

Audit Highlights



Highlights of Legislative Auditor report on the State Board of Finance, issued on May 15, 2008.
Report # LA08-14.

Background

The State Board of Finance was created in 1919. The Board consists of the Governor, State Controller, State Treasurer and two other members appointed by the Governor for terms of 4 years each. One of the appointed members must be engaged in commercial banking. The State Attorney General is the legal adviser and the Chief Deputy State Treasurer is the Ex Officio Secretary of the Board.

Primary duties of the Board include approving the investment policies of the State Treasurer, issuing and redeeming securities on behalf of the State, and approving the debt issuances of state agencies.

Purpose of Audit

The purpose of this audit was to determine if the State Board of Finance complied with laws and regulations applicable to the Board. This audit included activities of the State Board of Finance for fiscal year 2007.

Audit Recommendation

This audit report contains one recommendation for the Board to adopt regulations that establish minimum standards for cities and consolidated municipalities to lend securities from their investment portfolio.

The Board accepted the one audit recommendation.

Status of Recommendation

The Board's 60-day plan for corrective action is due on August 11, 2008. In addition, the six-month report on the status of the audit recommendation is due on February 11, 2009.

State Board of Finance

Results in Brief

The State Board of Finance substantially complied with laws and regulations significant to its activities. This includes approving investment policies established by the State Treasurer, reviewing and approving the issuance of bonds, and conducting meetings in compliance with state open meeting laws. However, we found the Board has not adopted certain regulations related to establishing standards for granting authorization to smaller cities and municipalities for lending securities from their investment portfolio. These regulations have been required since 1999.

Principal Findings

The State Board of Finance has not adopted certain regulations related to establishing standards for granting authorization to smaller cities and municipalities for lending securities from their investment portfolio. These regulations have been required since 1999. NRS 355.178(5) requires the Board to adopt regulations that establish minimum standards for cities or consolidated municipalities whose populations are between 25,000 and 150,000. Regulations in this area would advise these local governments what is required before entering into complex security lending transactions and approaching the Board for approval.