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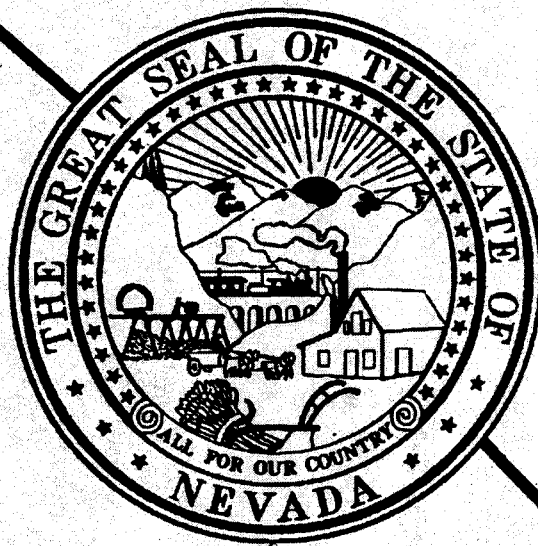
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Clark and Washoe County
School Districts

Performance Audit Preliminary Survey

2002



Legislative Auditor
Carson City, Nevada

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SUBMITTED BY: PAUL TOWNSEND

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We have completed a performance audit preliminary survey of Clark and Washoe County School Districts. This survey was required by Section 46 of Chapter 570, Statutes of Nevada 2001. The purpose of this survey was to identify potential audit issues in each school district. The results of the survey, including potential audit issues for the Legislature's consideration, are presented in this report.

We wish to express our appreciation to the management and staff of Clark and Washoe County School Districts for their assistance during the survey.

Respectfully presented,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA
Legislative Auditor

August 27, 2002
Carson City, Nevada

**CLARK AND WASHOE COUNTY SCHOOL DISTRICTS
PERFORMANCE AUDIT PRELIMINARY SURVEY**

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**CLARK AND WASHOE COUNTY SCHOOL DISTRICTS
PERFORMANCE AUDIT PRELIMINARY SURVEY**

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Audit Highlights



Highlights of Legislative Auditor report on the Clark and Washoe County School Districts Performance Audit Preliminary Survey, issued on September 10, 2002. Report # LA02-29.

Purpose of Preliminary Survey

Section 46 of Chapter 570, Statutes of Nevada 2001 (Assembly Bill 672) required the Legislative Auditor to conduct a performance audit preliminary survey of Clark and Washoe County School Districts. This survey included a review of processes, controls, and other activities in place within Clark and Washoe County School Districts during fiscal year 2002. The objective of the survey was to identify potential audit issues in each district. It is intended to assist legislators in selecting future audits in Clark and Washoe County School Districts.

Clark and Washoe County School Districts Performance Audit Preliminary Survey

Potential Audit Issues

Financial Management—Have the districts developed sufficient controls to provide accountability for financial resources?

With districts across the nation facing rising education costs, the need for a sound financial management system is imperative. Financial management includes budgeting, cash management, investments, internal audit, and asset management. To be effective, a financial system should have detailed policies, procedures, and internal controls in place to process the district's business transactions efficiently. Throughout this survey we noted potential weaknesses in these controls over financial management.

Facilities Management—Are construction, maintenance, and facility usage programs properly planned and controlled?

Facilities management includes the planning, use, and construction of new buildings, custodial and grounds services, maintenance of district facilities, and energy management. A program of preventative maintenance helps to keep facility costs down. This is accomplished by giving attention to minor maintenance work before it becomes a major expense. Another expense has been the rising cost of energy. In 2001, the Legislature appropriated \$6.5 million to school districts for assistance in meeting energy costs. Concerns regarding maintenance and energy costs were brought to our attention during this survey.

Personnel Management—Are recruitment and retention efforts of the districts adequate to ensure a qualified staff?

The ability to recruit and retain qualified staff is a concern for school districts throughout the country. Without sound personnel management practices, district goals and missions to provide a quality education to students are greatly limited. Currently, the nation is facing a significant teacher shortage that has forced districts in fast growing states, such as Nevada, to implement aggressive recruitment strategies. In an effort to attract new teachers, the 2001 Nevada Legislature approved \$34 million for teacher bonuses.

District Organization—Do the districts' organizational structures enhance program effectiveness and staff efficiency in the delivery of educational services?

Effective school district management requires an appropriate organizational structure. Administrators should not only have authority to manage their schools, but also a reasonable span of control. In addition, districts should be organized to ensure that the school board and superintendent have effective oversight of the district's financial practices. During recent legislative sessions, concerns were raised over the size and organization of school districts. These concerns prompted legislation requiring reports to address fairness and equity.

Transportation—Are student transportation programs adequately planned to ensure the safe and efficient transportation of students?

Nevada Revised Statutes, Chapter 392 states that districts may provide transportation to students who reside within the school district at such a distance from the school as to make transportation necessary and desirable. Encouraged practices throughout the country include adopting economical replacement cycles for buses, and the use of computer routing software to make bus routes more efficient. Our survey found these practices were not always implemented.

Employee Health Plans—Does the configuration and oversight of the districts' health plans provide adequate benefits programs at a reasonable cost to taxpayers and employees?

During the 2001 Legislative Session, supplemental appropriations of \$13 million were made to assist school districts with health care costs. Of this total, Clark County School District received \$8.2 million and Washoe County School District received \$2.4 million. Districts must provide appropriate oversight for the spending of public funds. Internal control standards stress the importance of having information to monitor performance and allocate resources. In addition, these standards include the importance of reliable financial statements. We found potential weaknesses in the level of oversight provided to health plans.

EXECUTIVE SUMMARY

CLARK AND WASHOE COUNTY SCHOOL DISTRICTS PERFORMANCE AUDIT PRELIMINARY SURVEY

Purpose

Section 46 of Chapter 570, Statutes of Nevada 2001 (Assembly Bill 672) required the Legislative Auditor to conduct a performance audit preliminary survey of Clark and Washoe County School Districts. This survey included a review of processes, controls, and other activities in place within Clark and Washoe County School Districts during fiscal year 2002. The objective of the survey was to identify potential audit issues in each district.

Potential Audit Issues

The purpose of this report is to identify potential issues that the Legislature may consider for future audits. To fulfill this purpose, we have identified various areas in Clark and Washoe County School Districts. Those issues that were distinguished as more significant are presented in greater detail in the main report. However, many other important issues came to our attention throughout this survey. These other issues are presented in Appendix B.

The decision to include an issue in the report was based on many factors. We considered the interest at the national level and in other states. Concerns expressed by the Nevada State Legislature and school district officials were taken into account. We also took into account the amount of revenues and expenditures devoted to each issue. We also considered the impact of each issue on students, parents, and teachers. In Appendix C we have provided an assessment of the risk associated with each issue in both school districts.

EXECUTIVE SUMMARY

CLARK AND WASHOE COUNTY SCHOOL DISTRICTS PERFORMANCE AUDIT PRELIMINARY SURVEY

Presented below is a summary of the main issues presented in the report:

- **Financial Management—Have the districts developed sufficient controls to provide accountability for financial resources?**

With districts across the nation facing rising education costs, the need for a sound financial management system is imperative. It is important for districts to have plans in place to allocate limited resources to ensure the educational needs of students are met. Financial management includes budgeting, cash management, investments, internal audit, and asset management. To be effective, a financial system should have detailed policies, procedures, and internal controls in place to process the district's business transactions efficiently. In addition, the districts' systems must provide accurate, complete, and timely information to assist in making prudent financial decisions.

Critical to the financial management of a district are the computer systems. Controls over these systems require the timely removal of access for former employees, and backup and environmental controls to minimize the effects of data being destroyed. Throughout this survey we noted potential weaknesses in these controls over financial management. (page 12)

- **Facilities Management—Are construction, maintenance, and facility usage programs properly planned and controlled?**

Facilities management includes the planning, use, and construction of new buildings, custodial and grounds services, maintenance of district facilities, and energy management. Clark and Washoe County School Districts have a combined 29.6 million square feet of building space. Effective programs are needed

EXECUTIVE SUMMARY

CLARK AND WASHOE COUNTY SCHOOL DISTRICTS PERFORMANCE AUDIT PRELIMINARY SURVEY

to maintain these facilities to ensure the districts have a safe and healthy environment for students, teachers, and staff.

A program of preventative maintenance helps to keep facility costs down. This is accomplished by giving attention to minor maintenance work before it becomes a major expense. Another expense during 2002 has been the rising cost of energy. In 2001, the Legislature appropriated \$6.5 million to school districts for assistance in meeting energy costs. Concerns regarding maintenance and energy costs were brought to our attention during this survey. (page 17)

- **Personnel Management—Are recruitment and retention efforts of the districts adequate to ensure a qualified staff?**

The ability to recruit and retain qualified staff is a concern for school districts throughout the country. Without sound personnel management practices, district goals and missions to provide a quality education to students are greatly limited. Currently, the nation is facing a significant teacher shortage that has forced districts in fast growing states, such as Nevada, to implement aggressive recruitment strategies. In an effort to attract new teachers, the 2001 Nevada Legislature approved \$34 million for teacher bonuses.

Additional concerns lie in the recruitment and retention of teachers in specialized areas such as special education and for Limited English Proficient (LEP) students. Not only are teachers difficult to recruit in these areas, but there is also a higher turnover rate. (page 24)

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CLARK AND WASHOE COUNTY SCHOOL DISTRICTS PERFORMANCE AUDIT PRELIMINARY SURVEY

- **District Organization—Do the districts' organizational structures enhance program effectiveness and staff efficiency in the delivery of educational services?**

Effective school district management requires an appropriate organizational structure. Each unit's responsibilities should be clearly defined and communicated to staff and the public. Administrators should not only have authority to manage their schools, but also a reasonable span of control. There should be no overlapping functions or excessive administrative levels. In addition, districts should be organized to ensure that the school board and superintendent have effective oversight of the district's financial practices.

During recent legislative sessions, concerns have been raised over the size and organization of school districts. These concerns have prompted legislation requiring reports to address fairness and equity. (page 28)

- **Transportation—Are student transportation programs adequately planned to ensure the safe and efficient transportation of students?**

Nevada Revised Statutes, Chapter 392 states that districts may provide transportation to students who reside within the school district at such a distance from the school as to make transportation necessary and desirable. The transportation of students assists districts in meeting their missions for providing education to students in their stewardship.

Encouraged practices throughout the country include adopting economical replacement cycles for buses, and the use of computer routing software to make bus routes more efficient. Our survey found these practices were not always implemented. (page 31)

EXECUTIVE SUMMARY

CLARK AND WASHOE COUNTY SCHOOL DISTRICTS PERFORMANCE AUDIT PRELIMINARY SURVEY

- **Employee Health Plans—Does the configuration and oversight of the districts' health plans provide adequate benefits programs at a reasonable cost to taxpayers and employees?**

Rising health care costs are a concern to every school district in Nevada. During the 2001 Legislative Session, supplemental appropriations of \$13 million were made to assist the school districts with these costs. Of this total, Clark County School District received \$8.2 million and Washoe County School District received \$2.4 million. This money will be used for health care costs in fiscal years 2002 and 2003.

Districts must provide appropriate oversight for the spending of public funds. Internal control standards stress the importance of having information to monitor performance and allocate resources. In addition, these standards include the importance of reliable financial statements. We found potential weaknesses in the level of oversight provided to health plans.
(page 36)