



**STATE OF NEVADA  
EXECUTIVE BRANCH AUDIT COMMITTEE**

209 E. Musser Street, Room 302 | Carson City, NV 89701-4298  
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**MINUTES**

**DATE AND TIME:** June 20, 2017, 10:00 AM

**LOCATION:** Old Assembly Chambers of the Capitol Building  
101 N. Carson Street,  
Carson City, Nevada 89701

**VIDEO CONFERENCE LOCATION:** Grant Sawyer State Office Building  
555 E. Washington Avenue, Ste. 5100  
Las Vegas, Nevada 89101

**MEMBERS PRESENT:**

Governor Brian Sandoval, Chairperson  
Lieutenant Governor Mark Hutchison (via Las Vegas location)  
Secretary of State Barbara Cegavske (via Las Vegas location)  
Controller Ron Knecht  
Attorney General Adam Paul Laxalt  
Trudy L. Cross, CPA, Public Member

**1. CALL MEETING TO ORDER, ROLL CALL, REMARKS**

Governor Sandoval called the meeting to order.

**2. PUBLIC COMMENT** (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The committee may place reasonable restrictions on the time, place, and manner of public comments but may not restrict comments based upon viewpoint.)

There was no public comment.

**3. FOR POSSIBLE ACTION – APPROVAL OF THE FEBRUARY 22, 2017  
EXECUTIVE BRANCH AUDIT COMMITTEE MEETING MINUTES**

There were no changes.

**Motion:** Move for approval of the minutes of February 22, 2017.  
**By:** Secretary of State Cegavske  
**Second:** Attorney General Laxalt  
**Vote:** Motion passed unanimously

**4. INFORMATION ITEM – PRESENTATION OF THE DIVISION’S AUDIT REPORTS PURSUANT TO NRS 353A.085 (TAB 3)**

- A. Department of Administration, Report No. 17-04 – Division of Enterprise Information Technology Services, Lori Hoover, Executive Branch Auditor

Lori Hoover introduced herself as the Executive Branch Auditor. Ms. Hoover was joined by Director Patrick Cates, representing the Department of Administration, and Ms. Shannon Rahming, Enterprise IT Services Chief Information Officer.

Ms. Hoover explained, at the direction of the Executive Branch Audit Committee, an audit was performed of Enterprise IT Services (EITS). This was the first of two planned audits. The first audit focused on EITS’ technology investment request or TIR Process. The second audit will focus on the role for EITS and IT Services statewide.

Ms. Hoover continued, in the first audit, four recommendations were made to improve the TIR Process. First, it is recommended that EITS broaden the TIR Review by including subject matter experts such as EITS Section Chiefs and having IT Strategic Planning Committee meet more often to review and rank all TIRs. This ensures TIRs are reviewed for technical and program elements which might affect the agency and EITS resources and IT infrastructure. This will also guarantee TIR objectives are aligned with the Governor’s goals and priorities and linked to the Agency’s strategic and business plans. Second, it is recommended that EITS update the statute and other guidelines related to TIRs to ensure agencies are aware of TIR Requirements. Third, it is recommended that EITS formalize their TIR policies and procedures to ensure consistency in the TIR review process. The last recommendation is for EITS to collect summary data to identify enterprise-wide opportunities to help avoid duplication of efforts and systems and determine the overall technology direction of the State.

Ms. Hoover thanked Director Cates, CIO Rahming, and the Department and Division Staff for their time and assistance during this audit.

Governor Sandoval stated, that is why I love this process because I learn something new every time we do an audit. The TIR Administrator represents that he has never denied a TIR. Governor Sandoval asked Ms. Hoover, how many TIR requests had been approved over the past four years?

Ms. Hoover answered, when the list was requested, EITS was not currently keeping track of any interim TIRs submitted. During this formal budget process, they approved about 24 TIRs and the prior budget was about 18.

Governor Sandoval asked Ms. Hoover for more detail with regard to subject matter experts being a part of this approval process?

Ms. Hoover answered, it is difficult for one individual to have all the expertise needed in any subject, but especially for information technology. EITS has different sections that have chiefs such as networking communication. Those individuals would have more knowledge and more current up-to-date information to review the TIRs and ensure TIRs are going the direction that the state needs to go.

Governor Sandoval asked Ms. Hoover if she monetized what the amount of those TIR requests are?

Ms. Hoover answered, no, but I can get you that information.

Governor Sandoval stated, I imagine it is tens of millions of dollars, and asked Mr. Cates for clarification.

Mr. Cates stated, I do not know the exact number but it is certainly in the tens of millions of dollars. We are thankful for the Executive Branch Audit Team and the recommendations that they made. We recognize that the process currently in place is deficient and has been for a long time.

Mr. Cates explained, that before the great recession, EITS had an actual planning unit composed of several individuals. The planning unit was about a half dozen people and the process, when they administered it, was a lot more rigorous and there was more review. When those functions were lost, as they cut budgets, it really came down to one person's part time job to make sure that the paperwork was filed.

Mr. Cates stated, a lot of emphasis was placed on the IT Strategic Planning Committee, ranking those projects in some priority order only during the biennial process for budgeting. Then in the interim, the TIR Administrator would try to make sure that if agencies had an IT project, they completed the paperwork. It was strictly a way of completing the paperwork and having one list of where there were IT projects being approved by the state. We don't think that's adequate, and since I took over as Director, EITS has talked a lot about how to solve that.

Mr. Cates explained, we have been engaging with IT TAB, the IT Technology Advisory Board, to try to find some direction, and the recommendations that they made are exactly the direction that EITS wants to go. Part of it is resource constraints. Since EITS does not have a planning unit, perhaps they can use the Division Chiefs that have expertise in their areas, with the network being a big one. If an agency wants to have an IT project that's going to require use of an online application out in the cloud somewhere, there needs to be enough bandwidth to be able to get to that, sometimes agencies do not consider that.

Mr. Cates stated, we will make as many policy changes as we can to make this system more robust. We do not want to ask for more resources to do this. There were some positions that were slated to be eliminated in the budget that are policy type positions in EITS and the Legislature retained those. We want to have those positions help with this process and involve those Chiefs so we can do a more thorough review.

Mr. Cates stated, there is also a little bit of a challenge in how EITS works with other agencies. There are agencies that have, in statute, an exemption from EITS services. One could interpret NRS to mean that certain agencies do not need to submit their TIRs if they have that exemption. We do not believe that, but the way the law is written, it is not clear. And you have shops, very large agencies, that have big IT shops and there is a little bit of political turf there in who has the authority to look at their projects and who has the expertise and does not. EITS has a critical, central role in that process. We don't want to manage their projects but we need to make sure that they are well vetted and well thought out. We can do that through policy and the recommendations made by the audit team.

Governor Sandoval commented, as TIRs come up through the process, is there a plan to get some other folks trained, in addition to these subject matter experts, who will back up the individual who approves all of these?

Ms. Rahming answered, we have a deputy who is backing up the TIR Administrator so there is a second person in there, and we also will have subject matter experts (SME) in there. It is a part-time job for the deputy, but at least they have two sets of eyes and if there is anything that looks significant, then they pull me and all of the other SMEs into it.

Governor Sandoval commented that he was astounded by the fact that a TIR has never been denied.

Mr. Cates replied, while that individual has not denied a TIR, TIRs are reviewed and sometimes they do encounter issues with infrastructure or something and cannot be implemented. There is communication that goes back to the agency. I can think of circumstances where agencies have reconsidered TIRs or maybe reconfigured them based on EITS input. The IT Strategic Planning Committee is also an important part of the review because they rank the TIRs by priority which assists the Budget Division with decision-making of the funding the TIRs. However, what we need and are missing is the technical vetting of the TIRs.

State Controller Knecht commented that this is a fine audit and he is appreciative of a job well done. In addition, State Controller Knecht reflected on three areas of concern including the process, subject matter expertise, and security.

State Controller Knecht noted, that if we follow these recommendations, we are increasing the process substantially. This concerns me because government tends to be too heavy on process. I am happy to hear Director Cates say that he thinks we can do this without

any additional personnel. That's the first concern about extending process. Please do let us know.

State Controller Knecht stated, that on the subject matter expertise, it's a kind of a double-edged sword. There are a lot of agencies that do not have the expertise and that benefit from the TIR review and that is great. On the other hand, the nature of Information Technology is that it is metastasizing; it is developing all over the place. And even your subject matter experts cannot have full knowledge of everything that is going on and everything they would like to bring to the task.

State Controller Knecht stated, there should be a two-way learning process here between the agencies. What I worry about at one level is slowing up those unique individuals who are in the agencies, who can make things happen quickly. I am concerned that we understand both edges of that sword and that we have an expeditious process when you see something new and something novel and creative that we encourage them to go fast because the public and the taxpayers will benefit from that. The reason that ultimately I am comfortable with extending the process here is, the thing we all worry about is safety and security. I am comforted by the safety and security aspects of the extended TIR review. With that, I will just end there and say again, a fine job and happy to support this.

Member Trudy L. Cross (Member Cross) asked, if EITS was going to look at other agencies, other governments and see who is doing this better. I am hoping this is not a unique situation to Nevada. I am hoping there are some best practices out there or that maybe the Department is part of a professional group where you talk about these things because there are millions of dollars at stake.

Member Cross stated, I am not against extending the process if it's going to save millions of dollars. Member Cross asked the auditors what their next audit is going to cover.

Mr. Loman answered, we are looking at that whole breadth of issues you described. We have already started looking at other states. The Division and the Department have been very gracious and are helping in that process; making us aware of information they are aware of, initiatives in other states that they are aware of and areas we are going to look at it. Our focus will be very broad.

Member Cross asked Mr. Cates if they are part of a professional association of IT Directors or something?

Mr. Cates answered, yes and further explained that there is a National Association of State CIOs, which Ms. Rahming is a member of. There is also a National Association of State Chief Administrators that I am a member of. Those two organizations, along with NASPO, which is the Purchasing Organization, work in conjunction and the themes and things that they have been working on a lot lately are the procurement of IT, shared services, more consolidation of shared services amongst states.

Member Cross asked, on your recommendation for subject matter experts, would you see those as being staff hired by the agency or contractors on an as-needed basis.

Mr. Loman answered, we see those as existing staff managers that are there in the agency now.

Attorney General Laxalt asked if there was an explanation for why 100% of these have been approved over the last few years.

Mr. Cates answered, as I said, that comment relates to the one individual who is collecting the paperwork. That individual has not rejected a TIR. What they have done is worked with agencies to improve the TIR, to beef it up, make sure it's addressing the things it needs to address.

Mr. Cates noted, the IT Strategic Planning Committee ranks those projects. Although they do not formally deny any, their ranking informs the Budget Office so that maybe out of those 24, you might have 15 that actually get approved. So, it's not really the staff that is denying it, it's more of the vetting process between the Committee and the Governor's Office.

Attorney General Laxalt commented, I want to know whether EITS' role is to say yes or no, or whether it is more to steer that it's proper within the larger system.

Mr. Cates replied, EITS' role is to make sure that the justifications for the project, the business case for that project, and the technical needs for that project have been well articulated. That is EITS staff role. It is the IT Strategic Planning Committee that then needs to review those final projects and make recommendations as to whether projects go forward or not. I believe the IT Strategic Planning Committee (ITSPC) needs a more robust role.

Governor Sandoval commented, there is a very strict vetting process to make sure that when they do get to Mr. Wells and the Budget Office and ultimately to the Governor's Office for final approval and inclusion in the budget, there have been several eyes on these specific projects with expertise to determine the needs of the State. In addition, although there have been none that have been rejected, it is because they have been fixed. If there was a problem, they get sent back and they go through that process in terms of determining what the best technology is for the best price.

Secretary of State Cegavske thanked Mr. Cates and his team and stated, I am very happy with the process of what you have been doing for us because we have asked for the expertise and the help, not only from that Division, but also Mr. Wells and his team. This audit is wonderful because you have been able to find a few areas where you can improve the technique of what is going on. Right now, in our technology world, I think that it is very important for us to keep looking at how we can improve what we do. I do think that EITS does an admirable job and adding eyes to it will help enhance and improve what is already

being done. I just wanted that on the record that we have had a very good experience from the time I have been in office.

Lieutenant Governor Hutchison commented on the good and solid work that has taken place. Lieutenant Governor Hutchison added, the recommendation just talks about including subject matter experts. The audit itself talks about a much more robust role for ITSPC to play in this process and if the ITSPC should play a more prominent role, then should it meet more often as recommended?

Lieutenant Governor Hutchison asked, what does the ITSPC structure looks like? Does it include all executive directors or just selected directors who are on the ITSPC?

Mr. Cates answered, the composition of the IT Strategic Planning Committee is basically appointed by the Governor. There is not a statute that requires a certain composition. It is not every executive director. It is a sampling of directors. I am on it. Director Wells has served on it this last session. NDOT, DHHS, Corrections, and most of the big agencies serve on the Committee. In the session prior to last, certain agencies were nominated to participate, their directors were invited, and their directors delegated it to a deputy or an administrative services officer. We personally reached out and asked them to participate because the purpose of the Committee was to make strategic decisions and we did not think that should be delegated.

Lieutenant Governor Hutchison commented on the busy work schedules of directors and asked, if auditors received any input from these directors and if they can handle a quarterly meeting, or a weekly meeting or however often you are going to have them meet? You have got, as members of this ITSPC, some of the busiest people in government who now are being asked to meet more often. Is it practical to expect then to add one more thing to an already very busy government servant?

Mr. Loman answered, we did look at that and that is one of the reasons it is a vague recommendation on meeting more often because we do not want to tie down these busy folks. They are very high-level, very busy people, but we saw it as dealing with potentially lots of state dollars and lots of important decisions on the strategic direction of IT services in the state.

Lieutenant Governor Hutchison asked, who is the decision maker in terms of how often ITSPC meets?

Mr. Loman answered, we would leave that to the Department of Administration and EITS who are running that process and who have the TIRs and can determine if they can wait for three months to meet.

Lieutenant Governor Hutchison commented, I would just recommend, on that first recommendation to try to broaden it a little bit to include more than just TIR review to include subject matter experts, and really include this ITSPC robust involvement in the

process. Maybe we could broaden that a little bit more and understand if we are actually going to make progress there.

**5. FOR POSSIBLE ACTION – APPROVAL OF THE DIVISION’S ANNUAL AUDIT PLAN PURSUANT TO NRS 353A.038 (TAB 4)**

Governor Sandoval asked for questions or comments regarding the Internal Audit Division’s Annual Audit Plan.

Controller Knecht asked why we chose boards and commissions for administrative policy review?

Mr. Weinberger stated, this is the result a hotline call that dealt with the issue of no controls or oversight over the compensation paid to executive directors and other administrative staff. It is also the result of AB-457, which was just signed into law, and has a clause requiring certain boards and commissions to establish policies concerning compensation and reviewing staff performance.

Controller Knecht asked, if part of the scope will be the review of the procedures for establishing such administrative positions and the compensation levels to see that they are consistent with the rest of state practice.

Mr. Weinberger answered, we are definitely going to look at the procedures they set up, whether or not they are complying with them, and we do want to evaluate them too. As far comparing them to executive branch agencies included in the budget, that is a possibility.

Controller Knecht commented, as the rest of today's agenda will emphasize, your charge is performance-oriented auditing, not so much pure compliance auditing, but there is not a really sharp line between them and sometimes when you do a performance audit, you come up with compliance and consistency issues. I think this is a very timely, very useful, very important thing that we ought to be doing, precisely because this part of the administrative state seems to, at the state level as well as the federal level, want to become a law unto itself. So, I enthusiastically support this.

Attorney General Laxalt commented, I understand your reticence to compare an executive director to, in some way, what people make on the state-side. I think it would be helpful to at least have a comparison of what all of those executive directors are making in, at least, that universe.

Mr. Weinberger asked, does that mean comparing them to other boards and commissions too?

Attorney General Laxalt confirmed and added, I would like to see executive director of one board versus executive directors of other boards. It may be that X is a larger board and it does make sense to make a lot of money, or it may turn out that one is a very tiny board and they also make a lot of money. That would be helpful for us to see.



Attorney General Laxalt asked, will the audit include some of these outside counsel contracts and some of these larger folks that are brought on the board that are staff for all essential purposes in providing major functions in the board and commission?

Mr. Weinberger confirmed that it can and noted it is a good possibility.

Attorney General Laxalt asked, this one is estimated for December 2018, could we make it sooner?

Mr. Weinberger answered, this is an action item, and possible action is for the Committee to either request additional audits or revise this schedule.

Governor Sandoval asked, what is realistic? I agree with the Attorney General, but do not want to move it up too much so that there is not enough time to thoroughly vet this. The earliest I would like to see is perhaps June of 2018 and that will assist in putting together the budget for the next biennium.

Mr. Weinberger stated June of 2018 will work.

Governor Sandoval asked Attorney General Laxalt if that was satisfactory.

Attorney General Laxalt confirmed.

Governor Sandoval asked, by expediting the presentation or the findings of the audit for the boards and commissions to June of 2018, will that alter the schedule on any of these ongoing audits?

Mr. Weinberger answered, there is a good possibility of that. I would have to really look into it deeper, but there is a chance of that.

Governor Sandoval instructed Mr. Weinberger, move the boards and commission audit to June of 2018 and we can revise the plan for other audits if needed in the October Committee meeting.

Mr. Weinberger confirmed.

Controller Knecht asked for a description of the scope for the Division of Environmental Protection Conservation and Natural Resources Audit.

Deputy Attorney General Buoncristiani stated, the audit is the result of a referral from a fraud hotline call, and in accordance with NRS 353A.049, the caller's identity is to remain confidential. At this point in time, it is difficult for Mr. Weinberger to expand on the scope because he is trying to protect the identity of the person who made the referral. I would be happy to read that section to you if you would like me to.

Controller Knecht declined the reading of the section.

**Motion:** Move to approve the Division's Annual Audit Plan with the amendment to change the estimated completion date for the Boards and Commission Audit to June of 2018  
**By:** Secretary of State Cegavske  
**Second:** Attorney General Laxalt  
**Vote:** Motion passed unanimously

**6. FOR POSSIBLE ACTION - APPROVAL OF DIVISION'S AUDIT POLICIES AND PROCEDURES - DESK MANUAL (NRS 353A.038) (TAB 5)**

Mr. Weinberger stated, NRS 353A.038 requires the Committee to approve the Internal Audit Division's (division) policies and procedures regarding how we perform our audits. Per NRS 353A.045, we are also required to follow the standards of the Institute of Internal Auditors.

Mr. Weinberger stated, we modified our policies and procedures to incorporate recent changes that were released last January by the Institute of Internal Auditors. We also made some changes as a result of our Self-Assessment and the Independent Validation of the Self-Assessment. All of the additions are highlighted in blue, deletions are in red.

Controller Knecht commented, on Page 2, at the bottom, the third line from the bottom it states, the internal audit must be free from internal interference in determining the scope of internal auditing. If you talk about interference by the Governor, for example, my understanding is that it's really his business as the State's Chief Executive and the Executive over the audit to give some policy, direction, and guidance. I would not consider that interference. My question is interference by whom? At what level?

Mr. Weinberger answered, interference, in this case, applies to agencies and agency management. The Governor being the Chief Executive Officer of the State is actually the person that, per the standards of the Institute of Internal Auditors, we are supposed to report to. We have a dual-reporting structure as we report operationally to the Committee and administratively to the Director of the Governor's Finance Office, which is part of the Governor's Office. The dual reporting structure is consistent with the standards of the Institute of Internal Auditors.

Controller Knecht stated, on Page 7, the last line in red says, "additionally, the reports should include", that line does not have a strikethrough. Shouldn't that be in black because that is part of the continuing text?

Mr. Weinberger confirmed.

Controller Knecht asked, on Page 8, the table titled, Agency Funding Risk Values for Funding, has been struck out, can you explain to me how the audit plan and the risk issues will work?

Mr. Weinberger answered, the reason I took this table out is because this table basically uses static risk values. I changed those values and now the calculation is based on the percentage of their total budget for that group. For example, if there are nine agencies that have a total budget that exceeds \$250M, and I add up the total budget of those nine agencies, and divide that by the total budget for the state and it comes out to say 80%, they get 80 points. So, it's going to change every time. In fact, I will be doing a new schedule now that we have new budget numbers coming out. As soon as I have access to them, I will redo the schedule and present it to the Committee in October. That's the main reason I took this out because although I am pretty much using a lot of the same increments, but the risk points will change based on the new budget amounts.

Controller Knecht asked, by switching from absolute dollar amounts to percentage amounts and that sort of thing, relative measures, we still get essentially the same results but we don't have to update the table every two years?

Mr. Weinberger confirmed.

Member Cross asked, when was the last time the manual was updated?

Mr. Weinberger answered, when I first took over this position, I looked at this manual and requested several changes to it. It is really kind of a living document. The tough part is, I cannot make changes without bringing it to the Committee for approval, so I cannot just change it anytime I want. I believe the last change was in 2013.

Mr. Weinberger stated, the Institute of Internal Auditor standards, which was one of the main reasons we changed all of this, actually haven't changed since then either. They came out with new standards in 2017.

Governor Sandoval asked, would you define these as model standards? These are pretty uniform throughout the country with regard to internal audits?

Mr. Weinberger answered, that is correct; these are standards that are supposed to be adopted by internal audit entities throughout the country.

Governor Sandoval asked, what do you think is important? What are we going to see different from what we see now?

Mr. Weinberger answered, I think a lot of these changes really have no effect on the way we operate. I think the most important parts of the Internal Audit Standards are independence, where you are positioned within the entity, and having to use professional and due care when you do your work and we have always satisfied those requirements.

Lieutenant Governor Hutchison asked, what does an internal assessment looks like? Are they spot checking?

Mr. Weinberger answered, an example of the internal assessment is in Tab 7. The standards require you do the internal assessment periodically. We have chosen to do that once every two years. The standards also require what they call, an independent validation of the self-assessment we do. That's actually in Tab 8. The standards have a specific time period for the validation that is once every five years. Like you said, these involve spot checking, but none of these issues have anything to do with the accuracy of the report.

Lieutenant Governor Hutchison asked, you reference here that all of the reports will indicate that the activity, the audit activity, is to conform to international standards or professional practice of internal auditing. I can only assume, as the Governor says, those are model standards, and more to the point, the purpose of those model standards is to allow people to have confidence in the conclusions that are being reached by these audits because a standard set of internal auditing procedures and protocols that is widely accepted within the industry, is being used when you conduct these audits. Is that all correct?

Mr. Weinberger answered, that is correct and that is the purpose behind these standards.

Lieutenant Governor Hutchison asked, I know that our goal is, and your goal is, all of our goals are to follow these standards so that we can have the trust, the confidence and the conclusion, but then we say, we're only going to follow this, we are only going to certify this, so to speak, conform with these standards, only if the results of quality assurance and Prudent Program supports such a statement. Why would we qualify it that way?

Mr. Weinberger answered, we really cannot put a statement on the audit reports saying it was performed in accordance with the standards if we are not in compliance. In the two reviews you see in this folder, there were some exceptions noted, but they concluded that we were in compliance.

Lieutenant Governor Hutchison asked, can you think of a reason on a go-forward basis that the audits in the future would not be able to state their conformity with the international standards referenced in this section?

Mr. Weinberger answered, the standards require certain elements be present as far as planning the audit, you have to ensure that you plan the audit properly, and supervising the audit, the staff that is actually doing the work is supervised so they are looking at what they are supposed to look at and any evidence they are supposed to gather. That is kind of the backbone of our policies and procedures. As long as we follow that, I don't anticipate ever encountering a situation where I can't put that statement on the report.

Lieutenant Governor Hutchison noted that Secretary of State Cegavske had left the meeting due to having another appointment. The Secretary of State left at approximately 10 minutes after 11 a.m., an hour and ten minutes into the meeting.

**Motion:** Move for approval of the Division's Audit Policies and Procedures to the Desk Manual  
**By:** State Controller Knecht  
**Second:** Lieutenant Governor Hutchison  
**Vote:** Motion passed unanimously

Governor Sandoval noted that Secretary of State Cegavske did not participate in this vote as she left the meeting for a prior commitment.

**7. FOR POSSIBLE ACTION - APPROVAL OF DIVISION'S CHARTER (NRS 353A.045) (TAB 6)**

Mr. Weinberger stated, we are presenting this for the same reasons we presented the policies. As a result of some of the new standards, we had to make some changes to the Charter. The Internal Audit Standards require that the Committee approve the Internal Audit Charter. As you can see, additions are highlighted in blue and deletions are in red.

Governor Sandoval asked, what is our biggest take away for this?

Mr. Weinberger answered, the biggest change in the standards was that the Institute of Internal Auditors developed ten core principles. They have always had these standards that were just basically administrative rules that you have to follow, but now they developed ten core principles. If you follow the standards, you will be compliant with the core principles. As far as the effect on us and our division, really nothing, but we're required to comply with the standards and that's why I am presenting this today.

Governor Sandoval asked, what is the number one core principle?

Mr. Weinberger answered, number one is demonstrates integrity.

Governor Sandoval stated, that is a good place to start with auditing and asked if any others should be highlighted?

Mr. Weinberger replied, competence and due professional care, objective and free from undue influence. Mr. Weinberger added, another is, appropriately positioned and adequately resourced. We are appropriately positioned in this entity according to the standards.

Lieutenant Governor Hutchison stated, this addition on Page 1 is absolutely essential in terms of confidence level, the trust that we, as well as the system have that the division is going to govern itself with these mandatory revisions of these standards and practices that ensure that there is high-quality and high level of competency. I applaud the addition of this paragraph to the chart.

Governor Sandoval noted that on Purpose on Page 1 of 6, there is a period missing.

Mr. Weinberger stated it will be corrected.

**Motion:** Move for approval of the Division's Charter  
**By:** Attorney General Laxalt  
**Second:** Trudy Cross  
**Vote:** Motion passed unanimously

**8. INFORMATION ITEM – PRESENTATION OF DIVISION'S SELF ASSESSMENT (NRS 353A.045) (TAB 7)**

Mr. Weinberger stated, this is a result of the requirement of the Institute of Internal Auditors that we perform a periodic self-assessment. Our internal procedures require us to do this once every two years. This one is for the year ending June 30, 2015. I can answer any questions if the Committee has any.

Lieutenant Governor Hutchison commented, on Page 7 it states, it is our opinion that the Division generally conforms. Lieutenant Governor Hutchison asked, is there a reason we say, generally conforms?

Mr. Weinberger answered, if you look at Page 5, those are the three definitions and, generally conforms, is the top one.

Lieutenant Governor Hutchison asked, that means our division and what we are doing with our audits meets the high standards?

Mr. Weinberger confirmed and added, we meet the standards as denoted by the Institute of Internal Auditors.

**9. INFORMATION ITEM – PRESENTATION OF DIVISION'S SELF ASSESSMENT INDEPENDENT VALIDATION (NRS 353A.045) (TAB 8)**

Mr. Weinberger explained, the standards require once every five years that we have someone independently validate our self-assessment and that is what this report is. I can answer any questions.

Governor Sandoval asked, is this the audit of the auditors?

Mr. Weinberger confirmed.

Lieutenant Governor Hutchison asked, who is Michael Colburn and what are his qualifications to perform this work?

Mr. Weinberger answered, Michael Colburn is a CPA. He actually worked for our organization several years ago, and he works for the federal government right now in the

capacity of internal audit. He has lots of experience and is more than qualified for the requirements of performing this.

Controller Knecht asked, you said he now works for the federal government, but he also does private practice on the side? Do I understand correctly?

Mr. Weinberger confirmed.

#### **10. COMMITTEE MEMBER'S COMMENTS**

There were no comments.

**11. PUBLIC COMMENTS** (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The committee may place reasonable restrictions on the time, place, and manner of public comments but may not restrict comments based upon viewpoint.)

There were no comments.

#### **12. FOR POSSIBLE ACTION – ADJOURNMENT**

Governor Sandoval adjourned the meeting.