

SENATE BILL NO. 561—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF DEPARTMENT OF ADMINISTRATION—INTERNAL AUDITS)

MARCH 26, 2001

Referred to Committee on Government Affairs

SUMMARY—Makes various changes concerning division of internal audits of department of administration. (BDR 31-392)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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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 public financial administration; requiring the chief of the division of internal audits of the department of administration to appoint a manager of internal controls; establishing the qualifications of the manager of internal controls; exempting certain governmental agencies from certain provisions concerning audits, reviews, training and assistance provided by the division of internal audits; 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.** Chapter 353A of NRS is hereby amended by adding
2 thereto a new section to read as follows:
3 1. *The manager of internal controls appointed pursuant to NRS*
4 *353A.045 must:*
5 (a) *Be a certified public accountant licensed by this state or a public*
6 *accountant qualified pursuant to chapter 628 of NRS to practice public*
7 *accounting in this state; and*
8 (b) *Have at least 4 years of progressively responsible experience in*
9 *professional auditing and performing internal audits or postaudits. The*
10 *experience must include, without limitation, the performance of audits of*
11 *governmental entities or of private business organizations, whether or*
12 *not organized for profit.*
13 2. *The manager of internal controls is in the unclassified service of*
14 *this state and serves at the pleasure of the chief.*
15 3. *The chief shall establish the powers and duties of the manager of*
16 *internal controls.*



1 **Sec. 2.** NRS 353A.020 is hereby amended to read as follows:
2 353A.020 1. The director, in consultation with the committee and
3 legislative auditor, shall adopt a uniform system of internal accounting and
4 administrative control for agencies. The elements of the system must
5 include, without limitation:
6 (a) A plan of organization which provides for a segregation of duties
7 appropriate to safeguard the assets of the agency;
8 (b) A plan which limits access to assets of the agency to persons who
9 need the assets to perform their assigned duties;
10 (c) Procedures for authorizations and recordkeeping which effectively
11 control accounting of assets, liabilities, revenues and expenses;
12 (d) A system of practices to be followed in the performance of the
13 duties and functions of each agency; and
14 (e) An effective system of internal review.
15 2. The director, in consultation with the committee and legislative
16 auditor, may modify the system whenever he considers it necessary.
17 3. Each agency shall develop written procedures to carry out the
18 system of internal accounting and administrative control adopted pursuant
19 to this section.
20 4. For the purposes of this section, "agency" does not include:
21 (a) A board ~~for commission~~ created by the provisions of chapters 623
22 to ~~625,~~ **625A**, inclusive, 628 , **630** to **640A, inclusive, 641 to** 644,
23 inclusive, 654 and 656 of NRS.
24 (b) The University and Community College System of Nevada.
25 (c) The public employees' retirement system.
26 (d) The housing division of the department of business and industry.
27 (e) The Colorado River Commission.
28 **Sec. 3.** NRS 353A.025 is hereby amended to read as follows:
29 353A.025 1. The head of each agency shall periodically review the
30 agency's system of internal accounting and administrative control to
31 determine whether it is in compliance with the uniform system of internal
32 accounting and administrative control for agencies adopted pursuant to
33 subsection 1 of NRS 353A.020.
34 2. On or before July 1 of each even-numbered year, the head of each
35 agency shall report to the director whether the agency's system of internal
36 accounting and administrative control is in compliance with the uniform
37 system adopted pursuant to subsection 1 of NRS 353A.020. The reports
38 must be made available for inspection by the members of the legislature.
39 3. For the purposes of this section, "agency" does not include:
40 (a) A board ~~for commission~~ created by the provisions of chapters 623
41 to ~~625,~~ **625A**, inclusive, 628 , **630** to **640A, inclusive, 641 to** 644,
42 inclusive, 654 and 656 of NRS.
43 (b) The University and Community College System of Nevada.
44 (c) The public employees' retirement system.
45 (d) The housing division of the department of business and industry.
46 (e) The Colorado River Commission.
47 4. The director shall, on or before the first Monday in February of each
48 odd-numbered year, submit a report on the status of internal accounting
49 and administrative controls in agencies to the:



- (a) Director of the legislative counsel bureau for transmittal to the:
- (1) Senate standing committee on finance; and
 - (2) Assembly standing committee on ways and means;
- (b) Governor; and
- (c) Legislative auditor.

5. The report submitted by the director pursuant to subsection 4 must include, without limitation:

- (a) The identification of each agency that has not complied with the requirements of subsections 1 and 2;
- (b) The identification of each agency that does not have an effective method for reviewing its system of internal accounting and administrative control; and
- (c) The identification of each agency that has weaknesses in its system of internal accounting and administrative control, and the extent and types of such weaknesses.

Sec. 4. NRS 353A.031 is hereby amended to read as follows:

353A.031 As used in NRS 353A.031 to 353A.100, inclusive, *and section 1 of this act*, unless the context otherwise requires, the words and terms defined in NRS 353A.034 and 353A.036 have the meanings ascribed to them in those sections.

Sec. 5. NRS 353A.045 is hereby amended to read as follows:

353A.045 *1.* The chief ~~of the division shall:~~

~~1.~~ *shall:*

~~(a)~~ *(a)* Report to the director.

~~2.~~ *(b)* Develop long-term and annual work plans to be based on the results of periodic documented risk assessments. The annual work plan must:

~~(a)~~ *(1)* List the agencies to which the division will provide training and assistance; and

~~(b)~~ *(2)* Be submitted to the director for approval.

~~3.~~ *(c)* Provide a copy of the approved annual work plan to the legislative auditor.

~~4.~~ *(d)* In consultation with the director, prepare a plan for auditing executive branch agencies for each fiscal year and present the plan to the committee for its review and approval. Each plan for auditing must:

~~(a)~~ *(1)* State the agencies which will be audited, the proposed scope and assignment of those audits and the related resources which will be used for those audits; and

~~(b)~~ *(2)* Ensure that the internal accounting, administrative controls and financial management of each agency are reviewed periodically.

~~5.~~ *(e)* Perform the audits of the programs and activities of the agencies in accordance with the plan approved pursuant to subsection 5 of NRS 353A.038 and prepare audit reports of his findings.

~~6.~~ *(f)* Review each agency that is audited pursuant to ~~subsection 5~~ *paragraph (e)* and advise those agencies concerning internal accounting, administrative controls and financial management.

~~7.~~ *(g)* Submit to each agency that is audited pursuant to ~~subsection 5~~ *paragraph (e)* analyses, appraisals and recommendations concerning:



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- 1 ~~(a)~~ (1) The adequacy of the internal accounting and administrative
2 controls of the agency; and
3 ~~(b)~~ (2) The efficiency and effectiveness of the management of the
4 agency.
5 ~~(8)~~ (h) Report any possible abuses, illegal actions, errors, omissions
6 and conflicts of interest of which the division becomes aware during the
7 performance of an audit.
8 ~~(9)~~ (i) Adopt the standards of the Institute of Internal Auditors for
9 conducting and reporting on audits.
10 ~~(10)~~ (j) Consult with the legislative auditor concerning the plan for
11 auditing and the scope of audits to avoid duplication of effort and undue
12 disruption of the functions of agencies that are audited pursuant to
13 ~~subsection 5.~~ paragraph (e).
14 (k) *Appoint a manager of internal controls.*
15 2. *For the purposes of this section, “agency” does not include:*
16 (a) *A board created by the provisions of chapters 623 to 625A,*
17 *inclusive, 628, 630 to 640A, inclusive, 641 to 644, inclusive, 654 and 656*
18 *of NRS.*
19 (b) *The University and Community College System of Nevada.*
20 (c) *The public employees’ retirement system.*
21 (d) *The housing division of the department of business and industry.*
22 (e) *The Colorado River Commission.*
23 Sec. 6. This act becomes effective on July 1, 2001.

