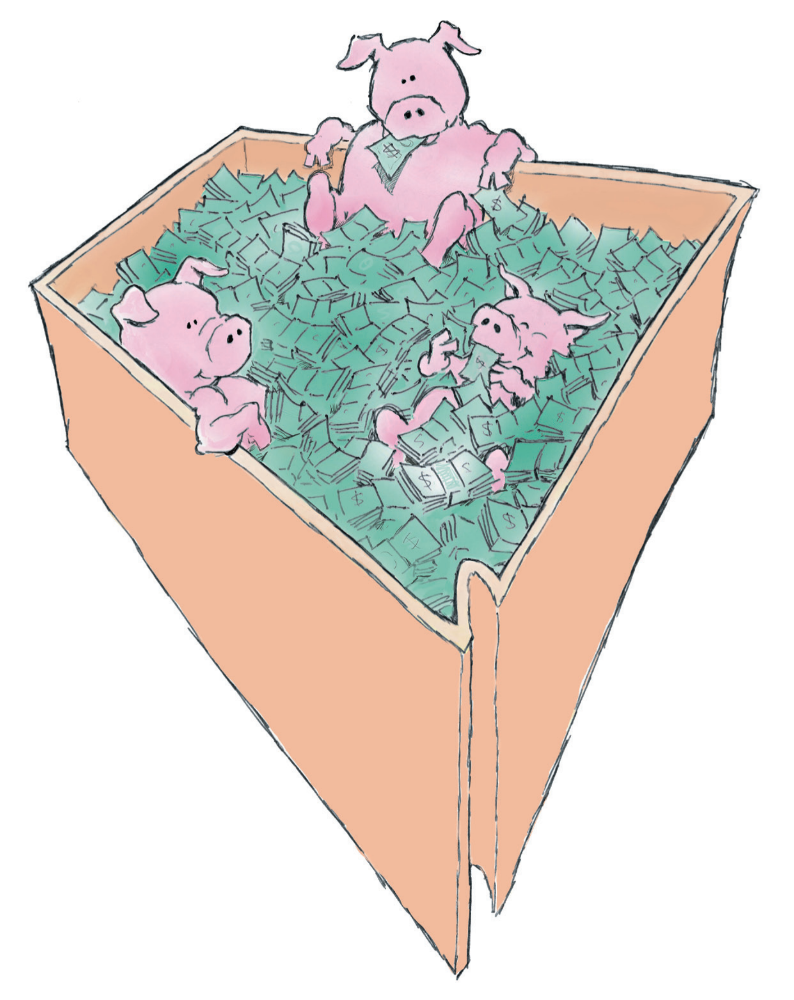
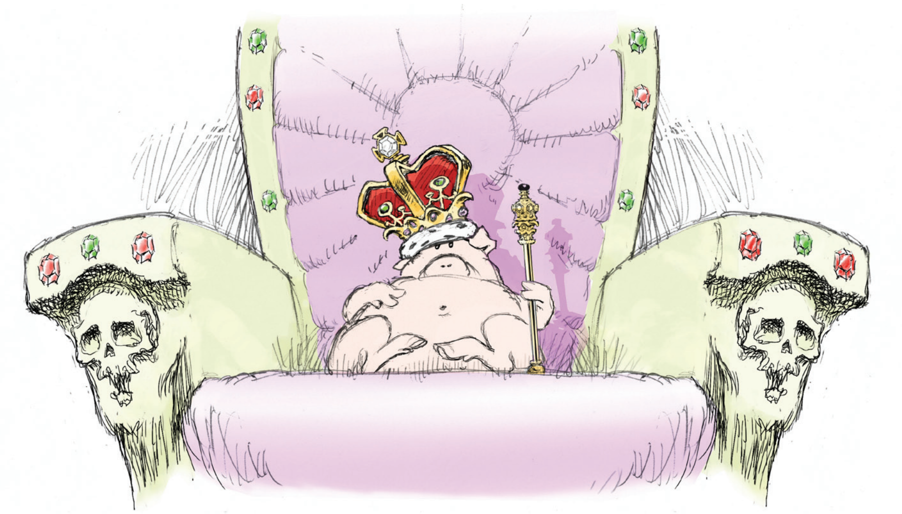
The Nevada Piglet Book®
2012



By Geoffrey Lawrence



Introduction

It's about *who* you know, not *what* you know.

That's the case in any society to the extent its resources are controlled by government. Necessarily, those resources are politicized and – rather than being allocated by individual choice in a free, competitive marketplace – they get doled out to those with political pull.

That's a central lesson of this biennium's *Piglet Book.*

Its stories were uncovered through hundreds of public-record requests and reviews of official documents by the Nevada Policy Research Institute.

Many of the stories reveal actions by government workers, politicians and others that are illegal. All are irresponsible or unethical. Most illustrate how politicians use public spending to build their own personal political machines, dispensing special advantages to those inside these machines.

While these stories are presented with a light touch, the reader should bear in mind that they detail substantial waste, fraud and abuse using tax dollars commandeered from every Nevada household.

The true expense here is not the money lost from government coffers. It's the money – and thus the possibilities – taken from private families.

It's in this light that the arrogance of government waste becomes most clear. Those who waste public resources or operate Nevada's political machinery to their own benefit do so at the direct expense of private families and individuals who labor hard to provide for their own needs.

Fresh-squeezed political juice

Nevada is not known for orange groves or vineyards, but the state *is* known for its ample amounts of juice. In the Silver State, "juice" most often refers not to the nectar of a fruit, but instead to extracting special advantage by using political influence.

Politicians depend as much on juice as do the cronies they benefit. It is the source of their power. The more public resources they control, the more fealty they can purchase by dispensing political patronage.

That's why many elected officials constantly fight for higher taxes – and then fight later to channel as much of the loot as possible to the fiefdoms they control.

Horsford's political machine . . . er, workforce development efforts

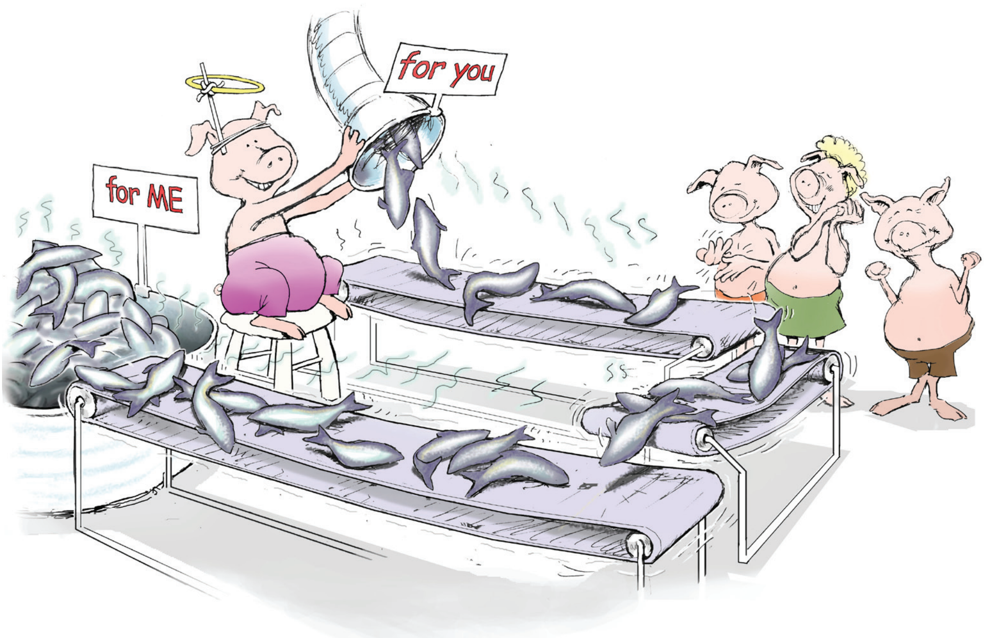
Consider the case of state Senate Majority Leader Steven Horsford. In his Senate post, Horsford directed federal dollars into the state's workforce development programs administered by the Department of Employment, Training and Rehabilitation (DETR). He also sponsored and secured passage of legislation requiring employers who receive certain public contracts to hire workers who've passed through the state's workforce development program.[1]

Once this money leaves the Legislature, much of it eventually finds its way back to Horsford. That's because DETR passes it on to two local boards – one in the North and one in the South –

that contract with providers of training programs. The Southern board, called "Workforce Connections," receives most of the funding, getting $47.9 million of the $70.8 million disbursed by DETR between 2009 and 2011. Horsford spent four years on the Workforce Connections board and until resigning last year had spent 10 years as president and executive director of the organization's largest recipient of funds, Nevada Partners,[2] where he remains a board member.[3]

In 2010, for example, 78 percent of Nevada Partners' revenue came from the $4.16 million in grant money that it received from Workforce Connections.[4] But the money doesn't stop there: Nevada Partners, in turn, pays much of it onward to what its website calls its "sister organization,"[5] the Culinary Training Academy – where Horsford draws a roughly $150,000 annual salary for a work week averaging 25 hours.

According to income tax filings of the Southern Nevada Joint Management Culinary & Bartenders Training Fund, in 2008, Horsford was paid $156,515 for 19 hours work a week. In 2009,



he was paid $148,325 for 26 hours work a week, and in 2010, he was paid $148,928 for 30.7 hours per week.[6]

State auditors recently revealed *more* fishiness: Of the money channeled through these Horsford-linked organizations, far too much is soaked up by "administrators." Nearly 40 percent of the federal grant money targeted for workforce training in Southern Nevada between 2009 and 2011 went toward administration, with only 61.8 percent remaining to actually train workers.[7]

As a percentage of revenue, Workforce Connections spent nearly twice as much on administration as its Northern counterpart, NevadaWorks. And once the local boards contract with private training providers, these providers – like Nevada Partners – take an additional cut for their own administrative costs. Again, the providers' administrative costs were higher in Southern Nevada than in Northern Nevada. Auditors estimated that if administrative costs in Southern Nevada had just been limited to levels seen in Northern Nevada, an additional $1.9 million would have been available for worker training in 2011 alone. Moreover, Workforce Connections' approved budget for 2012 calls for a 30 percent *increase* in administrative costs.[8]

While those involved in this political machine grew richer, unemployed Nevadans saw little benefit from the training programs offered by Workforce Connections and its private contractors.

For example, nearly half of those who completed a program created in 2009 by Horsford to train workers in home weatherization were unable to find weatherization work. The training program, at an average of $9,162 per enrollee, graduated 375 participants by September 2010. Yet only 191 were able to find work in the field – despite federal "stimulus" money subsidizing weatherization.[9]

Worse, investigating newspaper reporters found that many of those same 191 trainees had already been working in that field before enrolling in the training program. The only reason they'd enrolled was because Horsford's law required recipients of federal stimulus funds to hire the program's graduates.[10] So, rather than displace existing employees with new graduates from the program, weatherization contractors enrolled their existing employees.[11]

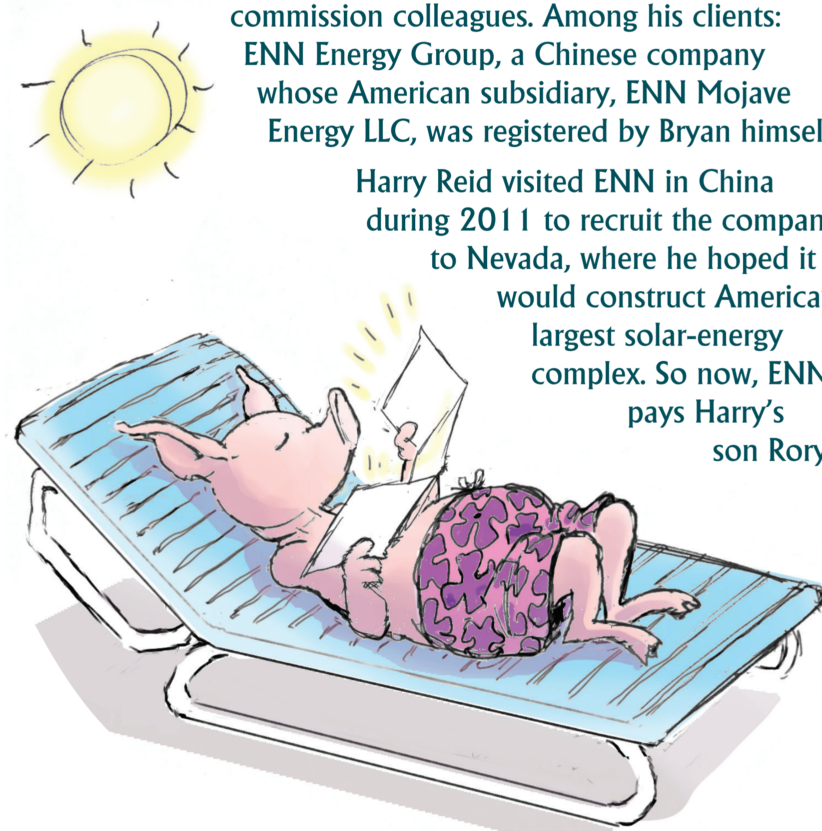
In the end, all the program did was create an additional hurdle for private contractors and their employees while those in Horsford's political machine were able to siphon off their administrative share of the program's $1.75 million price tag.

'Reid-ing' between the lines

Horsford isn't the only senate majority leader from Nevada with his own political machine. Harry Reid, in the U.S. Senate, gets national attention for his own machine's nepotism.

Take Reid's eldest son, Rory, a former Clark County commissioner who unsuccessfully campaigned for governor in 2010. Hired by former Nevada governor Richard Bryan's law firm after the failed campaign, Rory now lobbies his former commission colleagues. Among his clients: ENN Energy Group, a Chinese company whose American subsidiary, ENN Mojave Energy LLC, was registered by Bryan himself.

Harry Reid visited ENN in China during 2011 to recruit the company to Nevada, where he hoped it would construct America's largest solar-energy complex. So now, ENN pays Harry's son Rory



to lobby his former colleagues on the county commission to smooth paths for the solar facility planned by Harry and the firm's founder, Wang Yusuo. Harry also invited Wang to speak at his annual National Clean Energy Summit in Las Vegas in 2011.

There was a hiccup, however, when county staff recommended the commission *lease* the 9,000-acre plot of land sought by ENN, rather than sell it. But Rory Reid got his former colleagues not only to discard staff advice and sell the land to ENN, but to do so, as Reuters reported, "at pennies on the dollar."[12]

Although separate appraisals valued the land at $29.6 million and $38.6 million, commissioners agreed to sell the parcel for only $4.5 million – and thus short-change county taxpayers to benefit a politically connected firm within the Reid orbit.[13]

In exchange for the sweetheart land deal, county commissioners required ENN to find and sign a utility to buy the proposed solar plant's energy by June 2013.

But because solar-panel electricity is so expensive compared to electricity from other means, power companies prefer to purchase only the amounts that state mandates require.

Thus Nevada's regulated electric monopoly, NV Energy, declared it had no interest in signing a power-purchase contract with ENN – given that NV Energy already exceeds state solar mandates and was disenclined to unnecessarily force electricity rates even higher. Harry Reid then stepped back in, labeling NV Energy's concerns "weak excuses" and insisting the utility "go along with this" – blatantly seeking to intimidate a politically regulated public utility.[14]

NV Energy held its own, stating it will issue new requests for power in 2014 or 2015 – beyond the timeline sought by ENN – and that those requests will go through an open, competitive bidding process.[15] Still, Reid's efforts to make Nevada rate-payers subsidize his China chum's company, his son's lobbying efforts and the sweetheart land deal continue to grab national headlines.[16]

The Renewable Machine

The ENN project wasn't Harry Reid's first foray into Nevada's renewable-energy marketplace.

Just as Horsford's political base is government-funded workforce-development programs, Reid's machine uses government-subsidized renewable-energy contracts and other raids on taxpayers to grow his fiefdom.

While Reid regularly trumpets these deals as ways to "create jobs" in the state, these deals – it's clear upon review – are really about transferring wealth from taxpayers and electric ratepayers to campaign donors and allied politicians.

Since 2009, with Reid's backing, over $1.3 billion in federal taxpayer subsidies has gone into renewable-energy contracts in Nevada. Yet the projects those subsidies fund are projected to create only 288 permanent jobs in the state – a cost to taxpayers of $4.6 million per job.[17]

Another highly publicized green-energy company – now belly-up – was the startup solar-panel manufacturer Amonix. At the firm's official 2010 groundbreaking for a manufacturing plant in North Las Vegas, Harry Reid praised Amonix for taking "full advantage of a tax credit from the Recovery Act and ... helping Nevada lead the way in producing clean energy." He added: "I've pushed hard to establish a clean energy industry in Nevada that

will diversify our economy and protect us from future economic downturns."[18]

Reid certainly *had* pushed hard for Amonix to receive large amounts of taxpayer goodies. The firm got $6 million in federal tax credits for opening its North Las Vegas plant – on top of the $15.6 million grant it received from the U.S. Department of Energy in 2007.[19] The firm's main client is the Colorado project of a federally subsidized Goldman Sachs subsidiary supported by an $88.8 million federal loan guarantee.[20] The guarantee ensures the project's *private* investors get paid in the event of bankruptcy, while *taxpayers* assume the loss.

Because Amonix had no real track record, observers asked why it was awarded such high levels of taxpayer support. Politics appears the answer.

When the plant closed for good in 2012 – just 14 months after its opening – one of its managers told the *Las Vegas Review-Journal,* "I don't think they had a lot of training. There were a lot of quality issues. A lot of stuff was coming back because it had some functionality issues."[21]

Another Reid-backed renewable-energy venture, Nevada Geothermal Power, is also on the verge of failure, say the firm's external auditors. That's after the firm received $145 million in federal grants and loan guarantees. According to the *New York Times,* Reid leaned on other members of Congress to expand the tax incentives used by Nevada Geothermal and pressured the Department of Interior to expedite its grant applications.[22] As of October 2011, Nevada Geothermal, a Canadian company, employed 22 Nevadans.[23]

Clearly, Reid's injection of taxpayer money into the state's renewable-energy industry isn't really about creating jobs. It's really about using a politicized pot of public money under his control to build a political empire.

Spare a few million for some old chums?

Horsford and Reid are both prominent Democrats, but Ds aren't alone at the public trough.

Take, for example, former Las Vegas city councilman and current chair of the Nevada Republican Party Michael McDonald. McDonald's particular expertise appears to be wooing the City of Las Vegas to deliver land assets to him at well below market value.

While still on the city council in 2000, McDonald was convicted of violating city ethics laws when he pushed fellow council members to buy a parcel of land from his private-sector employer. Even afterward, however, McDonald in 2009 got council members to sell him a 3.9-acre parcel for $1.3 million – though they knew he planned to immediately flip the parcel to a supermarket chain for a $1.8 million profit.[24]

In 2012, McDonald partnered with fellow ex-council member Frank Hawkins and asked the city for millions in subsidies for a downtown housing project. In April, McDonald and Hawkins were approved to receive, for one dollar, a 75-year land lease valued at $1.4 million. They also were approved for $3.5 million in redevelopment funds, plus $1.1 million in federal grant funding controlled by the city, to construct a housing development that would include some "affordable" units for seniors.[25]

Council members approved the deal despite staff testimony showing the per-unit subsidy was greater than the median value of the area's homes. In short, the city could have purchased homes outright for affordable housing at a lower cost. Staff also cited McDonald's record of nonperformance on prior contracts with the city and his complete lack of experience developing affordable housing.[26] Nevertheless, McDonald and Hawkins received their former colleagues' approval.[27]

The duo also sought additional *state* subsidies to fund the project – a request that ultimately was denied. Fortunately for city taxpayers in Las Vegas – and despite their city council – this effectively terminated the project.[28]

How about some Apple juice?

During the 2011 legislative session, Gov. Brian Sandoval and lawmakers crafted a new economic development framework that would rely on giving targeted tax breaks to individual companies and, in some cases, actual cash grants from a $10 million pot set aside for the purpose.

At the time, the Nevada Policy Research Institute warned that cash awards conflict with Nevada's constitution and that targeted tax breaks are a flawed road to economic development. Too often, such awards devolve into outright cronyism, with politically connected firms harvesting the benefits – over firms that might excel in the competitive marketplace but lack political juice.[29]

It wasn't long before events validated NPRI's concerns.

In August 2012, state economic development leaders announced that they had lured computer giant Apple to Northern Nevada with an aggressive array of targeted tax incentives. In exchange for constructing a 350-acre data center in rural Washoe County and a business center in downtown Reno, Apple will receive $89 million in property tax breaks over the next 10 years and exemption from most sales taxes.

As economic-development officers celebrated – with some local residents wondering whether the 35 full-time jobs promised by Apple were worth the large tax breaks – what had really transpired began emerging.

To help it win the tax breaks it sought, Apple hired lobbyist and Sandoval advisor Greg Ferraro to represent the company before the Governor's Office of Economic Development – where insider Ferraro was already under contract to perform public-relations work for $200 per hour.[30]

Working both sides of the negotiations, Ferraro then got GOED czar Steve Hill to approve the largest tax abatements in Nevada history. Under terms of the 2011 economic development bill, Hill has sole discretion to approve any tax abatement package from the state – with no oversight from any elected officials.[31]

It's certainly exciting that a company of Apple's stature would consider locating to Nevada. Nevertheless, company executives were able to pay a GOED advisor and then receive the agency's approval for millions of dollars in tax abatements from its unelected director – the very definition of crony capitalism.

Good gig if you can get it

It's not just politicians and their appointees who use public money to enrich themselves or build up political fiefdoms. Government workers – usually politically allies of the same officials – carve out their own treasure hoards as well.

While many government employees are honest, upstanding citizens who genuinely believe in public service, others actively work to rig contracts with government entities for their own benefit and to disadvantage taxpayers.

Raiding the North town

These schemes have been on full display the past few years in North Las Vegas. In 2010, a nine-member steering committee advised the city council that for North Las Vegas city employees to average over $100,000 annually was "out of whack with the private sector ... you can't run a city on those numbers."[32] As the specter of city bankruptcy loomed, the committee advised that if city employees were paid only 10 percent less, the city's budget problems would go away.[33]

Said the steering committee, it would be "very unfair to saddle the public, struggling right now with fee or tax increases, to sustain salaries that are double, triple what their household incomes are."[34]

Reports by the North Las Vegas city auditor showed why the city's employee costs were so high. At the city's parks department, its per-hour labor costs were between $80 and $100 – "significantly higher than the $25 to $35 hour rates typically charged by grounds-maintenance contractors."[35] The auditor noted that parks-department workers routinely took too much time for lunch and spent an *average* of 2.5 hours per day just driving around – lost time auditors considered excessive. "Some employees frequently drove back from their parks to the maintenance office during the day for lunch, breaks, or other activities,"[36] noted the audit.

Although the city could save over $1 million annually by outsourcing parks maintenance – given that parks employees are overpaid and underproductive – current union contracts prohibit any outsourcing until at least the end of fiscal year 2014. "Due to competition among service providers," said auditors, "contractors tend to offer quality service at competitive prices. They strive to reduce costs through high worker productivity

and equipment utilization, low overhead, and economy of scale . . . In comparison, government employees are inherently more expensive due to relatively high costs for wages, benefits, equipment, tools, and overhead."[37]

An audit of the city fire department revealed even more waste. It noted that firefighters are eligible for 288 hours of sick leave per year – substantially over the 120 hours for police staff and 108 hours for clerical staff. Indeed, they *could* take enough sick leave to miss 10 percent of their scheduled shifts.[38]

Firefighters can sell back half of this sick time to the city at year's end, if unused, and can sell back the other half in a lump sum at retirement. Thus, unlike most private-sector workers, firefighters can receive pay for every possible hour of sick leave. In fact, noted auditors, for just 55 firefighters' accrued retirement sick-time sellback, the city is currently on the hook for $3.5 million.[39]

During 2010, the North Las Vegas fire department exceeded its $1.36 million overtime budget by $1.65 million.[40] It did so by – in complicity with the firefighter's union – not scheduling roving firefighters to replace those on annual leave, but requiring others to work overtime. Out of their

122 regularly scheduled work days, firefighters missed an average of 21 days – 11 for annual leave, five days for sick leave, three days for holiday leave and two days for miscellaneous leaves.

Given the high pay and expensive benefits of firefighters and police, city leaders asked for salary concessions to help balance the city budget – whereupon fire and police union officials launched demagoguery campaigns against council members and a scare-tactics campaign against city residents. "We can no longer guarantee your safety,"[41] said signs erected by the police union, while during city-council elections, firefighter and police unions were the largest campaign donors, funding those who embraced the unions' positions.[42]

. . . city records show only 7 percent of city firefighters were city residents . . . Both unions were demanding higher taxes on residents of a city in which their members didn't even reside.

The unions demanded the city council attempt to meet the budget shortfall by raising city residents' property taxes.

Ironically, city records show only 7 percent of city firefighters were city residents. Most resided in Las Vegas or Henderson, but others lived as far away as Carson City or Cedar City, Utah. Similarly, only 25 percent of city police lived within city limits.[43] Both unions were demanding higher taxes on residents of a city in which their members didn't even reside.

'The only prescription for my fever? More cash now!'

If union actions in North Las Vegas were disreputable, members of the Clark County firefighter union were downright crooked.

In January 2011, an arbitrator assigned to settle contract disputes between the county and its firefighter union confirmed what many had long suspected – that firefighters were systematically coordinating sick days with each other to create spurious overtime opportunities paying time-and-a-half. [44]

The arbitrator highlighted one case where a firefighter took 48 days paid sick leave in 2009, "without ever taking 4 days in a row," blocking any request from the Chief for a certificate of illness. "He worked 63 of his 121 scheduled shifts, took 11 days of vacation, and worked 92 shifts of overtime/callback . . . He earned $232,187 for the year."[45]

At least two firefighters were terminated after a county investigation uncovered emails showing that firefighters had indeed conspired to misuse sick leave. Those firefighters still received a total of $120,000 in severance pay and qualified for generous monthly pension benefits until their deaths – the same benefits they would have received if they had left on good terms.[46] (Arbitrators later ordered the county to rehire both of the fired employees, with hundreds of thousands of dollars in back pay and legal fees.[47, 48])

The scandal prompted new county policies designed to discourage sick-leave abuse. As a result, sick-leave requests within the fire department between 2009 and 2011 fell by 57,000 hours, according to county staff. Regular firefighters used 40 percent less sick leave in 2011, while sick leave for battalion chiefs fell a whopping 90 percent![49]

Of the decline in sick leave, said Clark County Commissioner Steve Sisolak:

> I think it verifies what I said at the time, that there was a large amount of abuse regarding sick leave. While it was unfortunate that not enough people, in my opinion, were prosecuted, the reduction in sick leave is obviously representative of the fact that there was an enormous amount of abuse.[50]

'I didn't want to call in sick, so I called in disabled!'

The sick-leave-overtime game wasn't the only one Clark County firefighters played to boost their paychecks. Many took advantage of an obscure perk that let them collect two full years worth of additional pay upon retirement.

An "Article 31" benefit, named after a unique provision in the union contract, is a disability claim that doesn't require a worker's compensation finding from a physician and includes conditions beyond those covered by worker's compensation.

This means firefighters could file for an Article 31 benefit for off-the-job, recreational or even completely fabricated injuries. And, although personal medical records are confidential, at least one knowledgeable source regarding the handling of Article 31 claims says that benefits were often paid under such circumstances.[51]

Telling statistics indicate that, while some claims may have been legitimate, a startling proportion were not.

Given the risks that firefighters face, legitimate disabling injuries should be evenly distributed among young and old employees, with a slightly lower likelihood of injury for older employees who have moved on to management. However, of the 72 Article 31 awards the department issued since 1994, 59 of them went to employees with over 20 years experience. Over half went to employees with over 25 years experience.[52] In other words, the benefit has mostly been claimed by those already on the verge of retirement and apparently looking for a big payout.

Those 72 payouts cost Clark County a combined $17.4

million – an average of $242,000 per claim. Since 2008, due to rising firefighter incomes, the average has been $320,000. Notably, Article 31 benefits are *in addition to* regular retirement and worker's compensation benefits that pay for recovery time.[53]

When an arbitrator examined Article 31 benefits in January 2011, he stated:

> The evidence shows Article 31 disproportionately benefits employees at the end of their careers, without necessarily providing adequate disability benefits to employees in the first half of their career. Thus the benefit . . . advantages those least in need of disability benefits to replace salary: retirees.[54]

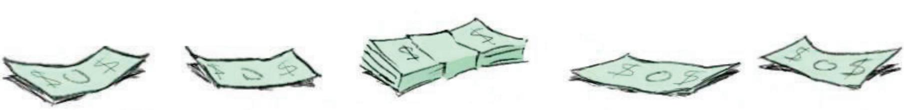
The arbitrator's decision amended Article 31 to more resemble disability benefits found in other locations and industries. Since then, no firefighter has filed an Article 31 claim.[55]

Financing the opposition

Union bargaining agreements approved by Clark County politicians make county taxpayers pay the salary and benefits of union bosses – even while union bosses lobby for those same taxpayers to be hit with higher rates.

A 2012 review of government-union contracts across the county, including cities and other public employers, revealed that those contracts explicitly award union officials nearly 70,000 hours of paid leave each year in order to work on the unions' behalf. That's an on-the-record cost to county taxpayers of at least $4.6 million annually.[56]

Unions are actually private organizations and, as such, should fund their operations through member dues. Through the years, however, public officials throughout the county have quietly agreed to make taxpayers finance union activities – including lobbying. That leaves the unions more money for campaign



contributions and other overtly political efforts.

The most eye-popping contract is between the City of Las Vegas and the Las Vegas Police Protective Association, which is awarded 15,500 hours annually (a cost to city taxpayers of over $1 million) for union work. Another $730,000 in paid time off is given to the city's unions for police supervisors and police civilian employees.[57]

The Clark County firefighter union receives over $400,000 from the county to perform its union work, while the North Las Vegas firefighter union receives over $600,000 from the struggling taxpayers in that city. Las Vegas firefighter union bosses receive over $295,000 in paid time off each year for union work.[58]

Service Employee International Union workers get over $300,000 from Clark County, while the county's managers union gets an additional $195,000.[59]

A new state law was passed in 2011 to prevent management employees from unionizing and thus essentially sitting on both sides of the bargaining table. The language of the law was written so narrowly, however, that observers soon discovered it wouldn't apply to anyone.[60] The law was part of a compromise package that included about $625 million in new taxes.[61]

The City of Henderson's contract with its police union explicitly states that the city will pay union bosses to perform "lobbying" on the union's behalf.[62]

The Las Vegas Metropolitan Police Department not only includes seven full-time union bosses on the department payroll, its union contract also stipulates that they receive shift differential and dangerous-duty pay – pay categories intended for officers who work late nights or weekends and who hold hazardous assignments. Together, the categories boost an employee's base pay 12 percent. Yet, the union bosses spend none of their time fighting crime and only work nights or weekends if they want to – out of the union's two-story Summerlin office.[63]

For years this scam was kept off the books and secret from the public, until formal language was finally written into the 2009 union contract. Newspaper reporters discovered that the unwarranted extra pay has been going to union bosses since 2001.[64]

'More cops,' or more pay?

Metro PD officials are also lobbying for another quarter-cent sales-tax increase. As happened in North Las Vegas, they're telling citizens that they may not be safe if lawmakers don't agree to higher taxes.[65] After a quarter-cent sales tax increase promising "more cops" was passed in 2005, however, Metro officers got a four-year contract hiking pay 21.8 percent.[66] Without that opulent pay increase, money for more officers would *already* have been available.

Now, Metro brass don't even pretend money from a second sales-tax hike would mean more cops. Instead, they claim the money's necessary to sustain the current salary structure for existing employees.[67] Evidently, they're out to breathe new life into that oinkish epithet from the 1960s.

Double your pleasure

Some government workers believe the standard perks of public-sector employment – high pay and benefits, combined with a high level of job security – are just insufficient for their desired lifestyles. And so they find ways to "double-dip."

Double-dipping is accomplished in various ways. In 2001, Nevada lawmakers began allowing state agencies to classify

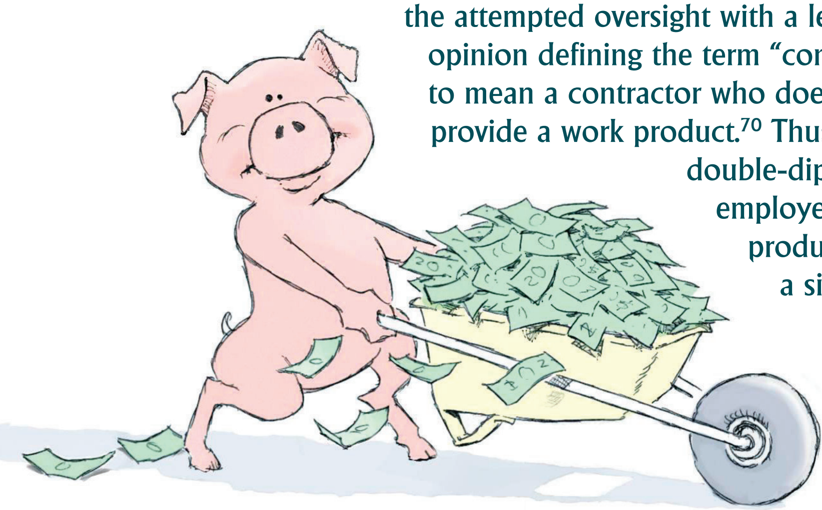
certain positions as subject to a "critical labor shortage." If an employee can convince his supervisors to classify his position as one suffering from a "critical labor shortage," that employee can immediately "retire" and begin collecting monthly pension payments from Nevada's Public Employees' Retirement System while remaining on the job and also collecting a regular paycheck.

Employees benefitting from the critical-labor-shortage classification have included cabinet-level appointees. Former Nevada director of public safety Richard Kirkland used a critical labor shortage classification to start receiving $70,000 in annual pension payments on top of his regular $103,000 salary.[68]

PERS officials have testified that this form of double-dipping cost the retirement system $54 million between 2001 and 2008, exacerbating the system's unfunded liability and requiring higher annual contribution rates from city, county and state offices.[69]

Other employees double-dipped by contracting as outside consultants with public agencies while simultaneously continuing as regular, full-time employees. Concerned that some of these contracts might constitute a conflict of interest, lawmakers in 2009 required that all new consultant contracts get approval from the legislature's Interim Finance Committee.

But state Attorney General Catherine Cortez Masto blocked the attempted oversight with a legal opinion defining the term "consultant" to mean a contractor who does not provide a work product.[70] Thus, if a double-dipping employee produces even a single report,



document or email, he or she can avoid legislative oversight.

Lawmakers responded by asking legislative auditors to review current employees' outstanding consulting contracts. Auditors identified 250 current and former employees who contracted with state agencies during 2008 and 2009. On top of regular pay and benefits, these employee-contractors had collected $11.6 million.[71]

Moreover, auditors found that much of the work was fraudulent, undocumented and/or overpriced. *Thirty-five percent of the employee-contractors tested were double-billing for the same hours, charging contractor's fees for time that they were also on the clock as regular employees*. One billed for 25 hours in the same day, including 10 hours of contract services, 10 hours of regular shift time and five hours of overtime. Other employees billed for contract services on days they took paid sick leave from their regular jobs.[72]

Not only did some employees bill twice for the same hours, they billed twice for the exact same *work*. Nearly half of the employee-contractors examined by auditors were contracting for a scope of work substantially similar to their regular duties.[73]

Further, some employees were paid for contract services on an informal basis. In these cases, no written contract was ever signed, and employees were paid as contractors based solely upon oral agreements that bypassed all state supervision requirements. Auditors identified 16 cases where employees received pay as contractors for over two years without ever having a written agreement.[74]

Some employee-contractors were also dramatically overpaid in their capacity as contractors. One agency contracted with a former employee at a rate of $350 per hour, whereas the worker's per-hour cost to the state, as an employee, is only $71 per hour. Because of the outrageous premiums employees could earn as contractors, several terminated their regular employment to move to full-time contract work.[75]

Follow the leader

Double-dipping employees were taking their cues from some of the state's top politicians.

After all, Assembly Speaker John Oceguera was a double-dipper himself. During consecutive legislative sessions, Oceguera billed taxpayers in North Las Vegas for time *on the books* as a city firefighter, while he was hundreds of miles away in Carson City. Simultaneously, he was billing state taxpayers for his work as a state lawmaker.

As a rank-and-file firefighter from 2001 to 2007, Oceguera regularly claimed that he traded shifts with fellow firefighters to make up for time lost during the four-month sessions he would spend in Carson City. However, records show that by the time he was promoted to assistant fire chief ahead of the 2009 legislative session, he still owed 432 hours that were never made up. Then, as assistant fire chief, Oceguera was salaried and eligible for fire department pay *regardless* of what hours he worked, according to Fire Chief Al Gillespie.[76]

Based on official payroll documents and timesheets from North Las Vegas, *Nevada Journal* reporters determined that Oceguera was paid about $51,000 and $48,000 by the city during the 2009 and 2011 legislative sessions, respectively. Erroneously, city timesheets listed Oceguera as present at work during hours when he was actually presiding over legislative hearings in Carson City.[77]

The taxpayer credit card . . . never leave home without it!

Some government workers supplement their income by using official credit cards for their personal expenses.

Buildings and Grounds

Auditors were shocked to discover how many employees within the state Department of Administration's Building and Grounds section have had ample opportunity to use agency credit cards for personal benefit. Over half of the division's staff, auditors found, had been issued agency credit cards. Some cardholders even were able to have cards issued in their names without supervisors' approval. In one case, an employee had possessed an agency credit card for two years without management ever having approved the card's issuance.[78]

Spending limits on these cards were often insanely high. The cards' spending limits ranged as high as $245,000 per month and $2.9 million per year. Auditors warned, "more than half of B&G's staff were authorized to make purchases on the entity's behalf. This, coupled with [the] high monthly limits, increased B&G's exposure to improper purchase card activity."[79]

Auditors found multiple instances of impropriety regarding the cards' use. Even when the cards had individual transaction limits, employees circumvented the limits by illegally splitting large transactions into multiple, smaller transactions. In the auditors' words:

> Our review of purchase card transactions found employees purchased items in excess of individual transaction limits frequently. Certain transactions were split into two smaller transactions at amounts just under the employee's transaction limit. For instance, one invoice for $2,334 was paid for in one increment of $1,900 and another increment of $434 because the per-transaction limit for the employee was $2,000. The transaction log, reviewed by the employee's supervisor, showed the total and split purchase amounts; yet, supervisory and administrative approval was provided.[80]

Workers also conspired with other employees who had electronic access to credit card files in order to temporarily lift transaction limits. Auditors lamented that staff was able to manipulate card limits "without management knowledge or approval." According to the audit:

> Our review of purchase card transactions found B&G personnel lifted limits electronically on 43 occasions for over $24,000 in purchases during our test period. Limits were lifted

by the purchase card administrator and other staff who have access to card limits through the card issuer's website. Limits were changed instantly by electronically accessing card data. Staff indicated limits were lifted when employees needed to exceed their established limits; however, management approval for this activity was not obtained or documented.[81]

Although state policy requires supervisor approval of all purchasing decisions, some B&G employees got into the approval system and began approving their own purchases.

Auditors discovered that one employee had approved all of his own purchases for the entire 18-month period under review, during which time he purchased $11,000 in goods. While auditors could not prove that any of the purchases were for personal use, they warned that "many items procured on B&G's behalf can be easily converted to personal use," making it difficult to distinguish fraudulent purchases from legitimate ones.[82]

Water Reclamation District

Auditors expressed similar concerns about employees at Clark County's Water Reclamation District. There, employees were issued Bank of America and Home Depot credit cards.

However, the District kept no records of the employees issued the Home Depot cards, and auditors were unable to identify holders of all the cards.[83]

Moreover, employees used Home Depot cards to make purchases on their own and without prior approval – despite the fact that the District has a standing contract with Home Depot and established procurement procedures utilizing purchase orders. Employees, thus, circumvented the established procurement process. Auditors warn that when employees do so, "the merchandise is not received through the warehouse, and the merchandise is not tagged or inventoried. This process does not provide any control that the purchased merchandise from Home Depot is strictly for business purposes and not being used for personal benefit."[84]

Frequently, employees would make multiple trips to Home Depot the same day – once in the morning and again in the afternoon – to make purchases. Purchases were also split into multiple transactions in order to stay under the transaction limit and avoid the need for obtaining management approval.[85]

District employees also violated policy with their Bank of America credit cards, which are supposed to be used only for "emergency purchases, District approved travel, and for internet purchases." However, purchases made from Best Buy, Michaels, Wal-Mart and Sam's Club, said auditors, "would not be considered emergency purchases" and were therefore illegitimate.[86]

Multiple audits have censured the District for violating accounting standards.

Even purchases auditors could identify as legitimate were often excessive, as District office employees bought luxury models or brands. For example, a lunch-room refrigerator was purchased for $1,719, when, said auditors, "previous purchases of [other lunch-room] refrigerators were of the price range of $500 to $600."[87]

Other items purchased weren't needed and were never used by the District. Thousands of dollars were spent on purchases of unnecessary, duplicative equipment. And, as feared, some purchases could not be located, indicating that they may have been for personal use.[88]

Multiple audits have censured the District for violating accounting standards. Major accounting statements were over $21.5 million in error for fiscal year 2010. District accountants were valuing assets incorrectly or included assets no longer in the District possession in District accounting statements. The District's main bank account was not reconciled with other statements.[89] Tools and equipment were incorrectly paid for with operating instead of capital funds.[90]

These accounting misstatements are particularly significant because auditors have openly worried that employees in the purchasing and finance departments have colluded to create fictitious, third-party vendors and then process invoices for payment from these vendors. Such phony businesses could serve as fronts to funnel taxpayer money into the private bank accounts of employees or their friends.[91]

We can't get enough gas!

Piglet Book 2010 documented Clark County employees' improper use of county-issued credit cards for gasoline purchases. Employees purchased gas on their days off, bought as much as $6,106 worth of gas within the space of an hour, and even continued using their county-issued credit cards after terminating their county employment. Clearly, gas being charged to county taxpayers was actually being purchased for personal use.[92]

While Clark County adopted some auditor recommendations for curtailing this abuse,[93] auditors in other jurisdictions are now noting similar violations.

In Las Vegas, employees used city-issued gas cards to purchase fuel on weekends and holidays, as well as late at night – all times when they were not performing city work. Cards issued to former employees remained active after termination of employment. In addition, although the city uses key-fob technology to grant employees access to fueling stations, city officials kept no log of key fob issuances when they first began using the technology. So "the location of all key fobs and to whom they were assigned is not known," say city auditors.[94]

Even among transactions that are traceable, many are improper. Frequently, employees purchased more fuel than their assigned vehicle's tank could hold. One employee, for instance, purchased 69 gallons of fuel in a single transaction – far more than the capacity of his assigned pickup truck.[95]

Employees also routinely recorded multiple transactions within very short periods. During the 11-month period under review, auditors identified 290 transactions exceeding 10 gallons that were followed by another transaction less than an hour later. Of those subsequent transactions, 132 were again for over 10 gallons.[96]

It seems clear from these figures that employees were fueling cars other than their assigned city vehicles.

But even this wasn't enough for some. After recurring reports of fuel theft at one of the city's automotive service and repair centers, security cameras were installed to survey the facility. The camera captured a city employee sneaking into the facility after hours and siphoning off over 100 gallons of gas from 20 city-owned vehicles. He siphoned the gas into city fuel cans housed at the facility and then transported them to the parking lot using a city-owned golf cart on site, where he proceeded to load the fuel cans into his personal vehicle.[97]

But given state employees' pervasive disregard for state laws governing fuel card purchases, auditors were unable to identify the guilty parties.

At the state level, as well, a Motor Pool Division audit showed improper fuel card use. Over the course of one year, one employee stole over $5,000 worth of fuel. Division administrators finally noticed the thievery after the employee made three purchases in a single day.[98]

Auditors also found that one agency had purchased, for 13 vehicles, 57 percent more fuel than would have been required for the actual miles driven. Although the vehicles should have consumed 321 gallons during one examined month, 504 gallons actually were purchased. But given state employees' pervasive disregard for state laws governing fuel card purchases, auditors were unable to identify the guilty parties. Said the auditors:

> Because drivers do not always comply with requirements that prohibit the sharing of fuel cards and odometer readings were not always available or accurate, it is difficult to tell which driver used a fuel card and for which vehicle. In addition, drivers often share vehicles . . . State Administrative Manual, Section 1416, requires fuel cards be imprinted with the vehicle's license number and clearly informs drivers not to use the fuel card for any other vehicle.[99]

'Fight ... for your right ... to PARTY!'

While some groups of government workers secretly colluded with each other to defraud the public and others have acted on their own to surreptitiously steal public resources, other groups of government workers openly flaunt their excess before the public.

Nowhere has that been more true than at the Las Vegas Convention and Visitors Authority. A 2011 review of LVCVA expense reports showed that senior personnel always flew first-class in their frequent flights. Using public resources, they awarded themselves golfing excursions in Hawaii, a NASCAR awards banquet in New York City, trips to Oktoberfest in Germany and tickets to rock concerts and headline boxing matches.[100]

They stayed in luxury hotels around the world – $632 per night in Dubai, $678 per night in New York, $627 per night in Tokyo, $679 per night in Australia, et cetera. They ordered room service and in-room movies. They ordered dinners for as much as $283 per person. They went to the ESPY Awards in Los Angeles. Nearly everywhere they went, they loaded up on booze.[101]

They spent nearly $100,000 throwing parties – to which other juiced-up government administrators, including the director of the Taxicab Authority and top brass from the Metropolitan Police Department, were invited.[102]

A top LVCVA administrator even took five French college girls out to dinner with drinks and then to popular nightclubs like Moon, Ghostbar and the Playboy Club. He ordered bottle service at $475 per bottle. This all, you understand, was to help them with a homework assignment to learn about the "Las Vegas brand."[103]

All of this was paid for with tax dollars.

Worse, the investigation conducted by KLAS-TV in Las Vegas only confirmed that the profligate culture of the LVCVA had not changed since a review of the agency's expense reports conducted by NPRI two years earlier revealed similarly startling expenses.[104]

But while LVCVA public employees may be the most brazen, they aren't the only ones hosting lavish parties for themselves at the public's expense. The Clark County Department of Aviation celebrated the opening of Terminal 3 at McCarran Airport by kicking $200,000 into an $800,000 pot ($600,000 coming from airlines and vendors) for a blow-out to celebrate the terminal's opening.[105]

Money for nothing and chicks for free ...

Political machines don't just include politicians, their cronies and their public-sector union allies. In order to retain power, machines must also seduce elements of the public. A common way to do this, of course, is to promise public expenditures to particular groups, thereby purchasing their support. The result: more and more entitlement programs – which are often abused as well.

For instance, a 2012 audit of the Nevada Department of Health and Human Services revealed that 749 dead people were on the state's welfare rolls. Fifty of them were reviewed and 27 were found to still be using benefits, to the extent of $6,000 in goods purchased last year.

The purchases were through the food stamp program and Temporary Assistance to Needy Families.[106] Both programs issue debit cards to beneficiaries and then deposit funds into an account on the beneficiary's behalf. But while there are limits on what can be purchased through the food stamp program, TANF funds can be withdrawn as cash and used for anything.

That means that while it's difficult to track what TANF welfare payments are actually used for, authorities can track *where* they are withdrawn. Over a seven-month period in 2011, Nevada TANF funds were withdrawn in 35 different states, Guam and the District of Columbia.

About a hundred withdrawals took place in liquor stores. Others took place in casinos and slot parlors. Some occurred in tourist destinations like New Orleans, Hawaii, Angel Stadium, Magic Mountain, SeaWorld San Diego, Knott's Berry Farm and Pier 39 in San Francisco.[107] While withdrawals of this nature were a minority, they indicate that at least some welfare payments went to fund indulgences – not necessities.

Sale on the juice aisle

Shrewd government agencies and private companies alike recognize the roles played by Silver State political machines in distributing government largesse and favors. Thus, they regularly hasten to hire insiders with the various political machines and curry favor with the pols who run those machines.

That's why Nevadans often read about private firms and even public agencies paying extravagantly in order, essentially, to get juiced-up figures on their side.

Higher juice for hire

The Nevada System of Higher Education, for example, hired Renee Yackira as executive director of government relations in 2011. Yackira is the wife of Michael Yackira, CEO of Nevada's government-protected electric monopoly, NV Energy, where he made $7.7 million in 2011 thanks to the state's electric ratepayers, according to Forbes.[108] According to the job posting for Renee Yackira's new lobbying position with NSHE, the position pays a minimum salary of $165,000 plus health, dental, vision, life and retirement benefits.[109]

When the well-connected Yackira was brought on to lobby on NSHE's behalf, Chancellor Dan Klaich spilled the beans, saying, "Renee has spent nearly her entire career serving as counsel and political strategist in Nevada state government . . . She brings to the System a . . . deep knowledge of the political process affecting NSHE."[110] Clearly, NSHE hoped to profit from Yackira's political clout.

Other examples abound. In fact, intergovernmental lobbying – public agencies hiring professionals and insiders to lobby the politicians who control the state's purse strings – is a major

industry in Nevada. A review of the list of paid lobbyists who go to Carson City reveals that about half of those lobbyists represent state and local public agencies, despite the fact that these agencies employ fewer than one in 10 Nevadans.[111] Clark County, for example, sent a team of five full-time lobbyists to the 2011 legislature.[112]

Links for 'Hai're

Of course, public agencies aren't the only ones manipulating the state's political machinery to their own benefit. Juiced-up cronies frequently enrich themselves off taxpayers through deals with elected officials.

Consider the case of Billy Walters. Walters is a Southern Nevada land developer who, in 1999, convinced Clark County commissioners to grant him a 99-year lease on a 140-acre parcel adjacent to McCarran Airport on the south end of the Las Vegas Strip. There, Walters pledged to develop Bali Hai Golf Course. The lease agreement called for him to pay 40 percent of the course's net profit to the county airport authority as rent.

Despite this provision, however, Walters was able to structure the deal so that he could keep all the profits for himself without actually paying any rent to the county. That's because Walters organized the golf course under two entities: Nevada Links and The Walters Group. Nevada Links – the course's official legal owner – would pay The Walters Group for "management fees."

Between 2000 and 2010, Nevada Links paid at least $6 million to The Walters Group for management and, afterward, declared to the county that the golf course lost money each year. Because the lease agreement was based on net profits, that meant Walters would never have to pay rent for the use of 140 acres of prime real estate on the Las Vegas Strip.[113]

Conclusion

Hundreds of other stories could have been included in this year's edition of the *Piglet Book*.

Many Silver State taxpayers will recognize that these reports represent only a small portion of the waste and fraud already publicly documented. Then there's the prospect that what's actually been discovered may be only the tip of the iceberg. Who knows how many crooked deals, wasteful spending plans or other shenanigans have been successfully concealed from the public?

What this year's edition of the *Piglet Book* makes especially clear, however, is that the machines of the state's most powerful politicians require close and attentive scrutiny by Nevada taxpayers. It is from these machines, and the compromised relationships they spawn, that the most egregious abuses arise.

These machines depend on politicians' control over great quantities of public resources. So long as politicians can retain this control, scandals such as those documented here will continue plaguing the Silver State.

Centuries of experience have shown that the appetite of politicians for power is a self-feeding addiction, against which the political class appears to be helpless. The appetites that lurk behind politicians' chronic calls for ever-greater confiscation of private-sector earnings must be recognized for what they are: the lust to grow and corrupt government for personal power and benefit.

If we Nevadans are to preserve our liberties, along with the blessings and prosperity of a free-market economy, we must be vigilant regarding the politicians and their machines.

We must pierce the superficial rationales designed to justify increasingly higher taxes and spending levels.

We must arm ourselves with knowledge and continually strive for higher levels of transparency within every government office.

And, at all times, we must insist on accountability.

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