969.

Mr. Robert E. Bruce, Fiscal Analyst

Page 5.
March 12, 1970

Recommendation - Work Program Revisions.

Reference: Your report page 8.17

Work program revisions have been requested only as the need therefore seemed justified. We have limited program expenditures to those of original or properly authorized revised amounts.

We will make requests for revisions in accordance with statutes and in response to our judgment as to how our agency can best perform its responsibility whenever it becomes evident that a current work program would be a hindrance to such performance.

Of course, we will always limit program disbursement requests to amounts appropriate to the work program.

Recommendation - Deposit of Receipts.

Reference: Your report page 8.18

Our agency receives fees paid by teachers for issuance of certificates, fees paid by people who take G.E.D. tests, and payments for directories and various department publications not distributed gratis.

Arrangements have been made to deposit all such receipts to state treasurer funds daily, both in Carson City and Las Vegas.

Sincerely,



Burnell Larson,
Superintendent of
Public Instruction

BL:ms
Encs.

(Fiscal Analyst's Note: Page numbers were changed from series 8 to series 9 subsequent to receipt of the agency reply.)