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We have completed an audit of the Clark County School District. This audit was required by Chapter 5, Statutes of Nevada 2003, 20th Special Session. The purpose of legislative audits is to improve government by providing the Legislature, state and local officials, and Nevada citizens with independent and reliable information about the operations of government agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the District's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Clark County School District for their assistance during the audit.

Respectfully presented,

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

Paul V. Townsend, CPA
Legislative Auditor

November 24, 2004
Carson City, Nevada

STATE OF NEVADA
CLARK COUNTY SCHOOL DISTRICT

AUDIT REPORT

Table of Contents

	<u>Page</u>
Executive Summary	1
Introduction	11
Background	11
General.....	11
Student Enrollment	12
Expenditures and Staffing	13
Sources of Funding	14
Scope and Objectives	16
Findings and Recommendations.....	17
Financial Management.....	17
Medicaid Collections Exceed Peer Districts	18
Food Service Program Does Not Include All Costs	20
Better Control Over Some Legislative Funding Should Be Implemented	21
Facilities Management	23
District’s Energy Conservation Needs to Include All Areas	24
Facilities Information System Could Be Improved	27
Maintenance Lacks Complete Policies and Procedures.....	27
Personnel Management	28
Personnel Program Accomplishments.....	29
Opportunities to Improve Professional Development.....	30
Transportation	31
Bus Routing Program Increases Efficiency	32
Management of District Vehicles Could Be Improved.....	32
Bus Replacement Policy Needed	35
Extracurricular Activity Fee Could Help Recover Transportation Costs.....	37

STATE OF NEVADA
CLARK COUNTY SCHOOL DISTRICT

AUDIT REPORT

Table of Contents
(continued)

	<u>Page</u>
District Organization	38
Staffing and Cost Ratios Vary as Compared to Peers	38
Dollars to the Classroom Favorable	40
Views on the Reorganization Have Improved	41
Board Assessments Need to Be Done	42
Employee Health Plans	43
Health Benefit Enrollment Practices Cost the District	44
Continue Accounting for Excess Contributions	45
Health Benefit Plan Oversight Could Be Improved	45
Appendices	
A. Audit Methodology	48
B. Clark County School District Personnel Survey	53
C. Total Schools by Region	74
D. Legislative Counsel Legal Opinion	75
E. Response From Clark County School District	81

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

Background

Clark County School District (CCSD) is the sixth largest school district in the nation and continues to grow at a rapid pace. The following chart shows the ten largest school districts for 2003.

Ten Largest School Districts 2003

State	District	Total Students
NY	NEW YORK CITY PUBLIC SCHOOLS	1,047,545
CA	LOS ANGELES UNIFIED SCHOOL DISTRICT	746,852
IL	CITY OF CHICAGO SCHOOL DISTRICT 299	436,048
FL	MIAMI-DADE COUNTY SCHOOL DISTRICT	371,589
FL	BROWARD COUNTY SCHOOL DISTRICT	267,366
NV	CLARK COUNTY SCHOOL DISTRICT	255,306
TX	HOUSTON INDEPENDENT SCHOOL DISTRICT	212,045
PA	PHILADELPHIA CITY SCHOOL DISTRICT	192,683
HI	HAWAII DEPARTMENT OF EDUCATION	183,829
FL	HILLSBOROUGH COUNTY SCHOOL DISTRICT	174,969

Sources: NCES 2003 and Nevada Department of Education, NRS 387.303 Report.

To improve access, accountability, and achievement, the District was restructured into five geographic regions as of July 2001. The geographic regions are the Northwest, Northeast, East, Southwest, and Southeast. Regional superintendents are responsible for programs and services to meet the needs of the regions. Some functions are provided on a district-wide basis, including central administration, transportation, and facilities management.

The District's mission is to have students with knowledge, skills, attitudes, and ethics necessary to succeed academically and who will practice responsible citizenship. A seven-member Board of Trustees governs the District by establishing District policies and employing the superintendent to serve as the chief executive officer in charge of daily operations. Board members represent specific geographic areas and are elected for overlapping four-year terms.

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

Clark County School District has experienced rapid growth in student enrollment during the past 5 years. The District's student enrollment increased 25% from fiscal year 1999 to 2003. According to information provided by the District, 12 regular schools and 1 alternative school opened during the 2003-2004 school year bringing the total schools operated by the District to 294, excluding charter schools. There are 179 elementary schools, 48 middle schools, 35 high schools, and 32 alternative and special schools.

CCSD had expenditures of about \$1.73 billion in fiscal year 2003, excluding capital outlays, bond accounts, and internal service funds. About 52% of these expenditures were for regular, vocational, special, adult, and other instructional programs, while about 8% went for administration.

According to CCSD's Budget and Statistical Report, the District had over 24,700 full-time equivalent (FTE) positions budgeted in fiscal year 2004 and about 2,700 substitute teachers. Teachers represent about 64% of the District's staff and have increased about 22% from fiscal year 1999 to 2003.

The District received funding from two major sources: the State Distributive School Account (DSA) and local sources. CCSD's basic support guarantees for fiscal years 2004 and 2005 from the DSA are \$4,127 and \$4,249 per student, respectively. In addition, the District receives state support for such areas as special education, class-size reduction, adult diploma education, regional professional development program, and remedial education. The District received about \$138 million in fiscal year 2003 for these programs.

During fiscal year 2003, Clark County School District had revenues of about \$1.75 billion, excluding capital projects, bond accounts, and internal service funds. Local revenues accounted for almost 65% of the District's revenue, with state sources accounting for a little over 28%.

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

Purpose

This audit was required by Chapter 5, Statutes of Nevada 2003, 20th Special Session, and was conducted pursuant to the provisions of NRS 218.737 to 218.890. This audit included a review of the District's activities from July 1, 2002 through December 31, 2003. The purpose of the audit was to evaluate the District's operations in these six areas:

- **Financial Management** – Are there sufficient controls to provide accountability for financial resources?
- **Facilities Management** – Are construction, maintenance, and facility usage programs properly planned and controlled?
- **Personnel Management** – Are recruitment and retention efforts adequate to ensure qualified staff?
- **Transportation** – Are student transportation programs adequately planned to ensure the safe and efficient transportation of students?
- **District Organization** – Does the organizational structure enhance the effectiveness and efficiency of Board governance and District management?
- **Employee Health Plans** – Are the health plans appropriately managed?

Results in Brief

The Clark County School District's financial and administrative operations compare favorably to other states' best practices and peer districts. For example, the District collected more federal Medicaid monies than peer districts. Further, a computerized bus routing system and an energy conservation plan implemented several years ago continue

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

to save the District significant money. Nevertheless, opportunities exist for cost savings and increased revenues by implementing more efficient practices. Specifically, food service operations could be less reliant on General Fund support by capturing all costs. In addition, fleet management controls could save over \$1.1 million in future capital expenditures by eliminating under-utilized vehicles.

The District can also improve its professional development by establishing a district-wide training plan to help better coordinate training and ensure qualified employees are maintained. Further, accountability and governance enhancements could occur by the Board periodically assessing its practices and establishing a formal bus replacement policy. Improving its oversight of employee health benefit programs would also strengthen the District's accountability.

Operations should be further enhanced when the District completes its management process system's certification process. In 2001, the District started a comprehensive review to establish written quality controls and guidelines that direct District activities. The District anticipates completing the certification process by 2006.

Principal Findings

- The District has an effective process to ensure it receives reimbursement for eligible Medicaid services. In fiscal year 2003, it collected over \$11 million in Medicaid reimbursements to pay for the cost of medical and related services provided to eligible students. The amount of reimbursement per student collected by CCSD from the Medicaid program exceeds amounts collected by its peers. (page 18)
- Opportunities exist in the food service program that would reduce the burden on the General Fund. We identified several direct and indirect costs that were paid by the District's general fund that could be

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

recorded in the food services account. It is the Board's intent to have the Food Service Enterprise Fund operate so all eligible costs associated with the program would be paid exclusively by user fees, federal funding, and reimbursements to the program. Also, no money was to be paid or transferred from other District funds. One consequence of not charging all costs to the program is that cash resources can exceed allowable limits. Because the program has been profitable, the food services cash resources exceeded the federal limit by about \$9 million at the end of fiscal year 2003. The Nevada Department of Education has issued a letter to the District requiring a corrective action plan be submitted explaining how the surplus cash will be eliminated. The District's response dated September 27, 2004, states it will use the cash surplus to increase food quality and quantity, and to purchase needed capital improvements for the food service operation. (page 20)

- Although the District has sufficient controls in place over most special appropriations approved during the 2001 and 2003 Legislative Sessions, better controls could be implemented over some additional funding to help ensure the monies are used as required. The District did not adequately monitor allocations received for unbudgeted energy costs. In fiscal year 2003 the District received \$3.6 million for energy costs; however, actual unanticipated energy costs were \$700,000. As such, the District's unanticipated utility costs were \$2.9 million less than the fiscal year 2003 allocation. The District was able to justify the need for the total allocation during the 2002 to 2003 biennium; however, an Interim Finance Committee resolution states that any excess at June 30, 2003, should have been returned to the State's General Fund. (page 21)
- Although the District's energy conservation plan is effective, it does not address all utilities. The District has made significant efforts to conserve electricity;

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

however, natural gas and water conservation efforts have not received as much attention. The District has a draft copy of a water conservation plan that is dated January 2004 but the plan has not been finalized. Further, although natural gas conservation is mentioned in the current energy plan, efforts are not focused to ensure it is conserved. (page 24)

- The Maintenance Department could improve the information used to track maintenance needs. Currently, the District is unable to track maintenance employee productivity; the tracking of deferred maintenance is limited; and work orders received and processed cannot be efficiently tracked by completion and priority status. The District anticipates purchasing a new Computerized Maintenance Management System in the fall of 2004. (page 27)
- The Maintenance Department has not developed complete policies and procedures. Currently, the Department has issued various memorandums to provide guidance on specific responsibilities. However, these memorandums have not been formalized by the Department. (page 27)
- We found the District has excellent processes for recruiting, hiring, and inducting employees, however, there are opportunities to improve district-wide professional development. Specifically, a district-wide training plan would help to better coordinate training and ensure qualified staff is maintained by clearly aligning professional development with Board regulations and clearly defining training responsibilities. (page 28)
- The Transportation Department has increased its efficiency in bus routing by implementing computerized routing software, a best practice used in other states and the student transportation industry. Computerized routing software is designed to help ensure districts select and implement the most efficient routes. The increased efficiencies result from

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

better bus routes and the need for fewer buses. (page 32)

- We reviewed the District's vehicle maintenance system for fiscal year 2004. Our review found about half of the passenger fleet was driven less than 600 miles a month during the year. District regulation bases its vehicle mileage guidance on a mileage rate of 600 per month or 7,200 per year. Specifically, the regulation states that vehicles can be assigned to an individual or department when travel is 600 miles a month or more. Accordingly, about half the vehicles examined do not meet this minimum benchmark. We estimate the District could save over \$1.1 million in future capital expenditures by eliminating under-utilized vehicles. (page 33)
- Controls over vehicle inventory are not in place. Our review found limited procedures for vehicle inventory. Further, inventory listings have not been reconciled with vehicles on-hand and inventory records are not always accurate. Not establishing these controls could lead to misuse or abuse of District owned vehicles. (page 34)
- The District has made good efforts in replacing buses even though the Board of Trustees has not adopted a bus replacement cycle into District Policy. The National Association of State Directors of Pupil Transportation Services believes the timely replacement of buses must be a planned process. Available funding is likely the single most important consideration in determining a bus replacement policy. However, the policy should also be based on an analysis of total miles operated, age, and operating maintenance costs. In addition, the policy should consider a route rotation plan to accrue mileage evenly and reduce unequal bus wear. (page 35)
- A cost associated with many extracurricular activities is student transportation. To help offset these costs, the District should consider charging an activity fee.

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

We estimate that by charging such a fee the District could generate over \$400,000 to assist the Transportation Department in providing these services. A concern raised was that not all students could afford to pay. We understand this concern; however, exception policies could be developed for those occasions where a student may not be able to afford the fee. Further, a small fee to help offset transportation and other program costs would provide additional resources that could benefit other educational activities. Washoe County School District began charging a \$25 athletic transportation fee to help offset costs. This generated about \$88,000 in fiscal year 2003. (page 37)

- The District's staffing and administrative cost ratios vary as compared to its peers. According to the National Center for Education Statistics's (NCES) latest information for 2003, the District averaged 19.6 pupils per teacher, while its peers averaged 18.3 pupils per teacher. However, the District ranks in the middle of its peer districts in pupils per administrator at 369.7 students per administrator. Further, according to the NCES's latest finance survey data for 2002, the District had the third lowest administrative cost per student at \$782. (page 38)
- The District compares favorably with its peer districts in getting more of every dollar spent into the classroom. According to the most recent finance survey data provided by NCES for 2002, the District had 61.7 cents of every dollar going into the classroom, ranking it third highest among its peer districts. (page 40)
- Although Board policies require a semi-annual assessment of the Board's governance process, we did not find documentation of Board assessments. District officials indicated that Board assessment meetings occurred in January and July 2003, and February 2004. We found the meetings discussed the assessment process, but found no evidence assessments had been completed. Further, the

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

February 2004 Board assessment meeting was cancelled and not rescheduled. (page 42)

- From September 2001 through September 2004, the District paid medical insurance premiums on behalf of all support staff employees, even though some employees may not have wanted medical coverage. We estimate this practice cost the District between \$300,000 and \$1.7 million a year for these employees. Instead of paying the insurer, this money could have been used in other operating areas or to provide additional or future benefits for support staff employees. (page 44)
- Since September 2001, CCSD has contracted with a health services company for support staff medical benefits. However, the District has kept any excess District's contributions over the premiums during this period. This occurred because the District's contribution rate negotiated with the ESEA exceeded the amount needed to pay the contracted premiums to the health services company. This money was not reserved to provide for additional or future benefits for support staff employees. Subsequent to our discussions, the District entered into a Memorandum Of Understanding in May 2004 with the Education Support Employee Association Health and Welfare Trust agreeing to set aside excess contributions beginning in fiscal year 2004. Although not specific to the District's health benefits contract, the 2003 Legislature passed a law (S.B. 28) to mandate that excess payments cannot be used for purposes other than health benefits. This demonstrates a desire on behalf of the Legislature that earmarked monies are to be used solely for their specified purpose. (page 45)
- The Teachers Health Trust lacks oversight by CCSD and other governmental agencies. The teachers union sponsors a self-funded health trust for its participants. However, the District has not negotiated with the Trust to obtain appropriate oversight. Further, the Trust, unlike commercial insurance

EXECUTIVE SUMMARY

CLARK COUNTY SCHOOL DISTRICT

carriers operating in the state of Nevada, has not been subject to oversight by Nevada's Division of Insurance or other entities. Although audited annually by an independent accountant, the District does not receive this audit report or any type of financial reports. As such, not much oversight has occurred with the Trust's health plan. (page 45)

Recommendations

This report contains 21 recommendations to improve the financial and administrative operations of the Clark County School District. The recommendations identify opportunities to reduce costs, increase revenues, and improve accountability. Our report contains two recommendations on financial management to account for all food service costs and improve controls over special appropriation dollars. We also identified seven recommendations to improve the management of the District's facilities. One recommendation was made to consolidate the professional development plan. In addition, we made five recommendations to help operate the Transportation Department more efficiently. The report also has two recommendations concerning the District's organization to enhance accountability to the Board and the public. Finally, we made four recommendations to improve accountability and oversight of the District's employee health plans. (page 91)

Clark County School District Response

The School District, in its response to our report, accepted all 21 recommendations. (page 81)

Introduction

Background

Throughout the nation, school districts are facing many challenges relating to education delivery. Other states, including Florida, Texas, and Arizona, have addressed these concerns through audits designed to promote efficiency. During the 2001 Legislative Session, AB 672 directed the Legislative Auditor to conduct a preliminary performance audit survey of the Clark and Washoe County School Districts. The purpose of the survey was to identify potential audit issues in these districts. The 2003 Legislature, during the 20th Special Session, directed the Legislative Auditor to conduct a performance audit of Clark County School District.

General

Clark County School District (CCSD) is the sixth largest school district in the nation and continues to grow at a rapid pace. Exhibit 1 shows the ten largest school districts for 2003.

Exhibit 1

Ten Largest School Districts 2003

<u>State</u>	<u>District</u>	<u>Total Students</u>
NY	NEW YORK CITY PUBLIC SCHOOLS	1,047,545
CA	LOS ANGELES UNIFIED SCHOOL DISTRICT	746,852
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HI	HAWAII DEPARTMENT OF EDUCATION	183,829
FL	HILLSBOROUGH COUNTY SCHOOL DISTRICT	174,969

Sources: NCES 2003 and Nevada Department of Education, NRS 387.303 Report.

To improve access, accountability, and achievement, the District was restructured into five geographic regions as of July 2001. The geographic regions are the Northwest, Northeast, East, Southwest, and Southeast. Regional superintendents

are responsible for programs and services to meet the needs of the regions. Each region offers a Region Center that brings District resources, staff, and information closer to parents and students. Some functions are provided on a district-wide basis, including central administration, transportation, and facilities management.

The District’s mission is to have students with knowledge, skills, attitudes, and ethics necessary to succeed academically and who will practice responsible citizenship. A seven-member Board of Trustees governs the District by establishing District policies and employing the superintendent to serve as the chief executive officer in charge of daily operations. Board members represent specific geographic areas and are elected for overlapping four-year terms.

New programs being implemented for the 2004-2005 school year include 250 full-day kindergarten classes. Fifty-four elementary schools will offer the full-day kindergarten program. According to District information, the program should provide an important means of increasing students’ reading achievement.

Student Enrollment

Clark County School District has experienced rapid growth in student enrollment during the past 5 years. The District’s student enrollment increased 25% from fiscal year 1999 to 2003. Exhibit 2 shows student enrollment for CCSD for the last 5 years.

Exhibit 2

**Student Enrollment
Fiscal Years 1999-2003**

1999	2000	2001	2002	2003	1999-2003
203,616	217,035	231,210	244,700	255,306	25%

Source: Nevada Department of Education, NRS 387.303 Reports.

To meet this rapid growth, the District operates one of the nation’s largest school construction and modernization programs. According to information provided by the District, 12 regular schools and 1 alternative school opened during the 2003-2004 school year bringing the total schools operated by the District to 294, excluding charter schools. This includes 60 schools in the Northwest region, 57 in the Northeast region,

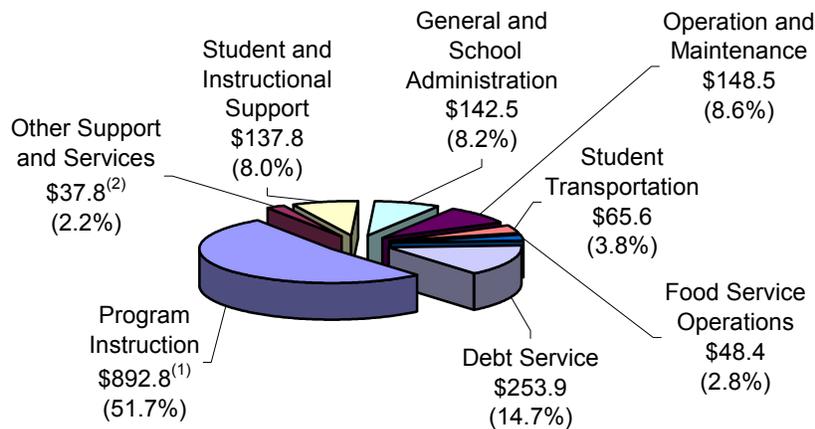
65 in the East region, 51 in the Southwest region, and 61 in the Southeast region. There are 179 elementary schools, 48 middle schools, 35 high schools, and 32 alternative and special schools.

Expenditures and Staffing

CCSD had expenditures of about \$1.73 billion in fiscal year 2003, excluding capital outlays, bond accounts, and internal service funds. About 52% of these expenditures were for regular, vocational, special, adult, and other instructional programs, while about 8% went for administration. Exhibit 3 shows the District’s expenditures for fiscal year 2003.

Exhibit 3

**Expenditures (Millions)
Fiscal Year 2003**



Source: Clark County School District Comprehensive Annual Financial Report, Fiscal Year 2003.

Note: Exhibit excludes capital outlays, bond accounts, and internal service funds.

⁽¹⁾Includes regular, special, vocational, adult, and other instructional programs.

⁽²⁾Includes business and central services support, other support, education media services, and facilities acquisition services.

According to CCSD’s Budget and Statistical Report, the District had over 24,700 full-time equivalent (FTE) positions budgeted in fiscal year 2004. Additionally, the District has about 2,700 substitute teachers. Teachers represent about 64% of the District’s staff and have increased about 22% from fiscal year 1999 to 2003. Exhibit 4 shows a breakdown of employees by function for fiscal year 2004, and Exhibit 5 shows the instructional staff growth from fiscal year 1999 to 2003.

Exhibit 4

**Budgeted FTE Employees by Function
Fiscal Year 2004**

Function	Number	% of Total
Instructional Staff	15,887	64%
Instructional Support Staff	1,847	7
Administrative Staff	2,647	11
Other Staff	4,324	18
Total	24,705	100%

Source: CCSD Budget and Statistical Report, Fiscal Year 2004.

Exhibit 5

**Budgeted Instructional Staff
Fiscal Years 1999 – 2003**

1999	2000	2001	2002	2003	1999-2003
12,058	12,838	13,252	13,758	14,758	22%

Source: Nevada Department of Education, NRS 387.303 Reports.

Sources of Funding

School districts receive funding from two major sources: the State Distributive School Account (DSA) and local sources. Local sources provide the largest share of school district revenue. These include the Ad Valorem Property Tax, Local School Support Tax, Governmental Services Tax, and other sources. In addition, school districts receive revenues for specific purposes, such as class-size reduction, special education, and adult diploma education. The 2003 Legislature approved statewide appropriations to the DSA of \$1.63 billion for the 2003-2005 biennium. This is a \$325 million increase, or about 25%, over the previous biennium.

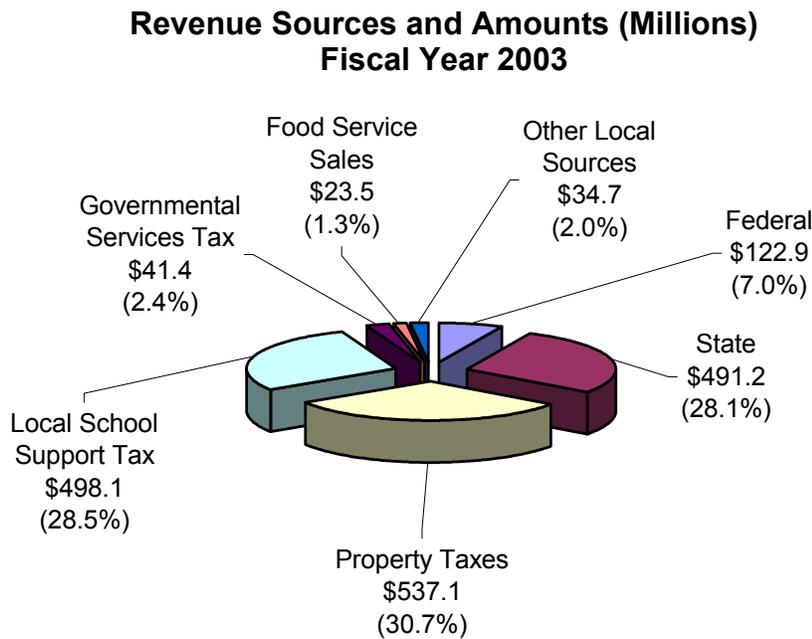
The Nevada Plan is the means used to finance elementary and secondary education in the State's public schools. A basic level of financial support is guaranteed to each school district by the State through this Plan. The goal of the Nevada Plan is to ensure adequate educational opportunity for all students regardless of the wealth of the school district. The state's share of the Nevada Plan's funding is distributed through the DSA. The amount of state aid received by each district is developed by a formula that allows for differences in costs and local wealth. As such, the basic support is adjusted

for each district based on economic and geographic characteristics and a wealth adjustment. This results in districts with fewer resources getting a higher per-pupil allocation of state money than districts with more resources.

CCSD’s basic support guarantees for fiscal years 2004 and 2005 from the DSA are \$4,127 and \$4,249 per student, respectively. In addition, the District receives state support for such areas as special education, class-size reduction, adult diploma education, regional professional development program, and remedial education. The District received about \$138 million in fiscal year 2003 for these programs.

During fiscal year 2003, Clark County School District recorded revenues of about \$1.75 billion, excluding capital projects, bond accounts, and internal service funds. Local revenues accounted for almost 65% of the District’s revenue, with state sources accounting for a little over 28%. Exhibit 6 shows the District’s revenue sources between local, state, and federal sources.

Exhibit 6



Source: Clark County School District Comprehensive Annual Financial Report, Fiscal Year 2003.

Note: Exhibit excludes capital projects, bond accounts, and internal service funds.

Scope and Objectives

This audit was required by Chapter 5, Statutes of Nevada 2003, 20th Special Session, and was conducted pursuant to the provisions of NRS 218.737 to 218.890. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve government by providing the Legislature, state and local officials, and Nevada citizens with independent and reliable information about the operations of government agencies, programs, activities, and functions.

This audit included a review of the District's activities from July 1, 2002, through December 31, 2003. The objectives of the audit were to evaluate the District's operations in these six areas:

- **Financial Management** – Are there sufficient controls to provide accountability for financial resources?
- **Facilities Management** – Are construction, maintenance, and facility usage programs properly planned and controlled?
- **Personnel Management** – Are recruitment and retention efforts adequate to ensure qualified staff?
- **Transportation** – Are student transportation programs adequately planned to ensure the safe and efficient transportation of students?
- **District Organization** – Does the organizational structure enhance the effectiveness and efficiency of Board governance and District management?
- **Employee Health Plans** – Are the health plans appropriately managed?

Findings and Recommendations

The Clark County School District's (CCSD) financial and administrative operations compare favorably to other states' best practices and peer districts. For example, the District collected more federal Medicaid monies than peer districts. Further, a computerized bus routing system and an energy conservation plan implemented several years ago continue to save the District significant money. Nevertheless, opportunities exist for cost savings and increased revenues by implementing more efficient practices. Specifically, food service operations could be less reliant on General Fund support by capturing all costs. In addition, fleet management controls could save over \$1.1 million in future capital expenditures by eliminating under-utilized vehicles.

The District can also improve its professional development by establishing a district-wide training plan to help better coordinate training and ensure qualified employees are maintained. Further, accountability and governance enhancements could occur by the Board periodically assessing its practices and establishing a formal bus replacement policy. Improving its oversight of employee health benefit programs would also strengthen the District's accountability.

Operations should be further enhanced when the District completes its management process system's certification process. In 2001, the District started a comprehensive review to establish written quality controls and guidelines that direct District activities. The District anticipates completing the certification process by 2006.

Financial Management

We found that financial management practices were generally sound. The District has done a good job in getting federal Medicaid reimbursements; however, there are other areas where improvements could be made. For example, the food service operation should account for all of its costs so management has complete information on the cost of the program when establishing fees.

Unreserved Fund Balance Requirements Met

The District has established a regulation requiring an unreserved fund balance be maintained at a designated level. CCSD Regulation 3110 requires the District to maintain an unreserved fund balance of 2% of total general fund revenues. However, for fiscal years 2000 through 2003, the school board waived this requirement, and approved budgets with unreserved fund balances of below 2%. According to the District's Comprehensive Annual Financial Report, the unreserved fund balance was returned to the 2% level for fiscal year 2004. Maintaining the unreserved fund balance at designated levels is important to help ensure the financial stability of the District. Exhibit 7 shows the unreserved fund balance for fiscal years 2000 to 2004.

Exhibit 7

Unreserved Fund Balance Fiscal Years 2000-2004

Fiscal Year	Total Operating Revenues	Unreserved Fund Balance	% of Unreserved Fund Balance to Total Operating Revenues
2000	\$ 968,802,543	\$10,471,889	1.1%
2001	\$1,032,819,658	\$11,351,277	1.1%
2002	\$1,128,284,506	\$13,839,963	1.2%
2003	\$1,218,514,708	\$20,804,923	1.7%
2004	\$1,368,776,979	\$28,059,022	2.0%

Sources: CCSD's Comprehensive Annual Financial Reports.

Medicaid Collections Exceed Peer Districts

The District has an effective process to ensure it receives reimbursement for eligible Medicaid services. In fiscal year 2003, it collected over \$11 million in Medicaid reimbursements to pay for the cost of medical and related services provided to eligible students. The amount of reimbursement per student collected by CCSD from the Medicaid program exceeds amounts collected by its peers.

The Medicaid program allows school districts to enroll as providers of Medicaid services for school-based health services provided to eligible students. Typical services include speech therapy, physical therapy, and psychological counseling. Medicaid also reimburses school districts for medical outreach activities provided to students and their families, including referral of students and their families for Medicaid eligibility determinations.

Exhibit 8 shows the amounts received from Medicaid by CCSD and its peers, during fiscal year 2003.

Exhibit 8

**Medicaid Revenues Per Student
Fiscal Year 2003**

School District	Amount	Number of Students	Amount Per Student
Clark County, NV	\$ 11,013,797	255,306	\$ 43.14
Broward County, FL	\$ 7,000,000	266,272	\$ 26.29
San Diego, CA	\$ 3,594,819	141,002	\$ 25.49
Houston, TX	\$ 4,077,924	212,045	\$ 19.23
Washoe County, NV	\$ 299,210	58,903	\$ 5.08

Sources: Clark County and Washoe County data is based on district financial records and NRS 387.303 reports. Peer district data is based on survey responses, district web sites, and the National Center for Education Statistics.

CCSD has been reimbursed a significant amount of federal funds from the Medicaid Program because it has controls over the reimbursement process. Good management controls are an integral part of how an organization establishes accountability over its resources and achieves results. Based on our review of the Medicaid program and discussions with District officials, some examples of the District's controls in this area are explained below.

- Program staff submit service logs to their supervisors, who review the logs for completeness and accuracy. Having program staff submit service logs to their supervisor reduces the risk that program staff will not prepare service logs needed to bill Medicaid.
- The State Medicaid agency provides the District with an automated file of persons eligible for Medicaid. The District's billing system compares the file with information from service logs to identify services that can be billed to Medicaid. This automated comparison helps ensure that services provided to eligible students are billed.
- More than one person has a detailed understanding of the Medicaid reimbursement process for school-based children's health services, making the process less vulnerable if one person left.
- CCSD personnel have a good understanding of the billing procedures performed by their independent contractor and periodically visit the contractor's offices to monitor its billing operations.

Additional opportunities exist to increase federal reimbursement when the State Medicaid Plan is amended. Transportation services provided to eligible students that need specially equipped vehicles are reimbursable Medicaid expenses. However, the federal regulations regarding transportation expenses were revised, requiring more detailed documentation in order to receive reimbursement. As such, until the State Medicaid agency develops the methodology for claiming special needs transportation services, school districts cannot get reimbursed. The State has committed to the districts that the State Plan amendment will be effective January 2005. Once the State Plan is amended, the District needs to incorporate the requirements into the Medicaid process and begin collecting for eligible transportation services. Reimbursement for transportation services may be substantial. Prior to the federal regulation being revised and reimbursements being stopped to the districts, CCSD collected about \$800,000 during calendar year 2001. Therefore, it is important the District monitor the State's process in amending the Medicaid Plan to ensure the District receives reimbursement from Medicaid for eligible transportation services.

Food Service Program Does Not Include All Costs

Opportunities exist in the food service program that would reduce the burden on the General Fund, resulting in more money available for the classroom or other operations. District accounting records indicate that food operations have shown a profit for the last several years. However, some food service costs are not charged to this account.

An effective school food service program provides students with nutritional, reasonably-priced meals. During fiscal year 2003, the food service program collected over \$54 million in sales and federal reimbursements, averaging about 110,000 meals a day. The District operates a central kitchen and several self-contained kitchens at various school sites. The central kitchen provides meals for some elementary schools, while others heat the food on-site and dish it onto trays. Middle and high schools have fully self-contained kitchens.

The Board established the Food Service Enterprise Fund by resolution in June 1996. As stated in the resolution, it is the Board's intent to have the fund operate so all eligible costs associated with the program would be paid exclusively by user fees,

federal funding and reimbursements to the program. The resolution also states that no money was to be paid or transferred from other district funds to support food services and that the program is to be wholly self-supporting. However, we identified several direct costs, such as utilities and insurance, that were paid by the District's general fund that could be recorded in the food services account. For example, utilities at the central kitchen were about \$300,000 for fiscal year 2003.

In addition, the District could charge the program indirect costs for services provided by central services functions. These are costs that benefit a district program, but are not readily identifiable to that program. The District currently allocates some central service costs to the food service program, but could include more. Many federal programs allow indirect cost allocations between 2% and 3.5%. During fiscal year 2004, the District's indirect cost rate was 2.87%. As with many of the District's federal programs, the Nevada Department of Education would have to approve the indirect cost rate proposal.

One consequence of not charging all costs to the program is that cash resources can exceed allowable limits. The federal government has issued regulations limiting cash resources for food service programs. Exceeding these limits can impact the amount of federal funding the District receives or require other program changes. Because the program has been profitable, the food services cash resources exceeded the federal limit by about \$9 million at the end of fiscal year 2003. The Nevada Department of Education, the State pass-thru agency for the federal meal programs, has issued a letter to the District requiring a corrective action plan be submitted explaining how the surplus cash will be eliminated. The District's response dated September 27, 2004, states it will use the cash surplus to increase food quality and quantity, and to purchase needed capital improvements for the food service operation.

Better Control Over Some Legislative Funding Should Be Implemented

Although the District has sufficient controls in place over most special appropriations approved during the 2001 and 2003 Legislative Sessions, better controls could be implemented over some additional funding to help ensure the monies are used as required. We reviewed the controls the District has to ensure textbooks, instructional supplies, and instructional hardware funds are appropriately spent. We found these

controls were adequate to ensure the money spent, to date, was used for its stipulated purpose.

We also reviewed the District’s request and expenditure process applicable to additional legislative funding for unbudgeted energy costs, at-risk programs, unexpected healthcare costs, and education technology and found some control weaknesses. For example, back-up documentation could not always be provided to support the District’s request for funding. Further, the District did not adequately monitor allocations received for unbudgeted energy costs. In fiscal year 2003 the District received \$3.6 million for energy costs; however, actual unanticipated energy costs were \$700,000. As such, the District’s unanticipated utility costs were \$2.9 million less than the fiscal year 2003 allocation. Although the District was able to justify the need for the total allocation during the 2002 to 2003 biennium, an Interim Finance Committee resolution states that any excess at June 30, 2003, should have been returned to the State’s General Fund.

Exhibit 9 provides information about special legislative funding from the 2001 and 2003 Legislative Sessions.

Exhibit 9

**Special Legislative Funding
2001 and 2003 Legislative Sessions**

Session Year	Bill Number	Purpose	Amount Available Statewide	Amount Allocated to District
2001	SB 8	Provides additional funding for unbudgeted energy costs.	\$ 6.5 Million	\$ 4.6 Million
2001	SB 9	Provides additional funding for programs that are at risk of termination.	\$ 5 Million ⁽¹⁾	\$ 1.9 Million
2001	SB 587	Provides additional funding for unexpected employee healthcare costs.	\$13 Million	\$8.2 Million
2003	SB 1	Provides additional funding for Educational Technology.	\$ 9.95 Million	\$ 5.1 Million
2003	SB 8	Provides funding to the DSA for textbooks, instructional supplies, and instructional hardware.	\$ 131 Million	\$ 88.7 Million ⁽²⁾

Source: Auditor analysis of 2001 and 2003 Special Legislative Funding.

⁽¹⁾The Interim Finance Committee voted to revert \$1.8 million to the State’s General Fund at the September 9, 2002 meeting.

⁽²⁾Estimate based on student counts. Amount may be adjusted when Department of Education completes student count audit.

Recommendations

1. Record all applicable costs for the food service program to the Food Service Enterprise Fund.
2. Develop controls over special appropriations to ensure all monies are properly accounted for and reverted as appropriate.

Facilities Management

Aspects of the Facilities Division operate effectively; for example, the Construction Management Department has been effective at meeting the District's needs for additional schools. However, other areas could be improved. Although the District has implemented an effective electricity conservation program, plans for other conservation areas have not been finalized that could provide the District with additional savings. In addition, the District does not have an adequate information system to track maintenance employee productivity, work orders, and deferred maintenance. Furthermore, the Maintenance Department has not adopted comprehensive policies and procedures that provide employees with the needed guidance for maintaining the District's significant inventory of facilities.

The Facilities Division is responsible for the operation, maintenance, and fiscal control of all school district facilities. This includes, but is not limited to, construction, design, energy management, custodial, grounds, maintenance, and real estate acquisition and disposition.

During fiscal year 2004, the Facilities Division was responsible for 294 schools, excluding charter schools, and approximately 25 million square feet of building space, including portable classrooms. In addition, the District opened 14 schools in fiscal year 2005. Exhibit 10 shows the increase in schools over the past 5 years in the District. See Appendix C for a breakdown of schools by region for fiscal years 2002 through 2005.

**Number of Schools by Type
Fiscal Years 2001-2005**

School Type	2001	2002	2003	2004	2005	Growth 2001-2005
Elementary Schools	161	166	172	179	186	16%
Middle Schools	38	43	45	48	50	32%
High Schools	31	33	33	35	39	26%
Alternative Schools	23	24	25	26	27	17%
Special Schools	6	6	6	6	6	0%
Total	259	272	281	294	308	19%

Source: Clark County School District.

In November 1998, Clark County voters approved an initiative designed to raise funding over a 10 year period for school construction and renovation. This enabled the District to adopt a Capital Improvement Program which includes the following:

- construction of 90 new schools,
- over \$900 million in renovations to existing schools,
- construction of 10 replacement schools, and
- construction of two regional bus yards.

As of May 31, 2004, the District reported a total of \$1.8 billion had been expended on the 1998 building program.

District's Energy Conservation Needs to Include All Areas

Although the District's energy conservation plan is effective, it does not address all utilities. The District has made significant efforts to conserve electricity; however, natural gas and water conservation efforts have not received as much attention. According to energy conservation program information, this is because natural gas and water are more subjective to weather conditions than electricity. In addition, Division officials indicated that natural gas is not as significant of a cost to the District. While we agree these areas are not as significant as electricity, we feel that additional savings could be realized by increasing the focus on the conservation of these utilities.

Energy costs across the State and nation have increased to levels requiring close monitoring and management. The 2001 Legislature appropriated \$6.5 million to assist school districts in meeting the demands of rising energy costs. Of that amount,

Clark County School District received \$4.6 million. In fiscal year 2003, the District spent over \$47 million on electricity, natural gas, water, sewage, and refuse. Exhibit 11 shows the amounts the District expended on utilities for fiscal years 1999 through 2003.

Exhibit 11

**Utilities Costs (Millions)
Fiscal Years 1999-2003**

Utility Type	1999	2000	2001	2002	2003	Change 1999-2003
Natural Gas	\$ 1.79	\$ 1.81	\$ 2.48	\$ 2.93	\$ 2.01	12%
Electricity	\$ 15.27	\$18.46	\$22.18	\$31.34	\$33.05	116%
Water/Sewage/Refuse	\$ 8.92	\$10.40	\$10.49	\$12.43	\$12.42	39%
Total Utility Costs	\$ 25.98	\$30.67	\$35.15	\$46.70	\$47.48	83%

Source: NRS 387.303 Reports.

District's Electricity Conservation Program Effective

Much of the District's rise in utility costs over the past several years is attributable to the increases in student enrollments, facilities, and utility rates. Several years ago, the District successfully implemented an energy conservation program to help reduce energy usage. For example, during the past several summers, the District has realized significant cost savings by focusing conservation efforts on 9-month schools and year-round schools during high afternoon electric rate periods. During the 2003 summer, the District reported savings of nearly \$1.7 million. For the 2004 Summer Energy Savings Program, a memorandum was issued in May 2004, requesting 9-month schools to adjust operating hours to shut down at 12:30 p.m., avoiding the higher electricity rates between 1 p.m. and 7 p.m. In addition, individual classrooms at year-round schools were requested to shut down all computers, lights, etc. not being used at 1 p.m. each day. Overall, the District reported savings of over \$3 and \$4 million in fiscal years 2003 and 2004, respectively.

The energy conservation plan gives detailed instructions to staff, custodians, and kitchen workers on how to conserve energy. The instructions outline what items should be turned off each night, how to conserve energy over holidays and weekends, and general good habits such as turning off lights when not using a room and keeping

outside doors closed. Our survey of District employees found that 76% understand their roles in the District's energy conservation efforts.¹

The District also maintains central control over the heating and cooling of many of its buildings. This allows the District to monitor the temperature of individual classrooms throughout the District. By having this control at a central location, the District is able to set the times when air conditioning units are shut down.

Finally, individual schools are rewarded for their efforts to conserve energy. Schools are given rebates of \$250 to \$5,000, based on their student enrollment, for conserving 10% to 15% on electricity usage. For fiscal year 2003, the District gave a total of \$172,500 in rebates to 147 schools.

Plan Does Not Adequately Cover All Utilities

The District has a draft copy of a water conservation plan that is dated January 2004; however, the plan has not been finalized. According to information contained in the plan, the District was the largest single user of water in Clark County. The plan contains strategies for conserving water through turf removal at existing schools and limiting turf to athletic fields in future construction projects. In addition, the District uses centrally controlled computerized watering systems at the majority of its school sites and hybrid grass that requires less water than other types of grasses. For the water conservation plan to be implemented, it needs to be finalized by the District.

Although natural gas conservation is mentioned in the current energy plan, efforts are not focused to ensure it is conserved. In addition, Facilities Division officials reported the possibility of natural gas being used in the future for more than just heating. Therefore, the District may benefit from additional efforts focused on conservation strategies for natural gas use.

Furthermore, the District has contracted with an energy consultant to assist in energy conservation efforts. Specifically, the contract requires the consultant to develop goals for energy conservation for utilities including natural gas and water. However, the energy conservation goals have not been updated for several years and current goals

¹Appendix B summarizes our survey of District employees.

focus mainly on electricity. Division officials indicated they are currently working with the consultant to update energy conservation goals.

Facilities Information System Could Be Improved

The Maintenance Department could improve the information used to track maintenance needs. The Department currently uses the Work Order Status and Tracking (WOST) system for work orders. An internal audit conducted in 2001 recommended the Department purchase a new work order tracking system. During our preliminary survey, the Department reported that a new system would be purchased in June of 2002. However, a new system was not purchased at that time because the District was exploring the possibility of purchasing a integrated business services system. They wanted to make sure the work order system would interface with the integrated system.

With the WOST system, the Department is unable to track maintenance employee productivity and the tracking of deferred maintenance is limited. Furthermore, work orders received and processed cannot be efficiently tracked by completion and priority status. Best practices recommend a technology system that includes work order management and prioritization guidelines.

The District anticipates purchasing a Computerized Maintenance Management System (CMMS) in the fall of 2004. Specifications for the new software include the ability to track employee productivity, deferred maintenance, work order completion, and priority status. District staff indicated that once the software has been purchased, it will take 24 to 36 months to get it fully operating. Therefore, it is important that the District continues its efforts to purchase the new CMMS to ensure it is implemented in a timely manner.

Maintenance Lacks Complete Policies and Procedures

The Maintenance Department has not developed complete policies and procedures. Currently, the Department has issued various memorandums to provide guidance on specific responsibilities. However, these memorandums are not readily available to all employees and have not been formalized by the Department. Furthermore, with the purchase of the new CMMS it is important for the District to adopt policies and procedures to ensure it is used properly.

Other states' best practices acknowledge the importance of comprehensive policies and procedures over maintenance functions. In addition, internal control standards recommend policies and procedures be documented.

The Construction Management Department is in the process of finalizing its policies and procedures manual. The manual provides a good model for the Maintenance Department to follow in its efforts to develop comprehensive policies and procedures.

Recommendations

3. Work with the energy consultant to develop goals for water and natural gas conservation.
4. Continue development of and finalize a water conservation plan.
5. Enhance the energy plan to focus greater efforts on the conservation of natural gas.
6. Complete procurement and implementation of the new CMMS technology that enhances the Maintenance Department's ability to more effectively monitor activities.
7. Develop policies and procedures to ensure the CMMS is properly implemented, including work order tracking, employee productivity, and deferred maintenance.
8. Formalize the policies, procedures, and memorandums over Maintenance Department functions and provide access to all employees.
9. Finalize the development of all remaining policies and procedures for the Construction Management Department.

Personnel Management

We found the District has excellent processes for recruiting, hiring, and inducting employees. However, there are opportunities to improve district-wide professional development to ensure the District retains qualified staff. Staff retention is a major challenge faced by school districts across the nation. Experts report key elements

districts can address affecting staff retention include the recruiting and hiring process, induction, and professional development.

Districts are continually challenged to hire and retain teachers, administrators, and support staff. During fiscal year 2004, the District hired nearly 5,800 employees. Of this number, 38% were hired in the first quarter and more than half were teachers. Exhibit 12 shows the number, type, and percent of employees hired during fiscal year 2004.

Exhibit 12

**Schedule of New Hires
Fiscal Year 2004**

Type of Employee	Teachers	Support Staff	Student Workers	Administrative	Police	Totals
Number Hired	3,169	2,041	449	79	25	5,763
Percent Hired	55.0%	35.4%	7.8%	1.4%	0.4%	100.0%

Source: Auditor calculated from CCSD Human Resources Division information.

Personnel Program Accomplishments

The District has implemented nationally recognized recruiting, hiring, and inducting processes. The New Teacher Project, a non-profit group helping school districts recruit teachers, and others singled out CCSD's processes and programs as effective practices. As a keynote speaker at Georgia's teacher recruitment conference, management shared insight about the District's on-line application process and its successful private sector partnership. Induction practices, like the New Teacher Induction Program, include a relocation guide, a welcome center, a community day, an orientation day, special follow-up training, monthly newsletter, and mentoring. Further, the District reports its mentoring program is active in all schools and is applying additional mentoring resources to at-risk schools.

We surveyed District employees regarding the personnel function. Generally, the Human Resources Division received good ratings regarding their recruiting and inducting efforts. Over 80% of staff responding to the survey indicated the Division was helpful, knowledgeable, and responsive. We also found that most respondents felt the District has effective professional development.

Opportunities to Improve Professional Development

Although the majority of employees surveyed felt professional development met their needs, opportunities for improvement exist. CCSD has several planning documents that contain elements of professional development, but a district-wide training plan would help to better coordinate training and ensure a qualified staff is maintained. Further, clearly aligning professional development with Board regulations and clearly defining training responsibilities would help eliminate confusion and ensure effective training continues.

The Board, with District management, developed three significant planning documents: Governance Policies, Building for the Future, and A+ Action Accountability Plan. Within these documents, the District has addressed goals, processes to achieve the goals, and measurements to identify progress towards the goals. Although we found professional development elements within these planning documents, the District does not have a district-wide professional development plan. Such a plan would facilitate compliance with Board regulation and help to clearly define the responsibility for providing and coordinating District training.

Board Regulation

CCSD's professional development configuration differs from Board regulation. District Regulation 4240 states that the Human Resources Division is responsible for district-wide professional development and directs support staff to submit training requests to the Division. However, several years ago professional development was transferred from the Division to the District's Instruction Unit. Therefore, the current professional development organization could be confusing to personnel wanting to pursue professional development in accordance with Board regulations.

Support Staff Training

The District needs to clarify where the responsibility for training support staff resides. Professional development is coordinated within two sections of the Instruction Unit: Curriculum and Professional Development Division (CPDD) and Support Staff Training and Development Department. CPDD is responsible for training teachers and administrators. The Assistant Superintendent of CPDD reports to the Deputy Superintendent of Instruction. Training for support staff is within the Support Staff

Training and Development Department. This department is not part of CPDD, and its director reports directly to the Deputy Superintendent of Instruction. However, the mission statements for both CPDD and Support Staff Training and Development Department include the responsibility for training support staff. Because separate entities claim responsibility for support staff training, the District could experience inefficient training efforts.

Recommendation

10. Consolidate district-wide professional development elements into a single plan aligned with District goals, policies, and regulations that clearly define the organizational structure and responsibilities of the professional development program.

Transportation

The District's Transportation Department has implemented many improvements to enhance efficiency. One improvement was the implementation of a computerized bus routing system in 1995 that reportedly saves about 10% to 15% annually from more efficient operations. Even with the improvements, there are still opportunities to make other areas better. For example, fleet management controls need to be implemented to better utilize the District's passenger type vehicles. About half of the District's cars were driven less than 600 miles a month during fiscal year 2004. Better management of the District's vehicles could provide savings of over \$1.1 million dollars in future capital expenditures by eliminating under-utilized vehicles. In addition, the Department's bus management could be improved by adopting a formal policy to ensure buses are operating efficiently and have up-to-date safety features. Further, about \$400,000 of additional revenues could be generated to offset transportation costs by charging a small fee to participants of extracurricular activities that require transportation services.

In 2003, School Bus Fleet magazine reported the District's transportation services were the 16th largest school district fleet in the country. According to the Transportation Department's fact sheet, there were over 144,000 students eligible for transportation services and 5,106 daily runs in fiscal year 2004. In addition, the fact sheet indicated the Department had 1,499 employees, of which 1,006 were bus drivers.

Furthermore, the District's database for tracking vehicle information reported 1,153 buses and 1,723 other vehicles as of July 2004. Finally, the Department's final budget had authorized expenditures of approximately \$67.8 million in fiscal year 2004.

To improve efficiency, the District's Transportation Department implemented a new bus inspection system that provides maintenance data faster with verified proof of compliance. This saves time and money, and increases safety and reliability of the fleet. The Department was also recognized in a national publication as a "Great Fleet." This 1999 publication stated that keeping up with one of the fastest growing enrollments in the country is a challenge that is met well by the Department.

Bus Routing Program Increases Efficiency

The Transportation Department has increased its efficiency in bus routing by implementing computerized routing software, a best practice used in other states and the student transportation industry. Computerized routing software is designed to help ensure districts select and implement the most efficient routes. The increased efficiencies result from better bus routes and the need for fewer buses.

After the Department implemented the bus routing package, it reported operational savings of about \$3 million in fiscal year 1997. In addition, the increased efficiency associated with better routes reduced the number of buses the District needed to provide transportation for students. This, in turn, reduced the need for future bus purchases. For example, the Department reported it needed approximately 10% fewer buses upon implementation of a computerized bus routing system, thereby saving approximately \$8 million.

Management of District Vehicles Could Be Improved

Controls over vehicle usage and inventory could be better. Our review found limited procedures and controls for vehicle usage, assignment, and inventory. We estimate the District could save over \$1.1 million in future capital expenditures by eliminating under-utilized vehicles. Fleet management controls would help the District be more accountable over its vehicle inventory and ensure more effective and efficient use of its vehicles.

Vehicle Usage

We reviewed the District's vehicle maintenance system for fiscal year 2004. Our review found about half of the passenger fleet was driven less than 600 miles a month during the year. District officials indicated that some vehicles will always have low usage. This is because they are assigned to areas that need transportation, but the area served is limited, such as school site custodial services and the home bound teaching program. However, by evaluating vehicle usage and aligning the inventory to its needs, the District could eliminate the unnecessary cost of under-utilized vehicles.

We examined 293 passenger type vehicles in the District's fleet. Of the 293 vehicles, we found about half of the vehicles had been driven less than 7,200 miles in fiscal year 2004. District regulation bases its vehicle mileage guidance on a mileage rate of 600 per month or 7,200 per year. Specifically, the regulation states that vehicles can be assigned to an individual or department when travel is 600 miles a month or more. Accordingly, about half the vehicles examined do not meet this minimum benchmark.

Using total vehicle miles, we estimate the District could eliminate over 70 vehicles. Based on the average vehicle cost of about \$16,000 each, the District could save over \$1.1 million in future capital expenditures by eliminating under-utilized vehicles. District regulation expresses the need to have economy of operations to avoid excessive burden to the District budget and also maintain the minimum number of nonbus vehicles.

The District has several general regulations regarding vehicles. It also issued a vehicle usage memorandum in September 2004. Although the regulations and memorandum are a good start, District procedures to control vehicle usage are not in place. For example, we found no control processes in place at the various departments over assignments or usage. Further, no central area is responsible for evaluating usage to ensure vehicle use is maximized. Managers can affect significant cost savings by making certain the District obtains the most use out of each vehicle and maximizes its overall fleet usage.

Vehicle Inventory

Controls over vehicle inventory are not in place. Our review found limited procedures and controls over vehicle inventory. Further, inventory listings have not been reconciled with vehicles on-hand and inventory records are not always accurate. Not establishing these controls could lead to misuse or abuse of District owned vehicles.

District Regulation 3610 states as steward of all Clark County School District property, the Board of School Trustees recognizes the need for proper management of property and equipment inventory throughout the District. As such, it requires the maintenance of adequate inventory records and appropriate inventory control. In addition, District Regulation 3612 states the administration is responsible for the development, implementation, and enforcement of procedures pertaining to the care and use of District property. Control and accountability for all equipment and supplies will be in accordance with established procedures. Further, sound internal controls require an entity to establish physical controls to secure and safeguard vulnerable assets, such as vehicles and equipment.

We reviewed the District's inventory records for 100 passenger type vehicles. Although vehicles could be identified, we found inconsistencies in the inventory records. For example, license and vehicle identification information sometimes varied between the assignees and inventory records. In addition, five vehicles were not at the location recorded on the inventory listings. District officials indicated that one vehicle had been returned to the dealer, one had an incorrect vehicle number, and the other three vehicles had been transferred for other operational uses. However, the inventory records had not been updated. Reconciliation of inventory listings with vehicles on-hand would help control this area and lessen the likelihood of misuse or abuse.

Administrative Staff Vehicles

Recently, the District changed its vehicle assignment practice to no longer assign cars to various administrative staff. However, in lieu of having assigned vehicles, District administrative staff was given the option of receiving a monthly stipend or claiming mileage reimbursements. According to District information, the stipends are

based on prior vehicle usage. The stipends range from about \$150 to \$420 monthly. The mileage reimbursement is based on actual business miles driven.

The District has established guidelines over the vehicle stipends. However, the District has not formalized these guidelines into District policy regarding administrative staff vehicle options. It is important to formalize the guidelines to ensure they are consistent with District intentions and equitably carried-out.

Bus Replacement Policy Needed

The District has made good efforts in replacing buses even though the Board of Trustees has not adopted a bus replacement cycle into District policy. Older buses cost significantly more to operate and are less likely to have the latest safety features. About 17% of CCSD's bus fleet is over 12 years old, and about 14% of the buses have been driven an average of more than 200,000 miles. Industry standards vary for bus replacement cycles; however, most generally recommend replacement of buses every 12 to 15 years. Although industry standards can be used as a general rule, maintenance and operational data is also needed on each bus to make cost-effective decisions.

Age of Bus Fleet

The age of a bus fleet can result in increased maintenance costs. Older buses cost more to maintain than newer model buses. According to a report from the National Association of State Directors of Pupil Transportation Services, two studies done in California and Washington identified that after 12 years of use, the annual operating cost of school buses began to increase significantly and continued an annual increase each year thereafter. These studies suggest a rule of thumb; however, it is clear that maintenance and operating costs provide information needed to determine when buses should be replaced. For example, review of this data may indicate whether buses should be operated longer or replaced sooner. Exhibit 13 includes a breakdown of the District's bus fleet as of July 2004.

**District Bus Fleet
July 2004**

Model Year	Age in Years	Number of Buses	Average Total Miles	Average Annual Miles
1987	18	7	237,139	13,174
1988	17	2	272,989	16,058
1989	16	17	226,156	14,135
1990	15	63	217,937	14,529
1991	14	69	207,309	14,808
1992	13	41	186,701	14,362
1993	12	66	183,055	15,255
1994	11	82	157,717	14,338
1995	10	26	159,245	15,925
1996	9	78	143,001	15,889
1998	7	216	113,587	16,227
2000	5	109	81,674	16,335
2001	4	51	61,416	15,354
2002	3	82	58,863	19,621
2003	2	121	37,346	18,673
2004	1	123	21,260	21,260
Totals		1,153	113,251	16,720

Source: Clark County School District Transportation Department.

As buses get older and mileage higher, the cost per mile typically increases at a significant rate. As such, whenever operating and maintenance costs reach a certain level, it may make better economic sense to purchase a new bus rather than continue to maintain an older one. According to District bus maintenance records, buses over 12 years old cost 62 cents a mile to operate, while buses less than 12 years cost 51 cents.

Development of Replacement Policy

The National Association of State Directors of Pupil Transportation Services believes the timely replacement of buses must be a planned process. Available funding is likely the single most important consideration in determining a bus replacement policy. However, the policy should also be based on an analysis of total miles operated, age, and operating maintenance costs. In addition, the policy should consider a route rotation plan to accrue mileage evenly and reduce unequal bus wear.

This type of policy provides several benefits such as older, higher maintenance buses are replaced first. In addition, the policy allows for better budgeting since a consistent number of buses are purchased each year. Finally, it impacts the timeliness

of introducing the latest safety, efficiency, and emissions improvements into the fleet, demonstrating a commitment to maintaining an up-to-date fleet.

Best practices recommend school boards adopt a bus replacement cycle. Industry standards vary for bus replacement cycles; however, most generally recommend replacement of buses every 12 to 15 years. In addition, a 2003 study completed by the University of Nevada, Las Vegas recommended that CCSD adopt a replacement cycle based on vehicle maintenance and operating records. Replacement plans allow managers to determine the point when it is more costly to repair a bus than replace it. By knowing the replacement schedule beforehand, transportation managers are able to budget accordingly.

Extracurricular Activity Fee Could Help Recover Transportation Costs

The District has discussed the need to cut several programs and operating areas. Two areas that raised considerable concern were school sports and transportation. These areas are related since school buses play a role in transporting student athletes. During the adoption of the final budget in May 2002, many individuals voiced concern over cutting these areas. One Board member expressed the need to find alternative ways to fund school sports and transportation. An alternative used by some districts to help offset these costs is to charge an activity or athletic transportation fee. We estimate that by charging such a fee the District could generate over \$400,000 to assist the Transportation Department in providing these services or help fund other areas.

The District has discussed the use of a fee to help offset program costs, such as "Pay to Play." However, a concern raised was that not all students could afford to pay. We understand this concern; however, exception policies could be developed for those occasions where a student may not be able to afford the fee. Further, a small fee to help offset transportation and other program costs would provide additional resources that could benefit other educational activities. Washoe County School District began charging a \$25 athletic transportation fee to help offset costs. This generated about \$88,000 in fiscal year 2003.

Recommendations

11. Develop fleet management controls over vehicles; including assignment and control logs, a fleet inventory process, and administrative staff vehicle options.
12. Evaluate vehicle usage to ensure the District's fleet is at optimum levels.
13. Develop procedures to perform periodic inventories of the District's vehicle fleet.
14. Adopt a bus replacement policy to help ensure buses are replaced in a timely and economic manner.
15. Consider charging students a fee to help offset transportation costs associated with certain extracurricular activities.

District Organization

The Clark County School District is governed by a Board of Trustees. The Board employs a superintendent to serve as chief executive officer in charge of day-to-day administration of schools. The District's staffing and administrative cost ratios vary as compared to its peers. Although the District's administrative staffing and cost ratios appear reasonable when compared to other districts' averages, the District has the second highest pupil to teacher ratio. Further, performing semi-annual assessments of the Board's governance process, as required, would strengthen its ability to provide leadership and help the Board achieve its purpose. These changes would go a long way in providing better accountability of the District's operations to the Board and the public.

Staffing and Cost Ratios Vary as Compared to Peers

According to the U.S. Department of Education's National Center for Education Statistics's (NCES) latest information for 2003, the District averaged 19.6 pupils per teacher, while its peers averaged 18.3 pupils per teacher. This places the District in the lower half of its peer group. Although used as an indicator, pupils per teacher is not the same as average class size. This is because pupils per teacher is a raw calculation of total students to total teachers. However, total teachers include specialty teachers who

tend to teach smaller class sizes, such as music and special education. Because of this, pupils to teacher ratios tend to be smaller than average class sizes. Exhibit 14 shows the pupils per teacher for 2003.

Exhibit 14

**Pupils Per Teacher
2003**

District	Pupils Per Teacher
Montgomery County, Maryland	15.4
Houston, Texas	17.1
San Diego, California	18.8
Philadelphia, Pennsylvania	19.5
Clark County, Nevada	19.6
Broward County, Florida	20.2

Source: NCES 2003.

In addition, the District ranks in the middle of its peer districts in pupils per administrator. According to the NCES's latest information for 2003, the District averages 369.7 students per administrator. Exhibit 15 shows the pupils per administrator for 2003.

Exhibit 15

**Pupils Per Administrator
2003**

District	Pupils Per Administrator
Houston, Texas	170.0
Montgomery County, Maryland	324.0
Clark County, Nevada	369.7
San Diego, California	369.7
Philadelphia, Pennsylvania	377.1
Broward County, Florida	439.9

Source: NCES 2003 and auditor calculated.

Administrative costs are those associated with managing the District at both the school and district level. At the school level, administrative costs are primarily associated with such things as the principal's office and staff. At the District level, administrative costs are associated with the personnel, business, and superintendent

functions. According to the NCES's latest finance survey data for 2002, of its peer districts, the District had the third lowest administrative cost per student at \$782. However, administrative costs are significant to the District. For example, administrative costs for fiscal year 2002 were \$192 million. As such, the District needs to continue to review administrative expenditures to ensure it is utilizing its resources in the most effective way. Exhibit 16 shows total administrative cost per pupil for 2002.

Exhibit 16

**Administrative Cost Per Pupil
2002**

District	Administrative Cost Per Pupil
Broward County, Florida	\$653
Houston, Texas	\$764
Clark County, Nevada	\$782
Philadelphia, Pennsylvania	\$872
Montgomery County, Maryland	\$930
San Diego, California	\$1,016

Source: NCES 2002.

Dollars to the Classroom Favorable

Although the District is lowest in per pupil current expenditures among its peer districts, it compares favorably with its peer districts in getting more of every dollar spent into the classroom. According to the most recent finance survey data provided by NCES for 2002, the District ranks third among its peer districts for the percent of every dollar going into the classroom. Exhibit 17 shows total expenditures per pupil, instructional expenditures per pupil, and the percentage of every dollar spent that goes into the classroom for fiscal year 2002.

**Dollars to the Classroom
2002**

District	Current Expenditure Per Pupil	Current Instruction Expenditure Per Pupil	Classroom Dollars %
Montgomery County, Maryland	\$10,005	\$6,395	63.9 %
San Diego, California	7,901	4,901	62.0
Clark County, Nevada	5,797	3,577	61.7
Houston, Texas	7,033	4,105	58.4
Broward County, Florida	5,877	3,320	56.5
Philadelphia, Pennsylvania	7,143	4,030	56.4

Source: NCES 2002 and auditor calculated.

Classroom dollars used in our analysis are based on the definition developed by the NCES and accounted for by the District. Classroom dollars include expenditures such as instructional staff, benefits, and supplies. Current expenditures are those costs used to operate the District. Current expenditures exclude costs for debt repayment, capital outlays, and other programs outside the K-12 area.

Views on the Reorganization Have Improved

In 2001, the District reorganized into a “Service Provider Network” of five regional subdivisions designed to provide for local control of schools while maintaining central oversight. Regional boundaries were established to decentralize the District into subdistricts, each containing about the same number of students and schools. In 2002, the Clark County Association of School Administrators surveyed its membership regarding the effectiveness and efficiency of the District’s reorganization. This survey found that only 24% of respondents thought the reorganization made the District more effective and efficient, while 49% felt it did not achieve this goal and 27% were undecided. At the time, District officials indicated the reorganization was new and it would take some time to determine how well it is working.

We conducted a similar survey in March of 2004 and found over 50% of district management and school administrators thought the reorganization made the District more effective and efficient. About 35% of respondents still felt it did not achieve this goal and about 12% of respondents were still undecided. These results show that

District management and school administrators now generally view the reorganization as working and resulting in more effective and efficient operations.

District officials said the purpose of the reorganization was to facilitate the following:

- **Achievement** – Administrators will be given authority to plan, implement, and evaluate instructional programs specific to the needs of the students in each region, and to improve the articulation of curriculum between the elementary, middle, and high schools.
- **Access** – Promises a quality education to all students regardless of where they live and enhances community access to district staff.
- **Accountability** – Each region is to develop measurable action plans for improving student achievement. Central office departments will be accountable to provide timely and efficient services to each region.

Board Assessments Need to Be Done

Although Board policies require a semi-annual assessment of the Board's governance process, we did not find documentation of Board assessments. District officials indicated that Board assessment meetings had occurred in January and July 2003, and February 2004. We found the meetings discussed the assessment process, but found no evidence assessments had been completed. Further, the February 2004 Board assessment meeting was cancelled and not rescheduled. Board policy GP-2 states semi-annually the Board will review its adherence to the governance process. Following this guidance should help improve and maintain the quality of the Board's leadership.

The purpose of the Board is to ensure the Clark County School District achieves results for students at an appropriate cost and avoids unacceptable actions and situations. The Board governs with an emphasis on:

- outward vision rather than internal preoccupation,
- encouragement of diversity in viewpoints,
- strategic leadership more than administrative detail,
- clear distinction of Board and chief executive roles,
- collective rather than individual decisions,

- the future rather than the past or present, and
- acting proactively rather than reactively.

The National School Boards Association's publication "A Guide to Effective School Board Service – Becoming a Better Board Member" states an effective board has procedures for self-assessment and invests in its own development. It further states a Board should be evaluated regularly to ensure it continues to exercise effective leadership.

Recommendations

16. Review administrative costs to ensure the District's resources are utilized efficiently.
17. Ensure assessments of the Board's governance process are performed and documented.

Employee Health Plans

The District could improve its accountability and oversight of health plans by changing its practice of enrolling 100% of support staff in the District's plan. Further, the District needs to continue to properly account for support staff excess contributions and monitor the financial stability of the Teachers Health Trust. Health coverage represents a considerable cost to the District. As such, accountability and oversight by the District is necessary to ensure its fiduciary responsibility to its employees and taxpayers.

CCSD has available to its support staff, teachers, and administrators various health benefit options. The Teachers Health Trust sponsored by the Clark County Education Association (CCEA) is a self-funded plan available to the District's teaching staff. Administrator's health benefits are provided through the Clark County Association of School Administrators (CCASA), who contracts with a private insurance provider for the benefit of its members. Since September 2001, the District has contracted with a private insurance provider for the benefit of its support staff. During fiscal year 2003, the District made monthly contributions of between \$259 and \$430 per eligible employee, based on the employee's collective bargaining agreement. The District paid over \$87.1 million in fiscal year 2003 for employee health benefits.

Health Benefit Enrollment Practices Cost the District

From September 2001 through September 2004, the District paid medical insurance premiums on behalf of all support staff employees, even though some employees may not have wanted medical coverage. We estimate this practice cost the District between \$300,000 and \$1.7 million a year for these employees. Instead of paying the insurer, this money could have been used in other operating areas or to provide additional or future benefits for support staff employees.

Prior to September 2001, the Education Support Employees Association Health and Welfare Benefit Trust (ESEA) provided health benefits to the support staff. One option available under this plan was to allow employees to decline medical coverage. However, an audit completed by the District's Internal Auditor in 2001 found the District was paying the ESEA for 706, or about 9%, of support staff that had selected this option.

During 2000 and 2001, the ESEA encountered financial difficulties. As a result, in September 2001, the control of the support staff employee health benefit program was placed with the school district. The District, subsequently, contracted with a health services company to provide health benefits to all District support staff. Although the contract contains an enrollment clause stating that a minimum of 75% of eligible support staff employees must be enrolled, District management stated they agreed to continue the practice of funding the health program based on a per employee contribution. They further indicated this practice assures that every employee has access to health insurance and enables the District to obtain an optimum premium rate from the service provider. Thus, the District continued its practice of paying for all support staff employees, including the support staff that had declined medical coverage under the prior plan.

As of September 2004, the District entered into a new health benefits plan that provided employees the opportunity to decline medical coverage. According to District staff, a recently completed open enrollment found about 2% of the support staff chose not to enroll for medical coverage. Consequently, we estimate the District's practice of paying for individuals who may not have wanted medical coverage for the 3 years ended September 2004 cost the District between \$300,000 and \$1.7 million per year.

Continue Accounting for Excess Contributions

Since September 2001, CCSD has contracted with a health services company for support staff medical benefits. However, the District has kept any excess District contributions over the premiums during this period. This occurred because the District's contribution rate negotiated with the ESEA exceeded the amount needed to pay the contracted premiums to the health services company. This money was not reserved to provide for additional or future benefits for support staff employees.

We discussed this issue with District officials on several occasions beginning in February 2004. Subsequent to our discussions, the District entered into a Memorandum Of Understanding (MOU) in May 2004 with ESEA agreeing to set aside excess contributions. The agreement states the surplus will be used to help offset future increases that may occur in the support staff insurance premiums. The MOU resulted in the District setting aside \$1.8 million as a reserve for support staff health benefits in fiscal year 2004.

Although not specific to the District's health benefits contract, the 2003 Legislature passed a law (S.B. 28) to mandate that excess contributions cannot be used for purposes other than health benefits. This demonstrates a desire on behalf of the Legislature that earmarked monies are to be used solely for their specified purpose.

Health Benefit Plan Oversight Could Be Improved

The Teachers Health Trust (Trust) lacks oversight by CCSD and other governmental agencies. The District negotiates with its union groups for the health benefits of its employees. The teachers union sponsors a self-funded health trust for its participants. However, the District has not negotiated with the Trust to obtain appropriate oversight. Further, the Trust, unlike commercial insurance carriers operating in the state of Nevada, has not been subject to oversight by Nevada's Division of Insurance or other entities. Although audited annually by an independent accountant, the District does not receive this audit report or any type of financial reports. As such, not much oversight has occurred with the Trust's health plan.

The Trust was created in 1983 under the collective bargaining agreement between the CCSD and the CCEA. The Trust administers medical, dental, vision, and death benefits for District teachers. The Trust is self-administered (no third-party claims

administrator) and self-funded through CCSD contributions and member premiums. The contributions are bargained for through collective bargaining between CCSD and CCEA. According to District records, its contributions for fiscal year 2003 to the Trust were \$58.6 million. Total revenue for the Trust was \$83.5 million in fiscal year 2003 with expenses of \$76.1 million.

The collective bargaining agreement between the District and the Teachers Health Trust does not provide any oversight mechanism by the District. District officials stated that even if they monitored the Trust's plan, they have no authority to make changes. We agree; however, if the District were monitoring the Trust's financial stability, it would have better information to make recommendations to the CCEA's and the Trust's Board of Trustees. In addition, the District could request the Nevada Insurance Commissioner to review the Trust's plan and make recommendations. Under NRS 679A.160, the District can request the Commissioner of the Nevada Division of Insurance to review the plan to ensure the benefits are reasonable in relation to the premiums and the fund is financially sound.

We requested a legal opinion² from the Legislative Counsel regarding the applicability of certain sections of NRS 288 and 679A. In that opinion, the Legislative Counsel states:

In conclusion, it is the opinion of this office that the CCSD is authorized to negotiate with the Clark County Classroom Teachers Association for the submission of audits of the Trust to the CCSD, that the CCSD has the authority to request that the Commissioner of Insurance undertake a review of the Trust to determine whether the Trust is financially sound and that the CCSD could receive a review of the Trust if the Commissioner makes one of the relevant determinations provided in paragraph (a) of subsection 3 of NRS 679B.190 and releases the review.

It is in the District's best interests to monitor the financial stability of the Teachers Health Trust. In the event the Trust becomes insolvent, the District may be put into the position of paying delinquent health claims. For example, CCSD support staff employees received health benefits by the ESEA Trust prior to September 2001. As with the Teachers Health Trust, the District had no financial oversight of the ESEA Trust. The ESEA Trust became insolvent and unable to pay support staff medical

²See Appendix D for legal opinion.

claims. The District only became aware of the ESEA Trust's financial difficulties when it received complaints from healthcare providers and employees that medical claims were not being paid. Consequently, the CCSD went to arbitration to gain control of providing health benefits to its support staff employees. The arbitrator ruled for the District and the District took over providing health benefits to the support staff on September 15, 2001. The District ended up paying about \$3.2 million for delinquent health claims on behalf of District employees. Given sufficient notice through regular financial oversight, the District would have more time to secure a replacement health benefit package and limit its exposure to delinquent health claims.

Further, the Teachers Health Trust's audited financial statements for fiscal years 2001 and 2002 indicated there was an uncertainty regarding the Trust's ability to continue as a going concern. For example, benefit obligations exceeded net assets by \$4.6 million and expenses exceeded revenue by \$10.7 million in fiscal year 2001. The Trust received a total of \$4.9 million in State special appropriations during fiscal years 2002 and 2003 to help with the Trust's deficit. The financial position of Trust operations have since improved. However, in the event the Trust could not pay medical claims, the impact to the District and the State could be much greater than what was encountered with the ESEA Trust. This is because the Teachers Health Trust has a larger number of employees participating in the plan.

Recommendations

18. Develop procedures to ensure the District pays premiums to the insurance provider only for support staff personnel electing coverage.
19. Continue to separately account for funds earmarked for employee health benefits.
20. Negotiate with the Teachers Health Trust to obtain audited financial statements or other financial reporting information and monitor the solvency of the Teachers Health Trust.
21. Periodically request the Nevada Commissioner of Insurance to review the financial stability of the Teachers Health Trust.

Appendices

Appendix A Audit Methodology

To gain an understanding of current issues school districts are facing, we reviewed audit reports and educational studies from other states, the U.S. General Accounting Office, and national education organizations. Additionally, we reviewed the Clark and Washoe County School Districts Performance Audit Preliminary Survey Report prepared by our office in 2002. We also visited the school performance review offices of Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) and Texas School Performance Review (TSPR). In addition, we reviewed applicable NRS and NAC, minutes of Legislative committees and subcommittees, and appropriation and authorization acts and reports. We then reviewed budgets, statistical data, and the audit reports of internal and external auditors. We interviewed management and program personnel, Nevada Department of Education staff, and staff of the Fiscal Analysis Division of the Legislative Counsel Bureau. Finally, we performed a risk analysis considering sensitivity, significance, report users, district programs, operations, processes, management controls, and compliance with laws and regulations.

To obtain views on school district operations, we surveyed administrators, principals, teachers, and support staff. We developed the survey questionnaire based on information obtained from OPPAGA, TSPR, our observations, and information from the administrators' union. The surveys were web-based, although respondents were able to obtain and complete a paper questionnaire upon request. Survey participants were selected from District employee listings resulting in a sample of 2,167 District employees. See Appendix B for survey results. We also requested the District identify five peer districts. The District selected San Diego City Schools, California; Broward County Public Schools, Florida; Montgomery County Public Schools, Maryland; The School District of Philadelphia, Pennsylvania; and Houston Independent School District,

Texas as its peer districts. We then surveyed these districts to obtain data that can be compared to District information.

Financial Management

To determine if controls are sufficient to provide accountability for financial resources, we examined the propriety of the District's use of the special appropriations available from the State for textbooks, utilities, at-risk programs, and education technology. We then met with the Nevada Department of Education and District managers regarding the District's federal grant program. As such, we determined the various grants available to the District, analyzed the federal grant dollars awarded, spent, and reverted, and documented controls over grant expenditures.

Further, we examined the District's Internal Audit function, including development of audit plans, scope of reviews, reporting structure, distribution of reports, and audit follow-up. Next, we analyzed how the District determined the costs for the food service program. We also reviewed food service reports for fiscal year 2003 and analyzed the District's process for maximizing participation in the federal school breakfast and lunch programs. Then, we assessed the District's efforts to obtain Medicaid reimbursement for school-based medical services provided to special needs students. Finally, we reviewed investment and debt management policies.

Facilities Management

To determine if construction, maintenance, and facility usage programs are properly planned and controlled, we documented and evaluated the processes for cost estimation, use of prototype designs, project management, prioritizing maintenance, and evaluating facility condition. In addition, we documented the District's policy for the public's use of facilities and reviewed job descriptions.

Furthermore, we evaluated the planning and control process over the construction program, documented the accountability mechanisms for the construction program, and reviewed the District's site selection process for new schools. Then, we analyzed the District's facility master plan, bonding authority, and use of bond funds.

In addition, we evaluated benchmarks, goals, objectives, and performance standards for the maintenance and custodial functions. Next, we reviewed the District's use of computer resources to prioritize and track maintenance projects and staff

productivity. We also examined the preventive maintenance program. Finally, we analyzed the District's energy conservation plan.

Personnel Management

To determine if recruitment and retention efforts are adequate to ensure a qualified staff, we met with management for each major staff function: teachers, administrators, and support. We reviewed recent audits and associated management letters, District planning documents, and administrative procedures manuals. Since the District started to implement their Management Process System using ISO 9001 Standards of Quality Management, we examined related certification and surveillance reports. We met with budget and accounting management, examined budget documents, and reviewed staff and student population growth reports to analyze the staff allocation process.

Next, to identify formal and informal recruiting activities we interviewed key personnel, identified effective strategies and tools used by the District, and assessed related tracking efforts. To evaluate teacher retention efforts we met with management and reviewed key retention programs. We assessed the District's professional development program by reviewing processes to plan and coordinate with other training providers including the state-sponsored Regional Professional Development Program. Finally, we determined how the District is preparing teachers and paraprofessionals to meet the "highly qualified" requirements of the No Child Left Behind Act.

Transportation

To determine if student transportation programs are adequately planned to ensure the safe and efficient transportation of students, we documented the goals, objectives, and accountability mechanisms used to measure performance. In addition, we documented the Department's organizational structure and reviewed the Department's policies and procedures for providing services to the District. We then documented District procedures for receiving federal funding for the transportation of special education students, analyzed historical data on the receipt of federal and state funding, and determined if the District maximized federal reimbursements.

Furthermore, we reviewed the process used to determine maintenance and operating cost per vehicle mile and the methodology used for determining when to

complete major repairs. Then, we reviewed the use of staggered school start times, the District's bus routing system, and alternatives for funding transportation. We also reviewed the District's bus replacement cycle and how the District purchases new buses. In addition, we reviewed the District's control and usage of its white fleet vehicles. Finally, we reviewed the assignment and use of vehicles and reimbursement practices.

District Organization

To determine if the organizational structure enhances the effectiveness and efficiency of Board governance and District management, we reviewed District policies and procedures for Board governance and District organization. We also identified the Board's and Superintendent's roles and responsibilities, reviewed the Board and Superintendent evaluation processes, and analyzed the responsiveness of the Superintendent and District staff to the Board. Then, we identified board committees and functions and compared them to District policies and best practices. Further, we reviewed the strategic plan of the District and associated District goals, objectives, strategies, and performance measures.

Next, we developed an analysis of instructional, administrative, and support staff and compared this analysis to national and peer sources. We then developed cost per pupil and staffing per pupil for administrators, teachers, and support staff and compared this information to national and peer sources. Additionally, we developed the percentage of each dollar spent that goes to the classroom and compared this data to national and peer sources. Finally, we evaluated the process for and impact of the recent reorganization.

Employee Health Plans

To determine if the health plans are appropriately managed, we reviewed health plan documentation for plan years 1999 through 2003 and evaluated them for contribution rates and benefit changes. We then discussed with third party health plan managers the efforts to mitigate health care costs and assessed the District's oversight and monitoring responsibilities. Next, we reviewed the processes for establishing new hires in the plan, changing employee plan elections, and reconciling human resource records with payroll deduction and plan payments. We also met with personnel from

the Nevada Insurance Division and contacted federal regulatory agencies to obtain an understanding of their oversight responsibilities. We then requested a legal opinion from the Legislative Counsel regarding the applicability of certain sections of NRS 288 and 679A. Finally, we reviewed the distribution of dollars appropriated for unexpected health care costs (SB 587) and assessed the appropriateness of the monies spent.

Our work was conducted from October 2003 to September 2004 in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to officials of the Clark County School District. On November 10, 2004, we met with District officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix E, which begins on page 81.

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Appendix B

Clark County School District Personnel Survey

To collect information about the operations of the Clark County School District, we sent questionnaires to school district personnel. We asked questions about financial management, facilities management, transportation, personnel, organization, and the employee health plan. Survey questions were discussed with CCSD management prior to the survey being sent out.

Questionnaires were sent to personnel from the following five categories:

- District Management – includes Superintendents, Assistant Superintendents, Financial Managers, and all other management level school district employees
- District Support – includes all other District employees
- School Teachers
- School Administrators – includes only school Principals, Assistant Principals, or Deans
- School Support – includes all other school employees including counselors, custodial staff, etc.

Questionnaires were sent to all District Management personnel. A sample of personnel from the other four categories was randomly selected. A total of 2,167 questionnaires were sent. The following five tables summarize general information about the respondents, including the type of facility worked at, and years of employment.

Table 1

What type of facility do you work at?	Elementary School	Middle School	High School	District Office	Regional Offices	Facilities	Transportation	Other
	36%	16%	16%	14%	5%	3%	1%	9%

Table 2

How long have you been employed by CCSD?	0-5 years	6-10 years	11-15 years	16-20 years	> 20 years
	28%	22%	20%	11%	19%

Table 3

How long have you been in your current position?	0-5 years	6-10 years	11-15 years	16-20 years	> 20 years
	72%	17%	7%	2%	2%

Table 4

Which Region do you work in?	Southwest	Northwest	Southeast	Northeast	East	Central Offices
	15%	15%	16%	14%	17%	23%

Table 5

What category of employee do you fall into?	District Management	District Support	School Teacher	School Administration	School Support
	19%	9%	29%	25%	18%

A summary is included in this appendix starting on the next page, and is based on 915 responses. Not all persons responded to each question, therefore, the number of responses to each question is shown as “n.” Percentage totals will not always agree to 100% due to rounding.

District Organization and Management

1. School Board members understand their role as policymakers. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	11%	69%	5%	11%	3%	0%
School Administrators	16%	71%	4%	6%	3%	0%
Overall	14%	70%	4%	8%	3%	0%

2. School Board members work well with the superintendent. (n = 174)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	9%	71%	12%	8%	1%	0%

3. School Board members are knowledgeable of the operations in the School District. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	5%	56%	12%	21%	5%	1%
School Administrators	12%	67%	5%	11%	5%	0%
Overall	9%	62%	8%	15%	5%	0%

4. The School Board leaves the day-to-day management of the District to the superintendent and staff. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	10%	68%	8%	11%	2%	0%
School Administrators	15%	64%	5%	14%	1%	0%
Overall	13%	66%	6%	13%	1%	0%

5. Administrative practices in the Clark County School District are effective and efficient. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	7%	57%	6%	24%	7%	0%
District Support	0%	46%	9%	36%	8%	1%
School Teachers	4%	45%	10%	29%	11%	0%
School Administrators	4%	65%	4%	19%	7%	0%
School Support	5%	51%	11%	23%	10%	0%
Overall	4%	53%	8%	25%	9%	0%

6. The District's administrators are easily accessible and open to input. (n = 741)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Support	0%	49%	12%	29%	8%	3%
School Teachers	10%	47%	9%	24%	9%	1%
School Administrators	15%	64%	4%	15%	2%	0%
School Support	6%	55%	11%	21%	6%	2%
Overall	10%	54%	8%	21%	6%	1%

7. The Board operates effectively and efficiently under its governing structure. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	5%	63%	11%	17%	3%	0%
School Administrators	11%	65%	10%	12%	2%	0%
Overall	8%	64%	10%	14%	2%	0%

8. Administrators and others have adequate opportunity for input to the Board. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	7%	59%	6%	21%	6%	0%
School Administrators	8%	52%	10%	25%	4%	0%
Overall	8%	55%	8%	23%	5%	0%

9. The District's reorganization into regions has resulted in better support to my area. (n = 837)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	13%	30%	8%	18%	13%	17%
School Teachers	5%	35%	24%	21%	13%	2%
School Administrators	19%	48%	10%	14%	10%	1%
School Support	5%	39%	19%	21%	11%	4%
Overall	11%	38%	16%	19%	11%	5%

10. The District's reorganization into regions has resulted in better access by parents and the community. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	18%	43%	12%	10%	6%	10%
School Teachers	4%	31%	32%	19%	9%	6%
School Administrators	17%	58%	10%	10%	4%	1%
Overall	12%	43%	19%	13%	7%	5%

11. District operations are more efficient and effective under the regional structure. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	12%	35%	13%	26%	11%	3%
District Support	9%	33%	23%	15%	17%	3%
School Teachers	3%	28%	26%	27%	12%	4%
School Administrators	11%	44%	12%	23%	10%	0%
School Support	2%	38%	22%	27%	8%	2%
Overall	7%	35%	19%	25%	11%	3%

12. Employee feedback regarding work and policy issues is encouraged. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	14%	50%	4%	21%	10%	0%
District Support	6%	47%	8%	24%	13%	1%
School Teachers	6%	39%	8%	32%	14%	1%
School Administrators	8%	53%	4%	27%	7%	0%
School Support	5%	45%	10%	34%	6%	0%
Overall	8%	47%	7%	29%	10%	0%

13. I feel valued as a member of the District. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	20%	51%	4%	17%	8%	0%
District Support	8%	47%	9%	26%	10%	0%
School Teachers	5%	40%	6%	33%	16%	0%
School Administrators	14%	60%	2%	17%	7%	0%
School Support	8%	45%	9%	26%	12%	0%
Overall	11%	49%	5%	24%	11%	0%

14. I understand the mission of the District. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	37%	56%	2%	4%	1%	0%
District Support	21%	53%	9%	15%	3%	0%
School Teachers	11%	60%	9%	16%	3%	0%
School Administrators	28%	66%	2%	3%	1%	0%
School Support	7%	65%	8%	18%	2%	1%
Overall	20%	61%	5%	11%	2%	0%

15. District administrators are helpful, knowledgeable, and responsive. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	18%	61%	6%	11%	3%	0%
District Support	5%	46%	13%	26%	8%	3%
School Teachers	9%	47%	17%	19%	9%	0%
School Administrators	18%	65%	4%	11%	3%	0%
School Support	7%	53%	13%	20%	7%	1%
Overall	12%	55%	10%	16%	6%	0%

16. The number of administrators in the District is: (n = 915)

	Too High	Just Right	Undecided	Too Low
District Management	6%	33%	13%	48%
District Support	40%	19%	18%	23%
School Teachers	54%	17%	20%	9%
School Administrators	12%	30%	15%	44%
School Support	50%	21%	24%	5%
Overall	32%	24%	18%	26%

Personnel

17. The District successfully predicts future staffing needs. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	6%	51%	5%	30%	7%	0%
School Administrators	7%	59%	4%	25%	4%	0%
Overall	7%	56%	4%	27%	6%	0%

18. The District has an effective employee recruitment program. (n = 914)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	18%	50%	8%	15%	6%	2%
District Support	4%	38%	12%	27%	17%	3%
School Teachers	12%	52%	10%	17%	6%	3%
School Administrators	19%	63%	3%	12%	2%	0%
School Support	4%	40%	14%	24%	13%	5%
Overall	13%	51%	9%	18%	7%	3%

19. Teachers are knowledgeable in the subject areas they teach. (n = 668)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	6%	67%	8%	7%	1%	11%
School Teachers	25%	66%	3%	6%	0%	0%
School Administrators	10%	80%	1%	7%	0%	0%
Overall	15%	71%	4%	7%	0%	3%

20. The District provides professional development opportunities that are relevant to my job. (n = 668)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	15%	47%	2%	22%	4%	11%
School Teachers	23%	51%	3%	18%	6%	0%
School Administrators	29%	60%	2%	7%	1%	0%
Overall	23%	53%	2%	15%	4%	3%

21. The Regional Professional Development Program offers classes that improve my skills. (n = 668)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	6%	24%	8%	15%	7%	40%
School Teachers	28%	43%	9%	15%	4%	1%
School Administrators	22%	59%	4%	11%	1%	2%
Overall	20%	43%	7%	14%	4%	12%

22. The District's professional development program and the Regional Professional Development Program work together to improve my job skills. (n = 668)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	7%	24%	13%	20%	7%	29%
School Teachers	20%	40%	16%	18%	4%	1%
School Administrators	22%	52%	6%	16%	1%	2%
Overall	17%	40%	12%	18%	4%	9%

23. The employee orientation program informed me of District opportunities and expectations. (n = 267)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
School Teachers	8%	49%	4%	19%	4%	16%

24. The orientation program was helpful in getting me started in the District. (n = 267)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
School Teachers	11%	46%	6%	18%	4%	15%

25. Hiring practices minimize the time to fill positions. (n = 914)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	3%	35%	6%	36%	18%	2%
District Support	1%	38%	13%	32%	13%	3%
School Teachers	4%	35%	28%	20%	6%	7%
School Administrators	5%	56%	9%	25%	5%	0%
School Support	1%	32%	20%	30%	12%	5%
Overall	3%	40%	16%	27%	10%	4%

26. The signing bonus is a helpful tool in recruiting teachers. (n = 668)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	23%	56%	7%	2%	1%	10%
School Teachers	24%	42%	8%	11%	7%	7%
School Administrators	23%	55%	8%	10%	1%	3%
Overall	24%	50%	8%	8%	3%	7%

27. The District's health insurance package meets my needs. (n = 914)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	11%	57%	3%	22%	5%	1%
District Support	1%	32%	4%	31%	28%	4%
School Teachers	12%	48%	3%	24%	14%	0%
School Administrators	10%	61%	4%	20%	5%	0%
School Support	3%	43%	4%	29%	20%	1%
Overall	9%	51%	4%	24%	13%	1%

28. Health insurance claims are paid timely. (n = 914)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	9%	60%	6%	16%	6%	3%
District Support	1%	53%	8%	22%	10%	6%
School Teachers	9%	48%	7%	21%	11%	3%
School Administrators	6%	60%	4%	22%	7%	2%
School Support	3%	48%	12%	21%	10%	7%
Overall	6%	54%	7%	20%	9%	4%

29. Current class-sizes provide an appropriate teaching environment. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	2%	13%	7%	44%	21%	12%
School Teachers	6%	22%	2%	38%	32%	0%
School Administrators	2%	27%	3%	45%	22%	1%
Overall	3%	22%	4%	42%	26%	4%

30. Retirement incentives are effective in filling positions at schools designated as needing improvement. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	4%	27%	22%	28%	7%	12%
School Teachers	6%	26%	25%	25%	13%	5%
School Administrators	2%	33%	30%	24%	7%	3%
Overall	4%	29%	26%	25%	10%	6%

31. Retirement incentives will be effective in recruiting teachers for difficult-to-fill positions (i.e., special education, math, etc). (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	10%	34%	17%	22%	6%	10%
School Teachers	10%	32%	21%	23%	9%	4%
School Administrators	5%	43%	22%	21%	5%	4%
Overall	9%	36%	20%	22%	7%	6%

32. Personnel staff are helpful, knowledgeable, and responsive. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	18%	56%	6%	13%	6%	2%
District Support	6%	71%	6%	13%	4%	0%
School Teachers	15%	67%	4%	9%	3%	2%
School Administrators	22%	68%	3%	4%	3%	0%
School Support	11%	66%	8%	7%	5%	2%
Overall	16%	65%	5%	9%	4%	1%

Facilities Management

33. The facility construction program is effective in meeting the District's needs. (n = 747)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	21%	53%	4%	17%	3%	2%
District Support	1%	44%	15%	28%	5%	6%
School Teachers	4%	49%	16%	21%	7%	2%
School Administrators	5%	57%	7%	24%	6%	1%
Overall	8%	52%	11%	22%	6%	2%

34. Buildings are clean. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	8%	71%	3%	15%	2%	1%
District Support	3%	68%	3%	17%	5%	5%
School Teachers	9%	67%	1%	18%	5%	0%
School Administrators	9%	67%	2%	19%	3%	0%
School Support	11%	68%	2%	13%	6%	0%
Overall	9%	68%	2%	17%	4%	1%

35. Buildings are properly maintained. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	5%	59%	6%	24%	7%	1%
District Support	1%	49%	9%	33%	4%	4%
School Teachers	7%	58%	1%	27%	6%	1%
School Administrators	5%	48%	3%	40%	5%	0%
School Support	10%	54%	5%	23%	10%	0%
Overall	6%	54%	4%	29%	6%	1%

36. Buildings are maintained in a timely manner. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	3%	48%	6%	34%	7%	2%
District Support	1%	44%	8%	32%	9%	6%
School Teachers	6%	50%	2%	34%	7%	1%
School Administrators	3%	33%	4%	50%	10%	0%
School Support	8%	48%	7%	28%	9%	1%
Overall	5%	45%	4%	37%	8%	1%

37. Emergency maintenance is handled promptly. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	11%	59%	8%	13%	1%	9%
District Support	0%	60%	12%	14%	6%	8%
School Teachers	7%	56%	7%	22%	5%	3%
School Administrators	6%	60%	4%	25%	4%	0%
School Support	8%	63%	7%	14%	4%	5%
Overall	7%	59%	7%	19%	4%	4%

38. The quality of new construction is excellent. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	22%	59%	6%	6%	2%	5%
District Support	3%	54%	15%	14%	3%	12%
School Teachers	7%	50%	18%	13%	3%	8%
School Administrators	10%	53%	13%	15%	4%	5%
School Support	10%	48%	12%	14%	4%	11%
Overall	11%	52%	13%	13%	3%	8%

39. The District's portable buildings are in good condition. (n = 495)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
School Teachers	2%	33%	16%	25%	9%	16%
School Administrators	3%	43%	8%	37%	7%	3%
Overall	2%	38%	12%	31%	8%	10%

40. The District informs employees of its energy conservation plan and their role in cost savings. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	14%	68%	5%	10%	1%	1%
District Support	5%	63%	9%	17%	3%	4%
School Teachers	10%	60%	4%	19%	6%	1%
School Administrators	13%	74%	3%	8%	2%	0%
School Support	8%	59%	8%	23%	1%	2%
Overall	11%	65%	5%	15%	3%	1%

41. The District has an effective energy conservation program. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	9%	59%	15%	15%	1%	1%
District Support	1%	53%	13%	26%	3%	5%
School Teachers	6%	46%	18%	21%	6%	3%
School Administrators	7%	63%	11%	15%	3%	0%
School Support	6%	49%	18%	20%	4%	4%
Overall	7%	54%	16%	19%	3%	2%

42. District equipment is properly maintained. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	2%	64%	9%	18%	3%	3%
District Support	0%	54%	9%	23%	8%	6%
School Teachers	3%	49%	12%	25%	6%	4%
School Administrators	2%	59%	9%	24%	5%	1%
School Support	7%	53%	8%	21%	5%	5%
Overall	3%	56%	10%	23%	5%	4%

43. The District's alarm/surveillance systems are properly maintained. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	3%	43%	16%	21%	7%	10%
District Support	3%	37%	23%	18%	9%	10%
School Teachers	6%	57%	12%	11%	5%	9%
School Administrators	2%	40%	6%	31%	19%	1%
School Support	5%	48%	14%	21%	4%	7%
Overall	4%	47%	13%	20%	9%	7%

44. The Facility Service Representative (FSR) program has improved the timeliness and quality of the maintenance in your facility. (n = 479)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	9%	32%	17%	17%	5%	20%
District Support	1%	27%	27%	21%	9%	15%
School Administrators	7%	45%	13%	20%	11%	3%
Overall	7%	37%	17%	19%	9%	11%

45. The mobile maintenance program has improved the effectiveness and efficiency of the maintenance operations. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	8%	36%	20%	9%	1%	27%
District Support	0%	23%	35%	13%	6%	23%
School Teachers	4%	31%	37%	9%	2%	18%
School Administrators	3%	40%	26%	15%	9%	6%
School Support	3%	35%	32%	13%	3%	15%
Overall	4%	34%	30%	11%	4%	17%

46. Facilities staff are helpful, knowledgeable, and responsive. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	11%	63%	9%	10%	2%	5%
District Support	0%	50%	17%	18%	4%	12%
School Teachers	10%	56%	16%	10%	2%	6%
School Administrators	3%	64%	5%	20%	6%	2%
School Support Staff	11%	54%	11%	15%	2%	8%
Overall	8%	58%	11%	14%	3%	5%

Financial Management

47. Principals are well trained in fiscal management techniques. (n = 837)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	2%	34%	13%	23%	7%	21%
School Teachers	13%	48%	21%	10%	3%	5%
School Administrators	6%	53%	7%	25%	5%	4%
School Support	8%	45%	17%	9%	3%	18%
Overall	8%	46%	15%	17%	4%	11%

48. Purchasing processes are easy to use. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	4%	43%	9%	30%	7%	7%
District Support	1%	47%	4%	22%	4%	22%
School Teachers	8%	49%	12%	18%	6%	7%
School Administrators	5%	68%	8%	14%	3%	2%
School Support	5%	42%	13%	13%	2%	24%
Overall	6%	51%	10%	19%	5%	10%

49. District funding is allocated to the regions in an equitable manner. (n = 401)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	3%	36%	20%	7%	6%	29%
School Administrators	4%	52%	18%	15%	7%	4%
Overall	3%	45%	19%	11%	7%	15%

50. The financial system of the District is efficient and easily used. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	2%	39%	14%	29%	10%	6%
District Support	1%	37%	14%	21%	8%	19%
School Teachers	4%	32%	22%	22%	10%	10%
School Administrators	4%	55%	17%	16%	4%	3%
School Support	4%	25%	22%	20%	5%	24%
Overall	3%	38%	19%	21%	7%	11%

51. The additional funding provided for textbooks has benefited the District. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	21%	43%	11%	2%	1%	21%
School Teachers	9%	42%	9%	20%	11%	10%
School Administrators	36%	49%	4%	6%	2%	3%
Overall	22%	45%	8%	10%	5%	10%

52. Financial and accounting staff are helpful, knowledgeable, and responsive. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	16%	58%	5%	14%	2%	5%
District Support	4%	56%	12%	4%	4%	21%
School Teachers	7%	47%	23%	8%	1%	15%
School Administrators	14%	73%	8%	2%	1%	3%
School Support	11%	36%	18%	10%	1%	24%
Overall	11%	54%	14%	8%	2%	12%

Transportation

53. The District has a simple method to request buses for special events. (n = 495)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
School Teachers	3%	43%	21%	16%	3%	14%
School Administrators	4%	67%	9%	11%	4%	4%
Overall	4%	54%	15%	14%	3%	9%

54. Buses arrive and leave on time. (n = 495)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
School Teachers	7%	56%	10%	13%	2%	12%
School Administrators	6%	63%	4%	22%	3%	3%
Overall	6%	59%	7%	17%	2%	8%

55. Adding or modifying a route for a student is easy to accomplish. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	1%	17%	17%	20%	4%	41%
School Teachers	1%	15%	31%	15%	3%	35%
School Administrators	1%	27%	16%	37%	10%	8%
Overall	1%	19%	22%	24%	6%	28%

56. Allowing high school students to use CAT as an alternative to the District's buses would benefit the District. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	10%	39%	17%	17%	5%	11%
School Teachers	12%	34%	21%	14%	6%	13%
School Administrators	20%	40%	15%	9%	3%	13%
Overall	14%	37%	18%	13%	5%	13%

57. Although strong opposition exists for using the CAT system to transport District students, these concerns could be overcome by re-evaluating the program. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	10%	37%	17%	18%	6%	11%
School Teachers	12%	34%	25%	12%	5%	12%
School Administrators	16%	48%	15%	8%	3%	10%
Overall	13%	40%	19%	13%	5%	11%

58. Contracting with a private company, other than CAT, to provide student transportation would benefit the District. (n = 669)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	8%	25%	25%	20%	11%	10%
School Teachers	4%	24%	32%	22%	6%	12%
School Administrators	8%	26%	33%	18%	7%	7%
Overall	6%	25%	31%	20%	8%	10%

59. Transportation staff are helpful, knowledgeable, and responsive. (n = 915)

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
District Management	7%	44%	10%	17%	5%	17%
District Support	4%	47%	14%	12%	4%	19%
School Teachers	5%	38%	24%	9%	3%	21%
School Administrators	2%	58%	6%	21%	11%	1%
School Support	7%	40%	10%	17%	7%	20%
Overall	5%	45%	13%	15%	6%	15%

Student Walk Zones

60. Elementary School walk distances should: (n = 669)

	Be Increased	Stay the Same	Undecided	Be Decreased
District Management	1%	55%	12%	32%
School Teachers	3%	54%	13%	29%
School Administrators	4%	64%	4%	28%
Overall	3%	58%	10%	29%

61. Middle School walk distances should: (n = 669)

	Be Increased	Stay the Same	Undecided	Be Decreased
District Management	11%	67%	12%	10%
School Teachers	8%	58%	17%	17%
School Administrators	18%	61%	10%	11%
Overall	12%	61%	13%	13%

62. High School walk distances should: (n = 669)

	Be Increased	Stay the Same	Undecided	Be Decreased
District Management	28%	51%	14%	8%
School Teachers	12%	56%	18%	14%
School Administrators	26%	52%	12%	10%
Overall	21%	53%	15%	11%

General

63. District information systems operation: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	10%	34%	3%	22%	30%
District Support	8%	37%	10%	17%	28%
School Teachers	4%	35%	18%	22%	21%
School Administrators	9%	46%	5%	25%	14%
School Support	8%	32%	24%	20%	15%
Overall	8%	37%	12%	22%	20%

64. District purchasing operations support: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	7%	39%	9%	32%	13%
District Support	1%	46%	19%	19%	14%
School Teachers	2%	40%	25%	20%	13%
School Administrators	5%	55%	10%	22%	8%
School Support	6%	32%	39%	15%	9%
Overall	5%	42%	20%	22%	11%

65. District building maintenance support: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	5%	38%	6%	25%	25%
District Support	3%	42%	13%	15%	27%
School Teachers	7%	39%	8%	21%	25%
School Administrators	2%	29%	4%	31%	33%
School Support	9%	39%	19%	15%	18%
Overall	5%	37%	9%	23%	26%

66. District student transportation operations: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	5%	38%	20%	25%	12%
District Support	3%	31%	32%	15%	19%
School Teachers	2%	47%	16%	22%	13%
School Administrators	1%	40%	5%	28%	26%
School Support	7%	38%	20%	18%	17%
Overall	3%	40%	16%	23%	17%

67. District facilities planning operations: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	18%	42%	10%	17%	13%
District Support	3%	32%	26%	15%	24%
School Teachers	2%	44%	20%	19%	15%
School Administrators	3%	39%	8%	26%	24%
School Support	7%	35%	31%	16%	11%
Overall	6%	40%	18%	19%	17%

68. District custodial service support: (n = 915)

	Outstanding	Adequate	No Opinion	Needs Minor Improvement	Needs Improvement
District Management	8%	37%	7%	29%	18%
District Support	5%	41%	15%	18%	21%
School Teachers	14%	36%	5%	25%	21%
School Administrators	4%	35%	3%	32%	26%
School Support	16%	42%	9%	17%	16%
Overall	10%	37%	7%	25%	21%

Appendix C
Total Schools by Region
Fiscal Years 2002-2005

East Region	2001-2002	2002-2003	2003-2004	2004-2005
Elementary Schools	32	34	36	36
Middle Schools	8	9	9	9
High Schools	6	6	6	6
Alternative Schools	10	11	11	11
Special Schools	3	3	3	3
Total	59	63	65	65

Northeast Region	2001-2002	2002-2003	2003-2004	2004-2005
Elementary Schools	33	34	36	37
Middle Schools	8	8	9	10
High Schools	6	6	6	7
Alternative Schools	6	5	6	6
Special Schools	0	0	0	0
Total	53	53	57	60

Northwest Region	2001-2002	2002-2003	2003-2004	2004-2005
Elementary Schools	37	37	38	41
Middle Schools	9	9	10	11
High Schools	6	6	7	8
Alternative Schools	4	5	5	5
Special Schools	0	0	0	0
Total	56	57	60	65

Southeast Region	2001-2002	2002-2003	2003-2004	2004-2005
Elementary Schools	35	37	38	39
Middle Schools	10	10	10	10
High Schools	8	8	9	10
Alternative Schools	3	3	3	3
Special Schools	1	1	1	1
Total	57	59	61	63

Southwest Region	2001-2002	2002-2003	2003-2004	2004-2005
Elementary Schools	29	30	31	33
Middle Schools	8	9	10	10
High Schools	7	7	7	8
Alternative Schools	1	1	1	2
Special Schools	2	2	2	2
Total	47	49	51	55

Total District	272	281	294	308
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Source: Information provided by Clark County School District.

Appendix D
Legislative Counsel Legal Opinion

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October 20, 2004

Paul Townsend, Legislative Auditor
401 S. Carson St.
Carson City, NV 89701

Dear Paul:

You have asked three questions related to the Teachers Health Trust (the Trust) that was established as a result of collective bargaining agreements between the Clark County School District (CCSD) and the Clark County Classroom Teachers Association. Specifically, you have asked whether the CCSD has the authority to negotiate with the Teachers Association the submission of audited financial statements of the Trust (audits) to the CCSD as a part of a collective bargaining agreement. You have also asked whether the CCSD may request that the Nevada Commissioner of Insurance (Commissioner) undertake a review of the Trust to determine whether the Trust is financially sound and, if the Commissioner undertakes such a review, whether the CCSD may receive a copy of that review.

I. Authority of the CCSD to Negotiate the Submission of Audited Financial Statements of the Trust to the CCSD as Part of a Collective Bargaining Agreement

You have asked whether the CCSD has the authority to negotiate the submission of audits of the Trust to the CCSD as part of a collective bargaining agreement. The Supreme Court of Nevada has held that "school districts are creatures of legislative acts. By those acts are they brought into existence as political subdivisions of the state . . . [with] such powers as they may exercise conferred upon them." *Hard v. Depaoli et al.*, 56 Nev. 19, 30 (1935). Thus, to determine whether the CCSD has the authority to negotiate the submission of audits of the Trust to the CCSD, we must examine the grant of power to the CCSD.

The CCSD is specifically invested with the authority to engage in collective bargaining. Subsection 1 of NRS 288.150 provides that:

Except as provided in subsection 4, every local government employer shall negotiate in good faith through one or more representatives of its own choosing concerning the mandatory subjects of bargaining set forth in subsection 2 with the designated representatives of the recognized employee organization, if any, for each appropriate bargaining unit among its employees.

NRS 288.060 provides that the definition of a local government employer "includes, without limitation . . . school districts." Thus, not only does the CCSD have the authority to engage in collective bargaining, but if it does so it is also required to negotiate the mandatory subjects of bargaining set forth in subsection 2 of NRS 288.150.

Paragraph (f) of subsection 2 of NRS 288.150 provides that one such mandatory subject of bargaining is insurance benefits. The plain language of paragraph (f) does not provide any limitation on what may be bargained for as a part of negotiating insurance benefits. The negotiation of the submission of audits of the Trust would certainly appear to fall within the broad concept of negotiating insurance benefits. In addition, the negotiation of the submission of such audits is not specifically prohibited. Therefore, it is the opinion of this office that the CCSD has the authority pursuant to the provisions of paragraph (f) of subsection 2 of NRS 288.150 to negotiate the submission of audits of the Trust to the CCSD. In addition, although it could be argued that the negotiation of the submission of audits of the Trust lies outside of the scope of negotiating insurance benefits, it is the opinion of this office that such an argument is not persuasive.

Subsection 6 of NRS 288.150 provides that:

This section does not preclude, but this chapter does not require the local government employer to negotiate subject matters enumerated in subsection 3 which are outside the scope of mandatory bargaining. The local government employer shall discuss subject matters outside the scope of mandatory bargaining but it is not required to negotiate those matters.

Pursuant to the provisions of subsection 6, the CCSD is authorized, but not required, to negotiate matters outside the subject matters of mandatory bargaining set forth in subsection 2 of NRS 288.150. However, subsection 3 of NRS 288.150 does set forth a limit on the subject matters which may be negotiated. Subsection 3 of NRS 288.150 provides that:

Those subject matters which are not within the scope of mandatory bargaining and **which are reserved to the local government employer without negotiation include:**

- (a) Except as otherwise provided in paragraph (u) of subsection 2, the right to hire, direct, assign or transfer an employee, but excluding the right to assign or transfer an employee as a form of discipline.
- (b) The right to reduce in force or lay off any employee because of lack of work or lack of money, subject to paragraph (v) of subsection 2.
- (c) The right to determine:
 - (1) Appropriate staffing levels and work performance standards, except for safety considerations;
 - (2) The content of the workday, including without limitation workload factors, except for safety considerations;
 - (3) The quality and quantity of services to be offered to the public; and
 - (4) The means and methods of offering those services.
- (d) Safety of the public.

(Emphasis added.) The plain language of subsection 3 does not place the submission of audits of the Trust to the CCSD outside the subject matters which the CCSD may negotiate. Therefore, it is the opinion of this office that the CCSD is authorized to negotiate the submission of audits of the Trust to the CCSD pursuant to subsection 6 of NRS 288.150 regardless of whether the submission of audits lies within the scope of negotiating insurance benefits pursuant to paragraph (f) of subsection 2 of NRS 288.150.

II. Authority of the CCSD to Request a Review of the Trust by the Commissioner of Insurance

You have asked whether NRS 679A.160 provides a mechanism for the board of trustees for the CCSD to request that the Commissioner undertake a review of the Trust to determine whether the Trust is financially sound. NRS 679A.160 provides that:

Except as otherwise provided by specific statute, no provision of this Code [Title 57 of NRS] applies to:

- 7. Health and welfare plans arising out of collective bargaining under chapter 288 of NRS, **except that the Commissioner may review the plan to ensure** that the benefits are reasonable in relation to the premiums and **that the fund is financially sound.**

(Emphasis added.) Pursuant to the plain language of the provisions of NRS 679A.160, the Commissioner has the authority to review a health and welfare plan that arises out of collective bargaining under chapter 288 of NRS to ensure that the plan is financially sound.

The board of trustees for the CCSD has very broad power and authority to conduct the operation of schools in the district so long as the power does not conflict with

the Constitution or the laws of the State of Nevada. NRS 386.350. After reviewing the Constitution and the relevant statutes, we have not found any provision with which there would be a conflict if the board of trustees of the CCSD requested that the Commissioner review the Trust to determine if the Trust is financially sound. Therefore, it is the opinion of this office that the board of trustees for the CCSD has the authority to request that the Commissioner undertake a review of the Trust to determine whether the Trust is financially sound. However, it should be noted that we are not opining that the Commissioner must grant any such request.

Subsection 7 of NRS 679A.160 provides that “the Commissioner **may** review the [health and welfare] plan [arising out of collective bargaining under chapter 288 of NRS] to ensure . . . that the fund is financially sound.” (Emphasis added.) The Nevada Supreme Court has stated that “in statutes, ‘may’ is permissive and ‘shall’ is mandatory unless the statute demands a different construction to carry out the clear intent of the legislature.” S.N.E.A. v. Daines, 108 Nev. 15, 19 (1992). Thus, if the Legislature had used the word “shall” instead of “may” in subsection 7 of NRS 679A.160, the provision would have required the Commissioner to review health and welfare plans arising out of collective bargaining under chapter 288 of NRS to ensure that the fund is financially sound. However, because the Legislature used the word “may” and because we have not found any legislative intent that “demands a different construction,” it is the opinion of this office that subsection 7 of NRS 679A.160 authorizes, but does not require, the Commissioner to review health and welfare plans arising out of collective bargaining under chapter 288 of NRS to ensure that the fund is financially sound. Therefore, it is the opinion of the office that while the board of trustees for the CCSD has the authority to request that the Commissioner review the Trust, the Commissioner is not required to conduct a review of the Trust upon the receipt of such a request.

III. Confidentiality of a Review of the Trust by the Commissioner of Insurance

You have asked whether, if the Commissioner undertakes a review of the Trust pursuant to subsection 7 of NRS 679A.160, the CCSD is entitled to receive a copy of the review of the Commissioner. NRS 679B.190 provides that:

1. The Commissioner shall carefully preserve in the Division and in permanent form all papers and records relating to the business and transactions of the Division and shall hand them over to his successor in office.
2. Except as otherwise provided in subsections 3 and 5 to 9, inclusive, other provisions of this Code [Title 57 of NRS] . . . **the papers and records must be open to public inspection.**

(Emphasis added.) Thus, pursuant to the provisions of subsection 2 of NRS 679B.190, the review of the Trust must be open to public inspection, unless subsections 3 and 5 to 9, inclusive, of NRS 679B.190 or other provisions of Title 57 otherwise provide.

Subsection 3 of NRS 679B.190 provides, in pertinent part, that:

Any records or information in the possession of the Division related to an investigation conducted by the Commissioner is confidential unless:

(a) The Commissioner releases, in the manner that he deems appropriate, all or any part of the records or information for public inspection after determining that the release of the records or information:

- (1) Will not harm his investigation or the person who is being investigated; or
- (2) Serves the interests of a policyholder, the shareholders of the insurer or the public; or

(Emphasis added.) The Supreme Court of Nevada has not had the opportunity to determine whether a review conducted pursuant to subsection 7 of NRS 679A.160 constitutes an “investigation conducted by the Commissioner.” Therefore, to determine whether such a “review” is an “investigation conducted by the Commissioner,” we must turn to the plain language of those provisions. *See, e.g., Coast Hotels & Casinos, Inc. v. Nevada State Labor Comm’n*, 117 Nev. 835, 840 (2001) (citing *City Council of Reno v. Reno Newspapers, Inc.*, 105 Nev. 886, 891 (1989)) (“When the language of a statute is plain and unambiguous, a court should give that language its ordinary meaning and not go beyond it.”). *See also State v. Friend*, 118 Nev. 115, 120 (2002) (“[O]ur analysis must begin with the language of the statute itself.”).

According to the standard dictionary definition, the term “review” means “[a]n inspection or **examination** with the intention of evaluating.” *Webster’s II New College Dictionary* 949 (1995). (Emphasis added). The term “investigate” is defined as “to make a systematic inquiry or **examination.**” *Id.* at 583. (Emphasis added.) Both the term “review” and the term “investigate” are defined as “examinations.” Thus, based upon these definitions, it is the opinion of this office that a review conducted pursuant to subsection 7 of NRS 679A.160 is likely “an ‘investigation’ conducted by the Commissioner,” and, thus, the review is likely to be confidential pursuant to the provisions of subsection 3 of NRS 679B.190. However, pursuant to the provisions of paragraph (a) of subsection 3 of NRS 679B.190, the Commissioner may release any or all parts of the records of an investigation conducted by the Commissioner if the Commissioner determines, among other determinations not relevant to this letter, that the release of the records of the review will not harm his investigation or the person being investigated, or the Commissioner determines that the release of the records serves the interest of the public. Therefore, it is the opinion of this office that the CCSD is not entitled to a copy but could receive a review of the Trust if the Commissioner makes one of the relevant determinations provided in paragraph (a) and releases the review to the public.

Legislative Auditor Townsend
October 20, 2004
Page 6

In conclusion, it is the opinion of this office that the CCSD is authorized to negotiate with the Clack County Classroom Teachers Association for the submission of audits of the Trust to the CCSD, that the CCSD has the authority to request that the Commissioner of Insurance undertake a review of the Trust to determine whether the Trust is financially sound and that the CCSD could receive a review of the Trust if the Commissioner makes one of the relevant determinations provided in paragraph (a) of subsection 3 of NRS 679B.190 and releases the review.

If you have any further questions regarding this matter, please do not hesitate to contact this office.

Very truly yours,

Brenda J. Erdoes
Legislative Counsel

By 
Joel C. Benton
Deputy Legislative Counsel

By 
Kimberly Marsh Guinasso
Principal Deputy Legislative Counsel

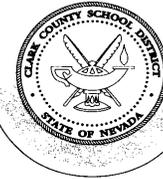
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Appendix E
Response From Clark County School District

AN AFFIRMATIVE ACTION
EQUAL OPPORTUNITY EMPLOYER

CLARK COUNTY SCHOOL DISTRICT

2832 EAST FLAMINGO ROAD LAS VEGAS, NEVADA 89121 TELEPHONE (702) 799-5011



November 22, 2004

Mr. Paul V. Townsend, CPA
Legislative Auditor
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701-4747

BOARD OF SCHOOL TRUSTEES

Mrs. Susan C. Brager-Wellman, President
Mr. Larry P. Mason, Vice President
Mrs. Mary Beth Scow, Clerk
Mrs. Shirley C. Barber, Member
Mrs. Ruth L. Johnson, Member
Mrs. Sheila R. Moulton, Member
Mrs. Denise M. Brodsky, Member
Mr. Carlos Arturo Garcia, Superintendent

Re: Response to Preliminary Audit Report
Pursuant to NRS 218.821

Dear Mr. Townsend:

In passing Senate Bill 8 in the 20th Special Session, the 2003 Legislature directed the Legislative Counsel Bureau (LCB) to conduct a comprehensive performance audit of the Clark County School District, which has been completed in draft form and submitted to District management. At hearings for Assembly Bill 162, the bill in which the audit was originally proposed, the Clark County School District testified in firm support of the audit. It continues to be the District's position that all parties—legislators, educators, and taxpayers—benefit from scrutiny of District practices, and the District welcomes input from outside agencies to help identify areas in which it can be more efficient.

Before responding to the findings of the audit, the District wishes to acknowledge the professional conduct of the LCB auditors who were assigned to conduct this audit. They were attentive and hard working, spending many hours of many days with various departments and employees. While they developed a reputation for their attention to detail and thoroughness, the District also found them to be open and fair-minded in all discussions regarding numerous issues. The District also appreciates the format utilized by the LCB auditors, who in many cases made note of the positive in their audit report rather than reporting only the negative findings.

Audits, both internal and external, are an integral part of the management of the Clark County School District. The Clark County School District employs nine full-time internal auditors, two of which are assigned on a permanent basis to the school construction program. Two of the auditors are professionally certified in fraud detection. The ratio of employees per auditor is over 3,000 to 1. The District's Board of School Trustees also contracts with an independent, professional accounting firm to perform not only a districtwide annual financial audit, but also to review and present findings on monitoring reports of Board-established management practices.

Mr. Paul V. Townsend, CPA
November 22, 2004
Page Two

In addition, outside audit engagements are conducted in specialized areas such as a biennial performance audit of school construction activities. District staff welcomes information obtained and analyzed by external professional auditors, and the District accepts all of the LCB audit recommendations and will promptly take affirmative action to resolve all findings.

The District is pleased with the recognition by the LCB audit team of the District's efficiencies, effectiveness, and accomplishments in the areas of financial management, construction management, energy management, personnel management, and transportation management. Regarding recommendations within those areas, which will be addressed later herein, the District will make a definitive response for revision and/or correction.

The District also accepts concerns, criticisms, issues, and findings regarding the lack of internal controls and accountability in the District's overall maintenance program; in the organizational fragmentation of the professional development efforts throughout the District; and the need for special attention in the oversight by the District of the teachers' independent medical health program.

Before addressing the various findings in greater detail, it should be emphasized that the favorable comparisons with peer districts in classroom spending reinforce the District's goal of placing the highest priority on the classroom and its related support for the instructional programs for students. To that end, efficiency has been promoted in the administrative and support functions by use of technology to increase operational efficiency and effectiveness and by the initial use of a management quality process such as ISO 9001. Moreover, the District is in the process of the introduction of performance metrics in budgeting.

Public agencies are often judged based on the percentage of dollars expended on administrative functions that are often nebulous in definition. In the case of the Clark County School District and this audit, while the majority of administrative expenses occur at the school site, the District will take the following steps to address the audit finding and place a major focus on clarifying, and reducing wherever practical, the administrative ratios and expenditures.

- The District will first obtain current data and re-compute ratios and expenditures to confirm that the reported information, which used data from 2002, has proportionately decreased, based on multiple District budget cuts occurring in 2002 and 2003.

Mr. Paul V. Townsend, CPA
November 22, 2004
Page Three

- The District will work with the Nevada Department of Education to align the District's practice of reporting position codes with that of the Washoe County School District and will seek consistent definition of position codes that distinguish non-administrative costs from true administrative expenditures. To this end, the District has recently established a new salary schedule that identifies professional and technical personnel, independent from administrative positions.
- The District will work with Nevada Department of Education officials to establish standard criteria for reporting personnel in a statewide manner consistent with the state's In\$ite guidelines. The District believes there should be a reporting distinction made for administrative positions and expenditures that are not related to the District's educational programs.
- The District has already taken action to provide the Board of School Trustees a summary document of all new administrative positions included in proposed budgets for a full public review at an open Board meeting.

In areas where corrective action is necessary, the District stands ready to act upon the auditors' recommendations. With respect to the positive findings of the audit, the District believes these findings validate the conclusions of the other internal and external audits that have been completed.

Attached is a detailed District response to the recommendations included in the audit report. District representatives will be in attendance when the audit report is submitted to the Legislative Audit Sub-Committee to respond to questions or inquiries.

Sincerely,



Walt Rulffes
Deputy Superintendent/CFO

WR/kr
Enclosures

cc: Carlos Garcia
Agustin Orci
Joyce Haldeman

**CLARK COUNTY SCHOOL DISTRICT
RESPONSE TO AUDIT RECOMMENDATIONS**

FINANCIAL MANAGEMENT

Recommendation 1: Record all applicable costs for the food service program to the Food Service Enterprise Fund.

The District currently operates an old, labor-intensive, inefficient central kitchen constructed in 1970 to support food service operations for the preparation of approximately one million meals annually. The District is currently desperately in need of a replacement facility as the volume has grown to the preparation of over 22 million meals annually. A proposal for replacement of the central kitchen (not only to handle growth, but also to operate more efficiently) will be presented for Board action. In order to plan properly for the new facility, and in order to finance the equipment portion of a new central kitchen, the District reduced the indirect expenditure rate to the food service program to build up a sufficient fund balance.

Upon notification by the state that the District had exceeded the prescribed fund balance limits, the District met with Department of Education food service officials and worked out a plan to bring the District into compliance. The fund balance is being reduced in direct support of the school food service program and is projected to be reduced to well within the compliance limit.

Effective July 1, 2004, the District will apply indirect cost rates in compliance with USDA guidelines and in consultation with Nevada Department of Education officials who administer the National School Food Service Program.

Recommendation 2: Develop controls over special appropriations to ensure all monies are properly accounted for and reverted.

The audit report indicated that back-up documentation could not always be provided to support the District's request for funding for certain state categorical grants. The District will assure that in the future, separate project accounting will be set up to clearly isolate eligible expenditures for categorical funding based on guidelines recommended by the state. Moreover, a recent decision to organizationally consolidate the fiscal portion of grants under the District's Business and Finance Services Division should establish greater consistency in financial data tracking.

Of specific note in the report is Senate Bill 8 from the 2001 Legislative Session in which the District received \$4.6 million for additional unbudgeted energy costs. The District has dealt with its energy costs from a holistic approach. Rather than simply accepting current levels of usage and higher costs, it has chosen to be extremely proactive in reducing energy consumption. An aggressive energy policy was adopted and implemented. As a result, in the first year, actual energy costs were less than anticipated, but even with the efficiencies derived from the program, the District was still able to document the need for the total \$4.6 million allocation during the 2002-2003 biennium. The District will work with officials from the Department of Education to resolve questions of interpretation regarding the grant eligibility.

FACILITIES MANAGEMENT

Recommendation 3: Work with the energy consultant to develop goals for water and natural gas conservation.

The District is in direct communication with the Southern Nevada Water Authority (SNWA) to ensure that District priorities are in consonance with theirs and that the District is implementing the best practices they have established. This year, the District has funded an additional \$1 million in turf reductions, which will result in approximately 500,000 square feet conversion from sod to desert-scape. The listing of schools and areas to be converted has been coordinated with the SNWA to ensure that the District accomplishes the agreed upon highest priorities in order. The SNWA rebates from turf reductions will be put back into the program to continue conversion of more schools and areas. The District's goal in water reduction is to correct all instances of large areas of unnecessary ornamental turf. This goal will depend in part on available funding. In the natural gas area, an initial goal of a 10% reduction is projected. This will be accomplished through expansion of the previous test program of boiler efficiency tune-ups and through a recommissioning program discussed in Recommendation 5.

Recommendation 4: Continue development of and finalize a water conservation plan.

A copy of the District's water conservation plan, which will set the District's direction, is available upon request.

Recommendation 5: Enhance the energy plan to focus greater efforts on the conservation of natural gas.

As noted in the response to Recommendation 3, the Facilities Division's Maintenance Department demonstrated significant savings with a pilot program to tune up boilers. This is in keeping with industry best practices but has been difficult due to manpower shortages for preventive maintenance programs. A 10% overall reduction is a realistic goal with such a program. Additionally, a formal recommissioning program will be implemented that will target schools with the highest energy consumption first. Recommissioning is a school-wide, multi-system validation process that identifies all factors contributing to poor energy performance and diminished comfort.

Recommendation 6: Complete procurement and implementation of the new CMMS technology that enhances the Maintenance Department's ability to more effectively monitor activities.

Recommendation 7: Develop policies and procedures to ensure the CMMS is properly implemented, including work order tracking, employee productivity, and deferred maintenance.

Recommendation 8: Formalize the policies, procedures, and memorandums over Maintenance Department functions and provide access to all employees.

The following is in response to Recommendations 6, 7, and 8. The Computerized Maintenance Management System (CMMS) procurement will be brought to the Board of School Trustees for approval and award in December 2004. The implementation timeline for full service is 18 to 24 months. Several functionalities of the system are expected to come online within the first six months, and these features will be leveraged to the maximum extent possible as the rest of the system is implemented. Policies and procedures will be tailored to maximize the benefit of the inherent capabilities of the CMMS system. It is expected that the new CMMS system will enable significant streamlining of internal processes that are now inefficient and/or lacking. New procedures will be developed parallel to CMMS implementation and will be published as interim guidelines until a final set of procedures is developed in coordination with the full implementation of the CMMS. Three Maintenance Department processes have achieved ISO certification, and there is regular maintenance representation on the Enterprise Resource Planning (ERP) implementation team. The ultimate goal is ISO certification across a broader range of maintenance functions and complete coordination of the CMMS and ERP systems.

Recommendation 9: Finalize the development of all remaining policies and procedures for the Construction Management Department.

In the construction management arena, a comprehensive policy and procedures manual is being developed. As is the case for maintenance, construction management will use technology to implement effective and user-friendly computerized support systems. When such systems are selected and implemented, the construction division will again tailor its internal procedures to complement and maximize the benefit of the new systems. Also as above, ISO certification is a scheduled goal.

PERSONNEL MANAGEMENT

Recommendation 10: Consolidate district-wide professional development elements into a single plan aligned with District goals, policies, and regulations that clearly define the organizational structure and responsibilities of the professional development program.

A single staff development strategic plan will be developed by all District divisions and programs that provide training and will be fully implemented by July 1, 2005. The plan will focus on District instructional initiatives and will be aligned to state standards and instructional program requirements. Board policy will be revised to ensure that organizational structure and responsibilities will be clearly defined.

TRANSPORTATION

Recommendation 11: Develop fleet management controls over vehicles, including assignment and control logs, a fleet inventory process, and administrative staff vehicle options.

Recommendation 12: Evaluate vehicle usage to ensure the District's fleet is at optimum levels.

Recommendation 13: Develop procedures to perform periodic inventories of the District's vehicle fleet.

The following is in response to Recommendations 11, 12, and 13. In regard to the District's white fleet (non school buses), the District concurs that a tight central control should be established and enforced. Over the past two years, approximately 50 administrative sedans have been removed from service, and personnel have been placed on a mileage reimbursement basis for District business conducted using their personal vehicles. Reimbursement rates are established based on the IRS per-mile standard, and in some cases, established on a fixed reimbursement basis that has been derived from a history of the actual mileage associated with the position as well as the District's expectations for frequent use of a personal vehicle for District business. Moreover, the District has eliminated the practice by certain maintenance personnel from taking District vehicles home.

The District will continue the direction to strictly monitor take-home vehicles and to assign District vehicles only when circumstances warrant. Examples are not limited to, but include:

- Personnel with frequent 24-hour call-out responsibilities
- Personnel required to carry equipment to fulfill job responsibilities (e.g., maintenance and repair)
- Personnel who require a vehicle during a majority of their time to fulfill their District duties (e.g., security, attendance officers, etc.)

A copy of the District's reimbursement rate for personal vehicle use will be submitted to the Board of School Trustees. Moreover, when rates or guidelines change, the Board will be appropriately notified.

Recommendation 14: Adopt a bus replacement policy to help ensure buses are replaced in a timely and economic manner.

The District has had a replacement plan for buses in place for many years. It varies somewhat from year to year, depending on the fiscal ability of the District to fund capital equipment. Between growth in ridership and replacement of older buses, the District typically purchases an average of approximately 100 new buses annually.

Because the District purchases durable, high-efficiency equipment, bus replacement is currently on an approximate 11 to 13 year cycle. This is consistent with national standards. The decision to replace a bus, however, is not based on age alone. It also takes into account condition and operating costs.

In response to the Legislative Counsel Bureau audit recommendation, the District will continue to submit its school bus replacement plan for consideration by the Board of School Trustees each year during the budget approval process. The District believes that the interests of the overall District operations are best served by exercising annual discretion on what program and equipment needs have priority for funding to best serve the students.

Recommendation 15: Consider charging students a fee to help offset transportation costs associated with certain extracurricular activities.

Staff will place this item on a Budget Work Session agenda for Board of School Trustees review and consideration.

DISTRICT ORGANIZATION

Recommendation 16: Review administrative costs to ensure the District's resources are utilized efficiently.

The District will meet with officials from the Nevada Department of Education to determine a standard format for reporting administrative positions that is consistent among all school districts in the state of Nevada and follows, to the extent possible, guidelines established in national research organizations as well as the state of Nevada's In\$ite program. As mentioned earlier, the District has recently established a new salary schedule that identifies professional and technical personnel on a similar basis to that of Washoe County School District. For example, the professional and technical category will include positions such as engineer, architect, or auditor, which typically work in the school construction program, which is independent of the District's operational activities.

The District will also seek a standard guideline for reporting administrative positions and expenditures that are in programs hosted by the District but that are not related to the District's educational program. For example, the District employs technical specialists in the school construction program; television and broadcasting specialists in the public television station owned and operated by the District; and the administrative staff for the Regional Professional Development Program. These types of positions are currently coded to reflect ratios that are inaccurately interpreted to provide direct services to the District's educational mission and students. These positions are incorrectly included in comparisons made with other school districts, not only in the state of Nevada, but also throughout the country. To remedy this issue, the District will seek guidance from the Nevada Department of Education to properly report non-District administrative functions in a way that properly distinguishes the activities from those that are educationally related.

Recommendation 17: Ensure assessments of the Board's governance process are performed and documented.

The Board of School Trustees performs a monthly debriefing according to governance policy GP-2 Governing Style. In addition, a Board assessment meeting is scheduled for Thursday, December 16, 2004, according to governance policy GP-2 Governing Style. It is the intent of the Board to carry out annual assessments as well as monthly debriefings during regular meetings of the Board of School Trustees. Minutes of these meetings are recorded as a public record.

EMPLOYEE HEALTH PLANS

Recommendation 18: Develop procedures to ensure the District pays premiums to the insurance provider only for support staff personnel electing coverage.

With the completion of the current labor contract with the support staff union, monthly premiums are paid to the insurance provider only for those support staff electing and enrolling for coverage.

Recommendation 19: Continue to separately account for funds earmarked for employee health benefits.

Funds earmarked for employee health benefits through the negotiation process are reserved by the Board of School Trustees via the budget process in a separate account.

Recommendation 20: Negotiate with the Teachers Health Trust to obtain audited financial statements or other financial reporting information and monitor the solvency of the Teachers Health Trust.

Recommendation 21: Periodically request the Nevada Commissioner of Insurance to review the financial stability of the Teachers Health Trust.

The following is in response to Recommendations 20 and 21. Upon public release of the Legislative Counsel Bureau audit report, the District will meet with the teachers' union officials and share audit findings related to concerns about fiscal oversight of the Teachers Health Trust to seek cooperative remedies. The District will meet with a professional healthcare financial consultant to determine what specialized financial information is needed to monitor the financial condition of the Teachers Health Trust. The District will also consult with the Nevada Commissioner of Insurance for similar guidance. District staff will confer with state officials regarding legislation for state oversight and/or regulation of union health trusts for public employees.

When negotiations with the teachers' union are reopened, the District will present its position on the need for contract language for appropriate financial information from the Teachers Health Trust. The District will confer as necessary with the Nevada Commissioner of Insurance regarding appropriate oversight activities related to the Teachers Health Trust.

Clark County School District Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
	<u>Financial Management</u>		
1	Record all applicable costs for the food service program to the Food Service Enterprise Fund	<u>X</u>	<u> </u>
2	Develop controls over special appropriations to ensure all monies are properly accounted for and reverted.....	<u>X</u>	<u> </u>
	<u>Facilities Management</u>		
3	Work with the energy consultant to develop goals for water and natural gas conservation	<u>X</u>	<u> </u>
4	Continue development of and finalize a water conservation plan	<u>X</u>	<u> </u>
5	Enhance the energy plan to focus greater efforts on the conservation of natural gas	<u>X</u>	<u> </u>
6	Complete procurement and implementation of the new CMMS technology that enhances the Maintenance Department's ability to more effectively monitor activities.....	<u>X</u>	<u> </u>
7	Develop policies and procedures to ensure the CMMS is properly implemented, including work order tracking, employee productivity, and deferred maintenance	<u>X</u>	<u> </u>
8	Formalize the policies, procedures, and memorandums over Maintenance Department functions and provide access to all employees	<u>X</u>	<u> </u>
9	Finalize the development of all remaining policies and procedures for the Construction Management Department.....	<u>X</u>	<u> </u>
	<u>Personnel Management</u>		
10	Consolidate district-wide professional development elements into a single plan aligned with District goals, policies, and regulations that clearly define the organizational structure and responsibilities of the professional development program.....	<u>X</u>	<u> </u>

**Clark County School District
Response to Audit Recommendations
(continued)**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
	<u>Transportation</u>		
11	Develop fleet management controls over vehicles; including assignment and control logs, a fleet inventory process, and administrative staff vehicle options.....	<u> X </u>	<u> </u>
12	Evaluate vehicle usage to ensure the District's fleet is at optimum levels	<u> X </u>	<u> </u>
13	Develop procedures to perform periodic inventories of the District's vehicle fleet.....	<u> X </u>	<u> </u>
14	Adopt a bus replacement policy to help ensure buses are replaced in a timely and economic manner	<u> X </u>	<u> </u>
15	Consider charging students a fee to help offset transportation costs associated with certain extracurricular activities.....	<u> X </u>	<u> </u>
	<u>District Organization</u>		
16	Review administrative costs to ensure the District's resources are utilized efficiently	<u> X </u>	<u> </u>
17	Ensure assessments of the Board's governance process are performed and documented.....	<u> X </u>	<u> </u>
	<u>Employee Health Plans</u>		
18	Develop procedures to ensure the District pays premiums to the insurance provider only for support staff personnel electing coverage	<u> X </u>	<u> </u>
19	Continue to separately account for funds earmarked for employee health benefits	<u> X </u>	<u> </u>
20	Negotiate with the Teachers Health Trust to obtain audited financial statements or other financial reporting information and monitor the solvency of the Teachers Health Trust.....	<u> X </u>	<u> </u>
21	Periodically request the Nevada Commissioner of Insurance to review the financial stability of the Teachers Health Trust.....	<u> X </u>	<u> </u>
	TOTALS	<u> 21 </u>	<u> 0 </u>