

**ADOPTED REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R211-08

Effective December 17, 2008

EXPLANATION – Matter in *italics* is new; matter in brackets [~~omitted material~~] is material to be omitted.

AUTHORITY: §§1 and 2, NRS 354.107, 354.594 and 354.624.

A REGULATION relating to the financial administration of local governments; clarifying the auditing standards applicable to certain required audits of local governments; and providing other matters properly relating thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

- 1. For the purposes of NRS 354.624, the Committee interprets the phrase “generally accepted auditing standards in the United States” to mean the Government Auditing Standards adopted by reference pursuant to subsection 2. Each annual audit required pursuant to NRS 354.624 must be conducted, and any audit report, report on internal accounting control or other report issued by the auditor relating to that audit must be prepared in accordance with the Government Auditing Standards.*
- 2. The Committee hereby adopts by reference the Government Auditing Standards, July 2007 Revision, and any subsequent revision to the Standards issued by the Comptroller General of the United States that has been approved by the Committee for use in this State. Each revision of the Standards shall be deemed approved by the Committee unless the Committee files an objection to the revision with the Office of the Secretary of State within 60 days after the date of publication of the revision. The Standards may be obtained from the*

*Superintendent of Documents, United States Government Printing Office, P. O. Box 979050,
St. Louis, Missouri 63197-9000, for \$12.50 or at no cost on the Internet at
<http://www.gao.gov/govaud/ybk01.htm>.*

Sec. 2. NAC 354.715 is hereby amended to read as follows:

354.715 1. If the auditor has been engaged to examine only the combined financial statements, the audit report must also present combining, individual fund and account group financial statements for all funds and account groups maintained by the local government. The auditor's report must, in addition to expressing an opinion on the combined financial statements, state whether the combining, individual fund and account group financial statements, and supporting schedules are stated fairly in all material respects in relation to the combined financial statements taken as a whole.

2. ~~If the auditor issues a] A~~ report on internal accounting control ~~[required by generally accepted accounting standards, the report]~~ may be included as a part of the audit report or filed separately. If the report on internal accounting control is to be filed separately, the audit report must include a reference that such a separate report has been filed or will be filed as a public record pursuant to NRS 354.624.

3. The statement which NRS 354.624 requires concerning previously noted deficiencies and recommendations must include, for each previously noted violation of statute or regulation, a statement whether corrective action has been taken to prevent any recurrence, and if so, what progress has been achieved.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R211-08

Clarification of auditing standards applicable to certain required audits of local governments

The Committee on Local Government Finance adopted regulations assigned LCB File No. R211-08 which pertain to chapter 354 of the Nevada Administrative Code.

INFORMATIONAL STATEMENT

The following statement is submitted for amendments, additions and deletions, to Nevada Administrative Code (NAC) Chapter 287 adopted by the Committee on Local Government Finance (CLGF), relating to the financial administration of local governments; clarifying the auditing standards applicable to certain required audits of local governments; and providing other matters properly relating thereto.

1. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.

The Department of Taxation, as staff to CLGF, solicited comment from the public by sending notice of workshops and hearings by electronic or regular mail as follows:

| <u>Date of Notice</u> | <u>Workshop/ Hearing</u> | <u>Date of Workshop</u> | <u>Number Notified</u> | <u>Representing Businesses</u> |
|------------------------------|-------------------------------------|--------------------------------|-------------------------------|---------------------------------------|
| 5/23/08 | Subcommittee | 6/2/08 | 366 | 177 |
| 7/16/08 | Subcommittee | 7/22/08 | 366 | 177 |
| 9/3/08 | Workshop | 9/19/08 | 366 | 177 |
| 9/30/08 | Hearing | 10/30/08 | 366 | 177 |

The mailing list included the interested parties list maintained by the Department, as well as officials of local jurisdictions subject to these regulations.

One written comment was received at the workshop. Four written comments were received at a subcommittee meeting. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at **lhopper@tax.state.nv.us**.

The Legislative Counsel Bureau completed its review and revisions on September 18, 2008.

2. The number of persons who:

(a) Attended and testified at each workshop:

| <u>Date of Workshop</u> | <u>Attended</u> | <u>Testified</u> |
|-------------------------|-----------------|------------------|
| 9/19/08 6 | 2 | |

(b) Attended and testified at each hearing:

| <u>Date of Hearing</u> | <u>Committee/ Public Attended</u> | <u>Public Testified</u> |
|------------------------|---------------------------------------|-----------------------------|
| 10/30/08 | 6/10 | 1 |

(c) Submitted to the agency written comments:

| <u>Date of Workshop / Hearing</u> | <u>Number Received</u> |
|-----------------------------------|------------------------|
| 7/22/08 | 4 |
| 9/19/08 | 1 |

3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected and interested businesses, local governments, and persons, by notices posted at the Nevada State Library; various Department of Taxation locations throughout the state; and at the Main Public Libraries in counties where an office of the Department of Taxation is not located. Comments were also solicited by direct mail to assessors and the interested parties list maintained by the Department. Approximately 48% of the approximately 366 direct mail or email notices were sent to individuals or associations representing business.

Members of the CLGF, officials of the Nevada Department of Taxation, local government officials, and members of the general public commented on some or all of the proposed language changes during the workshop process and during the Adoption Hearing.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at **lhopper@tax.state.nv.us**

4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The regulation was adopted with changes reflecting the verbal and written comments submitted to, or received by, the Department of Taxation primarily from auditors and CLGF members during the workshops and hearings listed above. CLGF adopted the permanent

regulation as revised in a workshop and at the adoption hearing; and believed no changes other than those made were necessary.

- 5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:**
 - (a) Both adverse and beneficial effects; and**
 - (b) Both immediate and long-term effects.**

CLGF found that the regulation does not impose a direct and significant burden upon businesses and the public in Nevada. The regulation defines the phrase “generally accepted auditing standards in the United States” to mean the Government Auditing Standards.

The regulations present no reasonably foreseeable or anticipated immediate or long-term negative economic effects to businesses. The regulation provides the criteria for clarifying auditing standards. The immediate and long-term effects of the regulation are to provide an auditing standard most applicable to local governments, and which requires knowledge of local government finance by auditors.

- 6. The estimated cost to the agency for enforcement of the adopted regulation.**

The Department anticipates some additional cost for local governments to administer the regulation.

- 7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.**

There are no other state or government agency regulations that the proposed amendments duplicate.

- 8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.**

CLGF is not aware of any provision in this regulation which is also governed by federal regulation.

- 9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

CLGF is not aware of any provision in this regulation that provides for a new fee, or increases an existing fee.