

-2400 Division of Internal Audits

2401 Overview

The Division of Internal Audits (Division) consists of:

1. ~~1. Internal Audits~~ Executive Branch Audits -- audits agencies' programs and state wide processes, such as contracting, debt collections and use of federal funds, to improve efficiency and effectiveness; ~~Audits state wide processes such as contracting, debt collections, and use of federal funds to improve effectiveness. Additionally, Internal Audits~~ Executive Branch Audits reviews the implementation status of Legislative audit recommendations. Trains agency personnel in internal controls and assists agencies with developing written fiscal policies and procedures.
- ~~2. 2. Financial Management~~ - trains agency personnel, and assists agencies with their written fiscal policies and procedures.
2. ~~3. Post-Compliance Review~~ -- examines agencies' internal processes, and transactions and ~~internal processes~~ to determine agency's adequacy of internal controls and compliance with fiscal laws, regulations, ~~internal control standards,~~ and guidelines.

2402 Internal Audits Executive Branch Audits

Audits

1. ~~1. NRS 353A.075~~ 353A.075 provides which records and information must be made available to ~~Except as otherwise provided in section 2 below, upon the request of a representative of the Division, all officers and employees of each Executive Branch agency shall make available to the Division all books, accounts, claims, reports, vouchers or other records of information, confidential or otherwise, in the possession or control of the agency.~~
- ~~2. 2. This section does not authorize the Division to have access to any records required to be kept confidential pursuant to NRS 665.130 and 668.085.~~
2. ~~3. NRS 353A.085~~ 353A.085 outlines the submission of preliminary findings and recommendations to the audited agency and the timeframe for and contents of the agency response to the findings and recommendations. Agencies should ~~Within 10 working days after receipt of the preliminary audit findings and recommendations, the head of the audited agency shall provide a written response to the Chief Administrator of the Division of Internal Audits. The response shall include a written statement of acceptance, explanation or rebuttal concerning the findings, and a timetable for addressing~~ implementation of any findings or the recommendations in their response. This statute also provides that a final report be submitted to the Executive Branch Audit Committee (Committee) and the head of the audited agency.
3. NRS 353A.055(2) ~~353A.055(2)~~ addresses limitations of the Division to provide certain services.

4. NRS 353A.085(3) ~~353A.085(3)~~ and 353A.100 ~~353A.100~~ provide for the confidentiality of reports and working papers of the Division.

~~4. The Administrator Chief of the Division of Internal Audits shall submit a final report to the Executive Branch Audit Committee and the head of the audited agency.~~

Follow-ups

~~5. NRS 353A.090 ~~353A.090~~ requires t~~within six months after the audit report is submitted the Administrator of the Division (Administrator) to inform the Executive Branch Audit Committee and the head of the audited agency if appropriate corrective actions are being taken. In order to meet the statutory deadlines, forty-five (45) days prior to the six month reporting deadline. ~~W~~within five months after the final report is submitted, and annually on May 31 if the agency has any outstanding recommendations, the agency will provide a recommendation status report with supporting documentation to the Administrator~~Chief of the Division of Internal Audits~~. The report should outline the actions taken to implement each ~~r~~ recommendation. Additionally, when recommendations are not fully implemented, the agency shall provide revised dates of completion. ~~The Division of Internal Audits will continue to follow-up with the agency annually until recommendations are fully implemented or deemed no longer applicable.~~ Recommendation status shall be described as:

- ~~a.~~ a. Fully implemented – the agency took all actions necessary to satisfy the recommendation as of the date of the status report.
 - ~~b.~~ b. Partially implemented – the agency took some actions to satisfy the recommendation, but not all necessary actions to implement the audit finding as of the date of the status report.
 - ~~b.~~ b. No action – the agency did not take any action on the recommendation as of the date of the status report.
 - ~~c.~~ c.
- ~~The Division will continue to follow-up with the agency annually until recommendations are fully implemented or deemed no longer applicable. The Administrator will report the results of annual follow-ups to the Committee and the head of the audited agency.~~

Training and Internal Controls

- ~~c. 6. Within six months after the final report is submitted to the Executive Branch Audit Committee and annually after May 31, the Chief of the Division of Internal Audits Administrator shall determine the status of the recommendations. The Administrator Chief shall then inform the Executive Branch Audit Committee and the head of the audited agency of the status of each recommendation.~~
1. Provides trainings to agency personnel responsible for administrating budgetary accounts pursuant to NAC 353A.100. Training results are summarized in a separate report to each agency.

~~i.~~

- ~~1. Develops, documents, and maintains the uniform system of internal accounting and administrative controls as required by NRS 353A.020.~~
- ~~2.~~
- ~~2. Assists agencies with designing policies and procedures that comply with the uniform system of internal accounting and administrative controls as required by NRS 353A.020.~~
- ~~3.~~
4. Reviews agencies' submitted Report on Internal Controls, summarizes results and reports as required by NRS 353A.025.

State Fraud, Waste, and Abuse Hotline

Incidences of fraud, waste, and abuse involving public funds can be reported on the confidential Hot Line (775-687-0150). This hotline, established pursuant to NRS 353A.049, is to be used to report fraud, waste, or abuse of state money, or federal money received and distributed by a state agency. — Callers should leave a detailed message and contact information. The identity of the caller will remain confidential.

Prohibited Acts

~~7. The Division of Internal Audit shall not:~~

- ~~1. a. Provide any services to a State agency under the direct control or administration of a constitutional officer unless the constitutional officer requests such services.~~
- ~~2. b. Conduct investigations, but shall refer such matters to the appropriate agency.~~
- ~~3. —~~

2404 Implementation of Legislative Audit Recommendations

~~Listed below are the steps that will be followed to implement Legislative Counsel audit recommendations:~~

~~1. An agency subject to an audit will answer the final audit report by letter. The Division of Internal Audits staff will be available to work with the agency in drafting this letter and developing or suggesting methods to correct deficiencies. Frequently, it is possible to correct a deficiency without legislation, but scarce funds or shortages of personnel may cause a temporary postponement. If this situation exists, it will be mentioned in the audit reply.~~

~~2. If noted deficiencies can be corrected with available resources, the agency will prepare a schedule summarizing: a. A timetable for installing or completing the needed adjustments;~~

~~b. The summary of how the agency intends to implement the recommendations will be included in the audit How the audit recommendations will be implemented; and~~

~~3. Reply to the Legislative Auditor.~~

- ~~1. 4. NRS 218G.250(1)(c) requires state agencies, other than elected officers of the State, to submit a plan for corrective action to the Director of the After being notified of the acceptance by the Legislative Commission of an audit, which calls~~

~~for remedial action, each agency will submit a corrective action plan to the Director of the Department of Administration~~Governor's Finance Office within 60 working days ~~after receipt of notification an audit has been accepted by the Legislative Commission or Audit Subcommittee if the audit contains recommendations for corrective action.~~ The agency should also submit a copy of their ~~corrective action plan to the Administrator of the Division of Internal Audits and to~~ the Legislative Auditor.

~~—NRS 218G.275~~218G.270(2) requires the Governor's Finance Office to report on the status of the implementation of Legislative Audit recommendations within six months after the period for submission of the plan for corrective action. In order to meet statutory deadlines, ~~Forty-Five (45) days prior to the six month six-month reporting deadline, the agency shall provide the Division with a status report along with supporting documentation indicating the status for each recommendation included in for implementing the plan for corrective action~~corrective plan of action. The report shall indicate the status for each recommendation. ~~Within six months of the submittal of that plan, the Director of the Department of Administration~~Governor's Finance Office will report to the Legislative Auditor on the extent to which the recommendation(s) have been carried out and the reason for any failure to carry out any of the recommendations.

~~—Forty Five (45) days prior to the six month reporting deadline, the agency shall provide the Division with a status report and supporting documentation for implementing the corrective plan of action. The report shall indicate the status for each recommendation, the status as fully implemented, partially implemented or no action.~~

7. ~~Should any agency refuse to submit a plan or to perform pursuant to the plan, the Director of the Department of Administration is empowered to withhold funds from that agency.~~

8. ~~(NRS 218G.260)~~ Recommendation status shall be described as:

2.

~~a. Recommendation status shall be described as:~~

~~b.a.~~ 1. Fully implemented – the agency took all actions necessary to satisfy the recommendation as of the date of the status report.

~~e.b.~~ 2. Partially implemented – the agency took some actions to satisfy the recommendation, but not all necessary actions to implement the audit finding as of the date of the status report.

~~d.c.~~ 3. No action – the agency did not take any action on the recommendation as of the date of the status report.

~~Questions pertaining to these requirements should be directed to the Division of Internal Audits.~~

3. ~~NRS 218G.2560~~ 218G.260 allows the Director of the Governor's Finance Office to take certain actions if an ~~Should any~~ agency refuses to submit or implement a ~~corrective plan of action or to perform pursuant to the plan, the Director of the Governor's Finance Office is empowered to withhold funds from that agency.~~ (NRS 218G.260)

2406 State or Federal Audit Reports 2406

NRS 353.325 requires a~~Each~~ State agency receiving an audit report to submit the report and any response by the agency to the Governor's Finance Office within 10 days of receipt and allows for certain uses of the report, including the opinion and any findings in the audit report, without consent of the auditor. Under this provision, agencies should also submit the results of federal monitoring site visit review reports as well as any other correspondence that requires an agency response or corrective action plan. Submission of the report to the Administrator ~~of the Division~~ satisfies this requirement.

~~board, and commission, within 10 days after receiving either a State or a federal audit report, shall submit one copy of the audit report and a management letter and the agency's reply to:~~

- ~~1. The Director of the Department of Administration~~Governor's Finance Office;
- ~~2. The State Controller; and~~
- ~~3. The Legislative Auditor (NRS 353.325).~~

2410 Financial Management

~~The Financial Management section of the Division of Internal Audits:~~

- ~~1. 1. Provides~~ Trainings to agency personnel responsible for administrating budgetary accounts pursuant to NAC 353A.100
- ~~2. Reports. The training~~ summarized training results are summarized in a separate report to each agency.
- ~~2. 2. Develops, documents, and maintains the uniform system of internal accounting and administrative controls as required by NRS 353A.020.~~
- ~~2. 3. Assists agencies with designing policies and procedures that comply with the uniform system of internal accounting and administrative controls as required by NRS 353A.020.~~

2412 Financial Management Training (NAC 353A.100)

- ~~1. Financial Management trains agency heads and employees whose duties include administrating budgetary accounts each agency on:~~
 - ~~a. Laws, and regulations, and guidelines of the state and federal government applicable to agency operations.~~
 - ~~b. Systems of internal accounting, administrative controls and financial management.~~
 - ~~c. Methods for documenting systems of internal accounting and administrative controls.~~
 - ~~d. Methods for evaluating the effectiveness of a system of internal accounting and administrative controls.~~
 - ~~e. Any subject that is of concern to a particular agency relating to its system of internal accounting and administrative controls.~~
 - ~~f. Any other areas of financial management, which affect the agencies's budgetary agencies' budgetary accounts.~~

- ~~2. Agency responsibilities:~~
- ~~Except as otherwise provided in NRS 353A.055, the head of an agency and any employee of an agency whose duties include administering budgetary accounts shall attend training provided by the Division:~~
- ~~Within 90 days after being hired for or promoted or otherwise transferred into a position whose duties include administering budgetary accounts, unless the person has previously attended such training;~~
- ~~If attendance is recommended by the Division following a review or audit of the agency;~~
- ~~or~~
- ~~In the case of an employee of an agency, if directed to attend by the head of the agency.~~
- ~~a. The head of each agency and any employee whose duties include administrating budgetary accounts are required to attend training at least once every 5 years.~~
- ~~b. Each agency is responsible for ensuring the attendance of its employees.~~
- ~~c. Attendees shall answer Financial Management's questions to evaluate the effectiveness of the training.~~
- ~~d. An agency shall notify Financial Management within 30 days after an employee is hired for or promoted or otherwise transferred into a position whose duties include administering budgetary accounts and arrange training for the employee.~~

2414 ~~Financial Management Review and~~ Evaluation Compliance Review

- ~~1. The Compliance Review section is responsible for testing state agency expenditures to determine their correctness in accordance with NRS 353.090353.090.~~
- ~~1.2. 1. An~~ Each agency contacted by the Division of Internal Audits' ~~Financial Management Compliance Review Section section~~ shall provide copies of or ~~make~~ ~~make available~~ availability to its written policies and procedures for review. In addition, each agency shall provide as well as access to its records upon ~~Financial Management's Compliance Review's~~ request from Compliance Review section staff.
- ~~2. 2. Financial Management may review agency's procedures for compliance with internal control standards, laws and regulations, and good business practices.~~
- ~~3. 3. Compliance Reviews the agency~~ Financial Management may also ~~performs on-site evaluations reviews~~ to determine compliance with internal control standards, ~~the agency's~~ written policies and procedures, and applicable laws and regulations. This . This includes consists of reviewing the agency's policies and procedures, observing operating procedures, interviewing agency personnel, ~~The evaluation will consist of a review of the agency's written policies and procedures, observations of operating procedures, interviews with agency personnel and testing transactions.~~ Reviews may be on-site or conducted remotely. Staff may employ any reasonable techniques to determine ~~an~~ the agency's compliance in the processing of its transactions. reviewing the agency's policies and procedures. , and testing of transactions Compliance Review will also test the agency's expenditures as required by NRS 353.090.

4. ~~4.~~ Upon completion of the review and/or evaluation, Compliance Review Financial Management may issue findings of non-compliance or recommendations for improvements to the agency.
5. ~~5.~~ Within 10 working days after receipt of the preliminary findings and recommendations, the head of the reviewed ~~audited~~ agency shall provide a written response to the Administrator of the Division, ~~. The response shall include a written statement of acceptance, explanation, or rebuttal concerning the findings or recommendations, and a timetable for implementing any required corrective actions addressing the recommendations.~~
4. ~~4.~~
5. ~~5.~~ A one month period is established as a reasonable time frame to implement and re-submit revised procedures addressing Financial Management's recommendations.
7. ~~6.~~ Reasons for not addressing any recommendation shall be justified in writing to the ~~Manager of Financial Management~~ Administrator of the Division and made available to the Director of the Governor's Finance Office ~~Director of the Department of Administration.~~
6. ~~Updates and revisions to agency administrative and internal accounting controls must be documented in the written policies and procedures. (i.e., State Administrative Manual changes, personnel changes, policy changes, etc.);~~

2416 Internal Control

~~The purpose of internal control is to help ensure that the following objectives are being achieved:~~

- ~~• Effectiveness and efficiency of operations~~
- ~~• Reliability of financial reporting~~
- ~~• Compliance with applicable laws and regulations.~~

~~There are five standards of internal control: 139~~

1. ~~Control Environment: Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.~~
2. ~~Risk Assessment: Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.~~
3. ~~Control Activities: Policies, procedures, techniques, and mechanisms implemented by management to address all levels and all functions of an agency covering operational, financial reporting, and compliance issues.~~
4. ~~Information and Communication: Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.~~
5. ~~Monitoring: Internal control monitoring should assess the quality of performance over time and ensure that the audit findings and other issues are promptly re-solved.~~

NRS 353A.020 ~~353A.020~~ requires ~~T~~the Director of the ~~Administration~~ Governor's Finance Office, in consultation with the Executive Branch Audit Committee and Legislative Auditor, ~~shall to~~ adopt a uniform system of internal accounting and administrative control and requires each agency to develop written procedures to carry out its system of internal accounting and administrative control. ~~(NRS 353A.020)~~

~~The elements of a uniform system of internal accounting and administrative controls include:~~

- ~~— 1. A plan of organization, which provides for segregation of duties appropriate to safeguard the assets of the agency;~~
- ~~1. 2. A plan which limits access to assets of the agency to persons who need the assets to perform their assigned duties;~~
- ~~1. 3. Procedures for authorizations and record keeping which effectively control accounting of assets, liabilities, revenues, and expenses;~~
- ~~1. 4. A system of practices to be followed in the performance of the duties and functions of each agency;~~
- ~~1. 5. An effective system of internal review.~~

~~Each agency is required to develop written procedures to carry out its system of internal accounting and administrative control. (NRS 353A.020) Updates and revisions to agency administrative and internal accounting controls must be documented in the written policies and procedures. (i.e., State Administrative Manual changes, personnel changes, policy changes, etc.).~~

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3. ~~3.~~ Control Activities: Policies, procedures, techniques, and mechanisms implemented by management to address all levels and all functions of an agency covering operational, financial reporting, and compliance issues.
4. ~~4.~~ Information and Communication: Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. ~~5.~~ Monitoring: Internal control monitoring should assess the quality of performance over time and ensure that the audit findings and other issues are promptly resolved.

Refer to ~~Financial Management's~~ Division's ~~-web page -~~ Developing Written Procedures (<http://dintaud.state.nv.us/FinancialMgmtInfo.htm>) ~~for guidance to assist in the~~ development and documentation of the agency's policies and procedures for compliance with the State's uniform system of internal accounting and, administrative control, and minimum internal control guidelines.

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2418 Agency Review ~~and~~ Evaluation and Biennial Reports

NRS 353A.025~~0353A.025~~ requires each agency to periodically review its system of internal accounting and administrative control. To meet the requirements of this statute, ~~E~~each agency is required to perform, at a minimum, an annual ~~a~~ biennial internal control review and evaluation to identify potential areas of weaknesses, and non-compliance. ~~The annual biennial~~ review should include:

- ~~1. 1.~~ An evaluation of the agency's actual procedures by completing the "Self-Assessment Questionnaire" (SAQ) and comparing the agency's written procedures to the SAQ to ensure written procedures address all possible processes. This evaluation should include ~~by through~~ observation ~~ing~~ and interviewing ~~of~~ persons involved with each fiscal process.
- ~~2. 2.~~ A comparison of the ~~a~~ Agency's written procedures to the SAQ to ensure that the procedures address all of the questions. Each question on the SAQ should be cross-referenced to the corresponding page and paragraph (or other location identifier) in the written procedures.
- ~~3. 2.~~ 3. A comparison of the actual procedures used by agency staff to the agency's written procedures.
- ~~3. 4.~~ A ~~Test~~ a sample test of each type ~~kind~~ of transaction processed by the agency. Agencies may use ~~ing~~ the trans-action ~~transaction~~ testing checklist available on the Financial Management website ~~Division's web page – Forms and Resources~~ or an equivalent document.
4. The SAQ and the transaction testing checklist must be maintained by the agency, but does not need to be submitted to the Division.

Upon completion of the above evaluations, each agency shall address any areas of weakness or non-compliance and document a corrective action plan. Findings and corrective action plans should be summarized on the Report on Internal Controls. For departments with multiple divisions or agencies, findings and corrective action plans for each division or agency should be summarized on one departmental Report on Internal Controls. Findings and corrective actions should be identified by individual agencies. The Report on Internal Controls should be submitted to the Director of the Governor's Finance Office on or before July 1 of each even-numbered calendar year. Submission of the report to the Administrator of the Division satisfies this requirement.

~~Findings and corrective action plans do not need to be submitted to the Division but should be maintained by the agency and be available for review by the Compliance Review section.~~

~~Many~~Some agencies use ~~departments~~ have a centralized fiscal office ~~agency that~~ to performs their fiscal and accounting services ~~for multiple agencies~~. ~~The~~A centralized fiscal office ~~agency~~ may complete one SAQ for all the agencies it assists, as long as the ~~fiscal agency's~~ procedures used by the centralized fiscal office are the same for all ~~of their~~ ~~assisted~~ agencies for whom it provides services. Both ~~the~~ ~~DD~~department ~~Dd~~irector ~~over~~head of the centralized fiscal office ~~agency~~ and the lead supervisor of the centralized fiscal office must sign the SAQ ~~fiscal agency's SAQ along with the head of the fiscal agency~~. An agency using a centralized fiscal office ~~The assisted agencies~~ must still complete an SAQ for any ~~the~~ procedures ~~they~~ performs directly, and, ~~Assisted agencies~~ must coordinate with the centralized fiscal office ~~agency~~ to ensure ~~that~~ all applicable questions are answered. The centralized fiscal office must make any agency for which it provides services ~~and that the assisted agencies are~~ aware of any non-compliance noted in the SAQs.

The Division summarizes agencies' findings and corrective action plans and identification of any agencies not submitting the Report of Internal Controls in a report issued per NRS 353A.025.

Useful Links:

- [Self-Assessment Questionnaire \(SAQ\)](#)
- [Sample Transaction Testing Checklist](#)
- [Biennial Report Instructions](#)
- [Biennial Report on Internal Controls](#)

~~NRS 353A.025 also requires that on or before July 1 of each even numbered year, the head of each agency submit a "Report on Internal Controls" to the Director of the Governor's Finance Office. Submission of the report to the Administrator of the Division satisfies this requirement. Agencies should use the SAQ to prepare this report which will be summarized and submitted in accordance with statute, including the identification of any agency that has not submitted a report.~~

~~The Self-Assessment Questionnaire, Sample of Transaction Testing and the Report on Internal Controls can be found on Division's web page — Forms and Resources.~~

~~Upon completion of the above evaluations, each agency shall address any areas of weaknesses or non-compliance, and document a corrective action plan. All findings and corrective action plans should be maintained by the agency, and need not be submitted to Financial Managementthe Division. The findings and corrective action should be available for review by the Post ReviewCompliance Review section of Internal Audits. to the Division.~~

2420 Biennial Reports

~~1. On or before July 1 of each even numbered year, the head of each agency shall submit the "Report on Internal Controls" to Financial Managementthe Division. The Report on Internal Controls summarizes whether the agency's system of internal accounting and administrative control is in compliance with the uniform system adopted pursuant to~~

~~subsection 1 of NRS 353A.020. The reports must be made available to members of the Legislature for inspection. To prepare this report, agencies should use the "Self-Assessment Questionnaire" completed during their annual biennial review for that same fiscal year as required by SAM section 2418.~~

~~The Division summarizes the agencies' reports into one report.~~

~~2. The Governor's Finance Office's Director shall, on or before the first Monday in February of each odd numbered year, submit the summarizeda report on the status of internal accounting and administrative controls in agencies to the:~~

~~a. Director of the Legislative Counsel Bureau for transmittal to the Senate; Standing Committee on Finance and the Assembly Standing Committee on Ways and Means;~~

~~b. Governor; and~~

~~c. Legislative Auditor.~~

~~3. The report submitted by the Director must include without limitation:~~

~~4. The identification of each agency that has not complied with requirements of paragraph section 1 above.;~~

~~5. The identification of each agency that does not have an effective method for reviewing its system of internal accounting and administrative control; and~~

~~6. The identification of each agency that has weaknesses in its system of internal accounting and administrative control, and the extent and types of such weaknesses.~~

~~The Self-Assessment Questionnaire, ExamplesSample of Transaction Testing, and the Report on Agency's Internal Controls can be found on Financial Management'sDivision's web page Forms and Resources. website at.~~

~~2430 Post Review~~

~~The Post Review section shall examine transactions and internal processes of each executive branch agency, excluding those listed in NRS 353A.020. Reviews will determine agency's compliance with laws, regulations, internal control standards, and guidelines. Each agency contacted by Post Review shall make available all books, accounts, claims, reports, vouchers, or other records of information, confidential or otherwise, in its possession. At the conclusion of the review, Post Review will issue a letter to the agency head and the clerk of the state board of examiners summarizing the findings. Within 141 ten working days after receipt of the letter, the agency hhead shall provide a written response to the Chief of the Division of Internal Audits. The response shall include a corrective action plan and dates for implementing the recommendations.~~

~~2500 Budgeting~~