

SENATE BILL NO. 111—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE SUNSET SUBCOMMITTEE
OF THE LEGISLATIVE COMMISSION)

PREFILED FEBRUARY 9, 2017

Referred to Committee on Government Affairs

SUMMARY—Revises provisions relating to the auditing of agencies of the Executive Department of the State Government. (BDR 31-552)

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 state financial administration; authorizing the Chair of the Executive Branch Audit Committee to direct the performance of audits not stated in the annual plan for auditing agencies of the Executive Department of the State Government; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law requires the Administrator of the Division of Internal Audits of the
2 Office of Finance, in consultation with the Director of the Office of Finance, to
3 develop a plan for auditing agencies of the Executive Department of the State
4 Government during each fiscal year. Before implementation, the annual plan is
5 required to be presented to the Executive Branch Audit Committee for its review
6 and approval. Any revisions made to the annual plan are also required to be
7 approved by the Committee. The Governor serves as the Chair of the Committee.
8 (NRS 353A.038, 353A.045) After an audit is completed, the Administrator is
9 required under existing law to: (1) submit a final report on the audit to the
10 Committee; and (2) include the audit in the list of final reports in the annual report
11 that the Administrator is required to submit to the Committee and other specified
12 recipients. (NRS 353A.065, 353A.085) This bill makes an exception to the
13 requirement that all revisions to the annual plan receive approval from the
14 Committee by authorizing the Chair of the Committee, without the approval of
15 the Committee, to direct the Administrator to audit an agency that is not stated in
16 the annual plan. Pursuant to existing law, a final report of such an audit will be
17 provided to the Committee and will be listed in the Division's annual report.



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

Section 1. NRS 353A.038 is hereby amended to read as follows:

353A.038 1. The Executive Branch Audit Committee is hereby created.

2. The Committee must consist of one member who is a representative of the general public appointed by the Governor, who has at least 5 years of progressively responsible experience in the field of auditing and who does not engage in business with any agency, and the following ex officio members:

- (a) The Governor, who shall serve as Chair of the Committee;
- (b) The Lieutenant Governor;
- (c) The Secretary of State;
- (d) The State Treasurer;
- (e) The State Controller; and
- (f) The Attorney General.

3. The member of the Committee who is a representative of the general public is entitled to receive a salary of \$80 per day while engaged in the business of the Committee.

4. While engaged in the business of the Committee, each member of the Committee is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally.

5. The Committee shall:

(a) Adopt policies and procedures for the operation of the Division;

(b) Approve, with or without revision, each annual plan for auditing agencies presented by the Administrator pursuant to NRS 353A.045, and , *except as otherwise provided in subsection 6*, any revisions to such a plan, before the plan *or revision* is implemented; and

(c) Approve, with or without revision, each annual report submitted by the Administrator pursuant to NRS 353A.065.

6. The Chair of the Committee may, without the approval of the Committee, direct the Administrator to audit an agency that is not stated in the annual plan approved by the Committee pursuant to subsection 5.

Sec. 2. NRS 353A.045 is hereby amended to read as follows:

353A.045 The Administrator shall:

1. Report to the Director.

2. Develop long-term and annual work plans to be based on the results of periodic documented risk assessments. The annual work plan must list the agencies to which the Division will provide



1 training and assistance and be submitted to the Director for
2 approval. Such agencies must not include:

3 (a) A board created by the provisions of NRS 590.485 and
4 chapters 623 to 625A, inclusive, 628, 630 to 644, inclusive, 648,
5 654 and 656 of NRS.

6 (b) The Nevada System of Higher Education.

7 (c) The Public Employees' Retirement System.

8 (d) The Housing Division of the Department of Business and
9 Industry.

10 (e) The Colorado River Commission of Nevada.

11 3. Provide a copy of the approved annual work plan to the
12 Legislative Auditor.

13 4. In consultation with the Director, prepare a plan for auditing
14 executive branch agencies for each fiscal year and present the plan
15 to the Committee for its review and approval. Each plan for auditing
16 must:

17 (a) State the agencies which will be audited, the proposed scope
18 and assignment of those audits and the related resources which will
19 be used for those audits; and

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

22 5. Perform the audits of the programs and activities of the
23 agencies in accordance with the plan approved pursuant to
24 subsection 5 of NRS 353A.038 *and any revisions to the plan*
25 *approved pursuant to subsection 5 or 6 of NRS 353A.038*, and
26 prepare audit reports of his or her findings.

27 6. Review each agency that is audited pursuant to subsection 5
28 and advise those agencies concerning internal accounting,
29 administrative controls and financial management.

30 7. Submit to each agency that is audited pursuant to subsection
31 5 analyses, appraisals and recommendations concerning:

32 (a) The adequacy of the internal accounting and administrative
33 controls of the agency; and

34 (b) The efficiency and effectiveness of the management of the
35 agency.

36 8. Report any possible abuses, illegal actions, errors, omissions
37 and conflicts of interest of which the Division becomes aware
38 during the performance of an audit.

39 9. Adopt the standards of The Institute of Internal Auditors for
40 conducting and reporting on internal audits.

41 10. Consult with the Legislative Auditor concerning the plan
42 for auditing and the scope of audits to avoid duplication of effort
43 and undue disruption of the functions of agencies that are audited
44 pursuant to subsection 5.

45 11. Appoint a Manager of Internal Controls.



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1 **Sec. 3.** This act becomes effective on July 1, 2017.

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