

SENATE BILL NO. 173—COMMITTEE ON  
GOVERNMENT AFFAIRS

(ON BEHALF OF THE DEPARTMENT OF ADMINISTRATION,  
BUDGET DIVISION)

FEBRUARY 20, 2003

Referred to Committee on Commerce and Labor

SUMMARY—Exempts certain licensing boards from State Budget Act and certain provisions governing financial administration. (BDR 31-506)

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; exempting certain licensing boards from the State Budget Act and certain provisions governing financial administration; 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 353.005 is hereby amended to read as follows:  
2     353.005 The provisions of this chapter do not apply to boards  
3 created ~~[pursuant to]~~ *by the provisions of* chapters 623 to 625A,  
4 inclusive, 628, 630 to 640A, inclusive, 641 to 644, inclusive, **648,**  
5 654 and 656 of NRS *and NRS 590.485* and the officers and  
6 employees ~~[thereof.]~~ *of those boards.*  
7     **Sec. 2.** NRS 353A.020 is hereby amended to read as follows:  
8     353A.020 1. The Director, in consultation with the  
9 Committee and Legislative Auditor, shall adopt a uniform system of  
10 internal accounting and administrative control for agencies. The  
11 elements of the system must include, without limitation:  
12     (a) A plan of organization which provides for a segregation of  
13 duties appropriate to safeguard the assets of the agency;



- 1 (b) A plan which limits access to assets of the agency to persons
- 2 who need the assets to perform their assigned duties;
- 3 (c) Procedures for authorizations and recordkeeping which
- 4 effectively control accounting of assets, liabilities, revenues and
- 5 expenses;
- 6 (d) A system of practices to be followed in the performance of
- 7 the duties and functions of each agency; and
- 8 (e) An effective system of internal review.
- 9 2. The Director, in consultation with the Committee and
- 10 Legislative Auditor, may modify the system whenever he considers
- 11 it necessary.
- 12 3. Each agency shall develop written procedures to carry out
- 13 the system of internal accounting and administrative control adopted
- 14 pursuant to this section.
- 15 4. 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, **648**,
- 18 **654** and **656** of NRS ~~§~~ **and NRS 590.485**.
- 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
- 22 Industry.
- 23 (e) The Colorado River Commission of Nevada.
- 24 **Sec. 3.** NRS 353A.025 is hereby amended to read as follows:
- 25 353A.025 1. The head of each agency shall periodically
- 26 review the agency's system of internal accounting and
- 27 administrative control to determine whether it is in compliance with
- 28 the uniform system of internal accounting and administrative control
- 29 for agencies adopted pursuant to subsection 1 of NRS 353A.020.
- 30 2. On or before July 1 of each even-numbered year, the head of
- 31 each agency shall report to the Director whether the agency's
- 32 system of internal accounting and administrative control is in
- 33 compliance with the uniform system adopted pursuant to subsection
- 34 1 of NRS 353A.020. The reports must be made available for
- 35 inspection by the members of the Legislature.
- 36 3. For the purposes of this section, "agency" does not include:
- 37 (a) A board created by the provisions of chapters 623 to 625A,
- 38 inclusive, 628, 630 to 640A, inclusive, 641 to 644, inclusive, **648**,
- 39 **654** and **656** of NRS ~~§~~ **and NRS 590.485**.
- 40 (b) The University and Community College System of Nevada.
- 41 (c) The Public Employees' Retirement System.
- 42 (d) The Housing Division of the Department of Business and
- 43 Industry.
- 44 (e) The Colorado River Commission of Nevada.



1 4. The Director shall, on or before the first Monday in  
2 February of each odd-numbered year, submit a report on the status  
3 of internal accounting and administrative controls in agencies to the:

4 (a) Director of the Legislative Counsel Bureau for transmittal to  
5 the:

- 6 (1) Senate Standing Committee on Finance; and
- 7 (2) Assembly Standing Committee on Ways and Means;
- 8 (b) Governor; and
- 9 (c) Legislative Auditor.

10 5. The report submitted by the Director pursuant to subsection  
11 4 must include, without limitation:

12 (a) The identification of each agency that has not complied with  
13 the requirements of subsections 1 and 2;

14 (b) The identification of each agency that does not have an  
15 effective method for reviewing its system of internal accounting and  
16 administrative control; and

17 (c) The identification of each agency that has weaknesses in its  
18 system of internal accounting and administrative control, and the  
19 extent and types of such weaknesses.

20 **Sec. 4.** NRS 353A.045 is hereby amended to read as follows:

21 353A.045 The Chief shall:

22 1. Report to the Director.

23 2. Develop long-term and annual work plans to be based on the  
24 results of periodic documented risk assessments. The annual work  
25 plan must list the agencies to which the Division will provide  
26 training and assistance and be submitted to the Director for  
27 approval. Such agencies must not include:

28 (a) A board created by the provisions of chapters 623 to 625A,  
29 inclusive, 628, 630 to 640A, inclusive, 641 to 644, inclusive, **648**,  
30 654 and 656 of NRS ~~H~~ **and NRS 590.485**.

31 (b) The University and Community College System of Nevada.

32 (c) The Public Employees' Retirement System.

33 (d) The Housing Division of the Department of Business and  
34 Industry.

35 (e) The Colorado River Commission of Nevada.

36 3. Provide a copy of the approved annual work plan to the  
37 Legislative Auditor.

38 4. In consultation with the Director, prepare a plan for auditing  
39 executive branch agencies for each fiscal year and present the plan  
40 to the Committee for its review and approval. Each plan for auditing  
41 must:

42 (a) State the agencies which will be audited, the proposed scope  
43 and assignment of those audits and the related resources which will  
44 be used for those audits; and



- 1 (b) Ensure that the internal accounting, administrative controls  
2 and financial management of each agency are reviewed periodically.
- 3 5. Perform the audits of the programs and activities of the  
4 agencies in accordance with the plan approved pursuant to  
5 subsection 5 of NRS 353A.038 and prepare audit reports of his  
6 findings.
- 7 6. Review each agency that is audited pursuant to subsection 5  
8 and advise those agencies concerning internal accounting,  
9 administrative controls and financial management.
- 10 7. Submit to each agency that is audited pursuant to subsection  
11 5 analyses, appraisals and recommendations concerning:
- 12 (a) The adequacy of the internal accounting and administrative  
13 controls of the agency; and
- 14 (b) The efficiency and effectiveness of the management of the  
15 agency.
- 16 8. Report any possible abuses, illegal actions, errors, omissions  
17 and conflicts of interest of which the Division becomes aware  
18 during the performance of an audit.
- 19 9. Adopt the standards of the Institute of Internal Auditors for  
20 conducting and reporting on audits.
- 21 10. Consult with the Legislative Auditor concerning the plan  
22 for auditing and the scope of audits to avoid duplication of effort  
23 and undue disruption of the functions of agencies that are audited  
24 pursuant to subsection 5.
- 25 11. Appoint a Manager of Internal Controls.
- 26 **Sec. 5.** NRS 218.825 is hereby amended to read as follows:  
27 218.825 1. Each of the boards ~~[and commissions]~~ created by  
28 the provisions of chapters 623 to 625A, inclusive, 628 , *630 to*  
29 *640A, inclusive, 641* to 644, inclusive, ~~[and 641C,]~~ *648*, 654 and  
30 656 of NRS *and NRS 590.485* shall engage the services of a  
31 certified public accountant or public accountant, or firm of either of  
32 such accountants, to audit all its fiscal records once each year for the  
33 preceding fiscal year or once every other year for the 2 preceding  
34 fiscal years. The cost of the audit must be paid by the board ~~for~~  
35 ~~commission~~ audited.
- 36 2. A report of each such audit must be filed by the board ~~for~~  
37 ~~commission~~ with the Legislative Auditor and the ~~[director of the~~  
38 ~~budget]~~ *Chief of the Budget Division of the Department of*  
39 *Administration* on or before December 1 of each year in which an  
40 audit is conducted. All audits must be conducted in accordance with  
41 generally accepted auditing standards , and all financial statements  
42 must be prepared in accordance with generally accepted principles  
43 of accounting for special revenue funds.
- 44 3. The Legislative Auditor shall audit the fiscal records of any  
45 such board ~~for commission~~ whenever directed to do so by the



- 1 Legislative Commission. When the Legislative Commission directs
- 2 such an audit, ~~the~~ *the Legislative Commission* shall also determine
- 3 who is to pay the cost of the audit.
- 4 **Sec. 6.** This act becomes effective on July 1, 2003.

