PRESENTATION OF ASSEMBLY BILL 33 OFFICE OF THE NEVADA STATE CONTROLLER

Assembly Committee on Government Affairs

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Andy Matthews, State Controller

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State of Nevada
Office of the State Controller

OVERVIEW OF STATE CONTROLLER'S OFFICE (SCO) AUTHORITY AND ORGANIZATION

The Controller is the Chief Fiscal Officer for the State, elected to a four-year term. Authority is derived from the Nevada Constitution, Article 5, Section 19 and NRS 227.

The Controller is one of six constitutional officers and is accountable directly to the citizens of Nevada.

The Controller's Office has 46 team members, 2 non-classified positions and 44 classified positions, and is organized into four divisions:

- **Debt Collection**
- **Fiscal Operations**
- **Financial Reporting**
- **Information Technology**

CONTROLLER'S OFFICE DUTIES

- Prepares the Single Audit report, the Schedule of Expenditures of Federal Awards (SEFA), prior year audit findings, Treasury State Agreement (TSA), and the Cash Management Improvement Act (CMIA) annual report
- Prepares the financial statements for the Permanent School Fund, Annual Comprehensive Financial Report (ACFR) and the Popular Annual Financial Report (PAFR)
- Conducts reviews of agency financial transactions
- Administers the state's debt collection program
- Administers the state's vendor database
- Ensures compliance with state fiscal and federal revenue laws
- Provides state agency financial support and fiscal training
- Promotes transparency and accountability in state spending

ASSEMBLY BILL 33

This bill creates an Office of the Inspector General for the State of Nevada.

The Office of the Inspector General would have broad powers to audit any entity, including state agencies, local governments, and private entities, that receives money from the State of Nevada or any Federal Grant money subject to Single Audit requirements.

This bill addresses a gap in the State of Nevada's auditing capabilities. While Nevada currently has entities that focus primarily on performance auditing, the Office of the Inspector General would conduct forensic auditing.

WHAT ARE SOME REQUIREMENTS FOR AN INSPECTOR GENERAL?

- An Inspector General is an official responsible for overseeing and promoting accountability and integrity within government agencies and other entities that receive public money. The office is charged with identifying waste, fraud, abuse and misconduct in the use of public resources, and ensuring compliance with laws and regulations in the usage of that money.
- Chief responsibilities include auditing and investigating, promoting accountability, reporting and addressing misconduct in the use of public resources, recommending process and operational improvements, and promoting citizen trust in government
- Statutory independence is essential to ensuring the office's effectiveness.

ENVISIONING A NEVADA INSPECTOR GENERAL

- An Office of the Inspector General in Nevada should be based on successful efforts in other states to enhance their forensic auditing capabilities. Approximately 35 states currently have an Inspector General. This Office envisioned in this bill is based on the Office of the Inspector General for the Commonwealth of Massachusetts.
- The Office of the Inspector General would have the authority to audit any entity that receives money from the State of Nevada, including state agencies, local governments, school districts, state contractors and individual contracts, and other organizations, including non-profits, that receive funding from the state.
- These audits would be conducted for the purpose of identifying waste, fraud, abuse and misconduct in the use of public money, and recommending process improvements and changes to policies and procedures.
- These responsibilities would be different from those of the Governor's Division of Internal Audit and the Legislative Counsel Bureau Audit Division. The Office of the Inspector General would be fully independent and would have the authority to examine any entity without direction from any other official, including the Governor or Legislators. The Office would engage in forensic, rather than performance, auditing.
- The Inspector General would be responsible for providing an annual report on its activities and findings directly to the citizens of Nevada.

CHOOSING THE INSPECTOR GENERAL

- As outlined in this bill, the Inspector General would be chosen by a committee of three Constitutional Officers: the Lieutenant Governor, the Treasurer, and the Controller. Unanimous agreement would be required to approve the nominee, who would serve a four-year term from the appointment date.
- The Controller would identify and provide to this committee a list of 3-to-5 candidates, each of whom meets the qualifications detailed within this bill to serve as Inspector General. The candidate would be vetted by the Attorney General to ensure he or she meets all the criteria set out in this legislation.
- An incumbent Inspector General may be reappointed and would be automatically submitted as a candidate for consideration for reappointment by the Controller, unless it is determined the incumbent should not be recommended for reappointment.
- The Inspector General may only be removed by impeachment and conviction by the Legislature or voluntarily resignation. A vacancy in the Inspector General position would need to be filled in the same manner as prescribed above.

STRUCTURE OF THE NEVADA INSPECTOR GENERAL'S OFFICE

- This bill would establish multiple positions as part of the Office of the Inspector General. In addition to the position of Inspector General, the bill also creates the positions of Deputy Inspector General and Special Counsel. All of these positions would be in the unclassified service of the state.
- Other positions that may be created, depending on available resources, would be auditors, administrative staff and investigators. We would recommend an estimated total staff of 12 individuals for the Office to begin operations, including the three positions specified in the legislation.
- Additionally, the Inspector General would be able to contract with certified public accountants, qualified consultants or other professional experts deemed necessary to fulfill the Office's duties, within budgetary constraints.

LCB AUDIT CHANGE RECOMMENDATIONS

- Section 17.2 – Our Legislative Auditor recommends a change to the peer review process, updating this section to reflect a requirement for peer review by the Association of Inspectors General, which is better equipped to perform this function. The Association has an established peer review program with the most current professional standards.
- Section 12.1 – Our Legislative Auditor also recommend adding a section requiring the Office of the Inspector General to consult with the Legislative Auditor regarding auditing state agencies to avoid duplication and undue disruption, in the event a Legislative Audit has already been scheduled or is ongoing. Similar consultation was recommended between the Office of the Inspector General and the Governor's Division of Internal Audit as well.
- We believe these are meritorious recommendations, provided the communication regarding scheduling would be kept confidential among LCB Audit, the Governor's Division of Internal Audit, and the Office of the Inspector General.