

ASSEMBLY BILL NO. 368—COMMITTEE ON EDUCATION

MARCH 2, 1999

Referred to Concurrent Committees on Government Affairs
and Ways and Means

SUMMARY—Requires annual audit of certain expenditures by certain school districts and performance audit of University and Community College System of Nevada. (BDR 31-179)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: Yes.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to education; requiring that the annual audit of certain school districts include an audit of expenditures relating to the design, construction, acquisition and renovation of school facilities and grounds; requiring the legislative auditor to conduct a performance audit of the University and Community College System of Nevada; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 354.624 is hereby amended to read as follows:
2 354.624 1. Each local government shall provide for an annual audit
3 of all of its:
4 (a) Funds;
5 (b) Account groups; and
6 (c) Separate accounts established pursuant to NRS 354.603.
7 A local government may provide for more frequent audits as it deems
8 necessary. Except as otherwise provided in subsection 2, each annual audit
9 must be concluded and the report of the audit submitted to the governing
10 body as provided in subsection 5 not later than 5 months after the close of
11 the fiscal year for which the audit is conducted. An extension of this time
12 may be granted by the department of taxation to any local government that
13 submits an application for an extension to the department. If the local

1 government fails to provide for an audit in accordance with the provisions
2 of this section, the department of taxation shall cause the audit to be made
3 at the expense of the local government. All audits must be conducted by a
4 public accountant who is certified or registered or by a partnership or
5 professional corporation that is registered pursuant to chapter 628 of NRS.

6 2. The annual audit of a school district must ~~be~~ :

7 (a) *Be* concluded and the report submitted to the board of trustees as
8 provided in subsection 5 not later than 4 months after the close of the fiscal
9 year for which the audit is conducted.

10 (b) *If the school district has more than 150,000 pupils enrolled,*
11 *include an audit of the expenditure by the school district of all public*
12 *money used:*

13 (1) *To design, construct or purchase new buildings for schools or*
14 *related facilities;*

15 (2) *To enlarge, remodel or renovate existing buildings for schools*
16 *or related facilities; and*

17 (3) *To acquire sites for building schools or related facilities, or*
18 *other real property for purposes related to schools.*

19 3. The governing body may, without requiring competitive bids,
20 designate the auditor or firm annually. The auditor or firm must be
21 designated not later than 3 months before the close of the fiscal year for
22 which the audit is to be made.

23 4. Each annual audit must cover the business of the local government
24 during the full fiscal year. It must be a financial audit conducted in
25 accordance with generally accepted auditing standards, including comment
26 on compliance with statutes and regulations, recommendations for
27 improvements and any other comments deemed pertinent by the auditor,
28 including his expression of opinion on the financial statements. The
29 department of taxation shall prescribe the form of the financial statements,
30 and the chart of accounts must be as nearly as possible the same as the chart
31 that is used in the preparation and publication of the annual budget. The
32 report of the audit must include:

33 (a) A schedule of all fees imposed by the local government which were
34 subject to the provisions of NRS 354.5989;

35 (b) A comparison of the operations of the local government with the
36 approved budget, including a statement from the auditor that indicates
37 whether the governing body has taken action by adoption as recommended,
38 by adoption with modifications or by rejection on any deficiencies in
39 operations and recommendations for improvements which were noted or
40 made in previous reports;

(c) A statement from the auditor that indicates whether each of the following funds established by the local government is being used expressly for the purposes for which it was created, in the form required by NRS 354.6241:

(1) An enterprise fund.

(2) An internal service fund.

(3) A trust or agency fund.

(4) A self-insurance fund.

(5) A fund whose balance is required by law to be:

(I) Used only for a specific purpose other than the payment of compensation to a bargaining unit, as defined in NRS 288.028; or

(II) Carried forward to the succeeding fiscal year in any designated amount; and

(d) A list and description of any property conveyed to a nonprofit organization pursuant to NRS 244.287 or 268.058.

5. The recommendations and the summary of the narrative comments contained in the report of the audit must be read in full at a meeting of the governing body held not more than 30 days after the report is submitted to it. Immediately thereafter, the entire report, together with any related letter to the governing body required by generally accepted auditing standards or by regulations adopted pursuant to NRS 354.594, must be filed as a public record with:

(a) The clerk or secretary of the governing body;

(b) The county clerk;

(c) The department of taxation; and

(d) In the case of a school district, the department of education.

6. The governing body shall act upon the recommendations of the report of the audit within 3 months after receipt of the report, unless prompter action is required concerning violations of law or regulation, by setting forth in its minutes its intention to adopt the recommendations, to adopt them with modifications or to reject them for reasons shown in the minutes.

Sec. 2. 1. The legislative auditor shall conduct a performance audit of the University and Community College System of Nevada.

2. The audit must include an examination of the actions taken by the University and College System of Nevada to carry out the recommendations to control its budgets and expenditures which were made by the legislative auditor after the audit that was conducted pursuant to chapter 33, Statutes of Nevada 1995, at page 33.

3. The legislative auditor shall present a final written report of the audit to the audit subcommittee of the legislative commission not later than February 5, 2001.

1 4. The provisions of NRS 218.737 to 218.890, inclusive, apply to the
2 audit conducted pursuant to subsection 1.

3 5. Upon the request of the legislative auditor, the University and
4 Community College System of Nevada shall transfer to the audit division of
5 the legislative counsel bureau the sum of \$40,000 to carry out the
6 provisions of this section. Any remaining balance of the sum transferred
7 pursuant to this subsection must not be committed for expenditure after
8 February 5, 2001, and must be transferred to the University and
9 Community College System of Nevada as soon as all payments of money
10 committed have been made.

11 **Sec. 3.** This act becomes effective on July 1, 1999.

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