LA26-12

STATE OF NEVADA

Performance Audit

Compliance with Procurement Standards

Clark County School District
Washoe County School District
State Public Charter School Authority

2026

Legislative Auditor
Legislative Counsel Bureau – Audit Division

Audit Highlights

Highlights of performance audit report on Compliance with Procurement Standards for Clark and Washoe County School Districts, and State Public Charter School Authority, issued on August 20, 2026.

Legislative Auditor report # LA26-12.

Background

The Clark County School District is the largest district in Nevada with a total of 377 schools and 301,697 students at the beginning of the 2024-25 school year.

The Washoe County School District is now the third largest school district in Nevada with 114 schools and 63,559 students at the beginning of the 2024-25 school year.

The State Public Charter School Authority is a state agency that was created through legislative action in 2011 to provide oversight of state-sponsored charter schools. The SPCSA had a total of 81 campuses and 63,609 students at the beginning of the 2024-25 school year.

Procurement standards for CCSD and WCSD are governed by Chapter 332 of the Nevada Revised Statutes, under the Local Government Purchasing Act. SPCSA is a state agency whose procurement standards are governed by Chapter 333 of the Nevada Revised Statutes, Chapter 333 of the Nevada Administrative Code, and the State Administrative Manual.

Purpose of Audit

The purpose of the audit was to determine whether CCSD, WCSD, and SPCSA complied with state laws, regulations, policies, and best practices related to the procurement of goods and services. Our audit included a review of contract procurements, contract payments, and procurement card purchases made during fiscal year 2023.

Audit Recommendations

This audit report contains 48 total recommendations to improve controls over procurement standards.

CCSD accepted the 20 applicable recommendations.

WCSD accepted 22 applicable recommendations and rejected 1.

SPCSA accepted the 5 applicable recommendations.

Recommendation Status

Each district's 60-day plan for corrective action is due on November 17, 2026. In addition, the 6-month report on the status of the audit recommendations is due on May 17, 2027.

Compliance with Procurement Standards

Clark County and Washoe County School Districts, and State Public Charter School Authority

Summary

While we found general compliance with statutes for procurement, CCSD, WCSD and SPCSA need to implement stronger controls over contracting practices and payments for goods and services. Our testing included 124 contracts with significant total contract values at CCSD, WCSD, and SPCSA. We found that CCSD and WCSD sometimes used noncompetitive procurement activities where competition should have been solicited. In addition, procurements frequently lacked documentation to support the procurement methods used, or to show proper approval was obtained. Competitive procurement methods are established and promoted to help ensure public funds are appropriately used and public entities receive the best value or price for services and items procured. Finally, we tested over $36 million in contract payments and found areas for improvement in payment approval processes and compliance with contract terms.

SPCSA did not provide adequate oversight and guidance regarding charter school and Education Management Organizations' (EMO) contract provisions and payments. Although we observed EMO contracts included many appropriate contract provisions, we also found EMO contracts were missing important provisions and contained others that were unallowed or inappropriate. In addition, better oversight of the contracting practices and activities between charter schools and their EMOs is needed. These contract conditions leave charter schools at risk of noncompliance with state law, unfavorable contract terms, and misappropriation of state education funds. Furthermore, required contract and payment information between charter schools and their EMOs was not always properly reported. When contract payment information is not properly reported, it undermines public confidence in charter schools use of state education funds.

CCSD and WCSD need stronger procurement card controls to limit misuse, ensure accountability, and realize cost saving opportunities. After testing over $1 million in general funded procurement card transactions, we found over $189,000 (19%) to be inappropriate or in violation of district policies. In addition, we observed a lack of proper administrative controls, including inadequate documentation and review of transactions. Finally, we observed opportunities for cost savings to help ensure better use of state education funds when using procurement cards. Without stronger procurement card controls, there is risk for inappropriate purchases. In addition, a lack of proper administrative controls may lead to reduced accountability, increased financial risk, and missed opportunities for cost savings. At SPCSA, our testing found general funded procurement card purchases complied with law and policy. However, we identified some internal control weaknesses.

Key Findings

- Procurement activities at CCSD and WCSD sometimes included processes that limited competition and did not provide evidence the best value was received. Specifically, we observed noncompetitive solicitations and contract lengths exceeding standards, which also resulted in situations of noncompetitive procurement. Competitive procurement practices help ensure fair competition and favorable contract terms at the best value. (pages 9-15)

- Goods and services were procured without appropriate supporting documentation to justify the approval of a noncompetitive procurement for 28 of 41 (68%) contracts tested at CCSD and WCSD. Some additional contracts did not have required approval or were operating without a formal executed agreement. This included contracts regularly being allowed to expire through lapses in contract agreements and using a purchase order in place of a contract despite the cost and complexity in deliverables. (pages 15-23)

- Agreements between charter schools and EMOs had missing or inappropriate contractual provisions for all 5 schools tested. Schools also did not properly report required EMO contract and financial information, including payments made to affiliated entities of the EMO. (pages 30-40)

- Procurement card purchases were identified as being inappropriate or in violation of district policy for 177 of 600 (30%) general funded procurement card transactions that were judgmentally selected. There was also a lack of proper administrative controls and missed cost saving opportunities. (pages 41-55)

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This report contains the findings, conclusions, and recommendations from our performance audit *Compliance with Procurement Standards – Clark County School District, Washoe County School District, and State Public Charter School Authority.* This audit was required of the Legislative Auditor by Assembly Bill 517 (Chapter 454, Statutes of Nevada, 2023). The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, school districts, programs, activities, and functions.

This report includes a total of 48 recommendations to improve school district controls over contracting and procurement card practices. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

Daniel L. Crossman, CPA
Legislative Auditor

July 29, 2026
Carson City, Nevada

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Appendices

Introduction

Background

Procurement Standards

Clark County School District (CCSD) and Washoe County School District (WCSD) procurement practices are governed by Chapter 332 of the Nevada Revised Statutes (NRS), under the Local Government Purchasing Act. Under NRS 332, if the estimated annual amount to perform a contract is $100,000 or greater, CCSD and WCSD are required to issue a formal solicitation. However, district policy can be more restrictive. Formal procurement methods used by the districts include: 1) Invitation to Bid, where the contract is awarded to the lowest cost responsive and responsible bidder; and 2) Request for Proposal, where the contract is awarded based on the best proposal that meets the needs of the district as determined by a selection committee. However, prior to performing a formal solicitation, the district may elect to join other existing contracts through a joinder agreement as long as the solicitation meets the solicitation requirements imposed by the State of Nevada. Each district has a purchasing department responsible for soliciting contracts.

District contracts can be exempt from competitive procurement methods for various reasons under NRS 332.115, including contracts for professional services. This includes services for attorneys, certified accountants, expert witnesses, professional engineers or registered architects, in which work is performed pursuant to a professional license or certification. Also exempt, are sole source procurements where only one vendor is identified as being capable of providing the service or commodity.

The State Public Charter School Authority (SPCSA) is a state agency, whose procurement practices are governed by NRS 333, NAC 333, and the State Administrative Manual (SAM). The estimated annual amount of the contract dictates whether the solicitation is formal. Services over $25,000 and goods over $50,000 require a formal solicitation. SPCSA relies on the

Department of Administration's Purchasing Division (State Purchasing) to solicit contracts greater than $100,000. SPCSA's management analyst is tasked with monitoring contracts. As a charter school sponsor, SPCSA also enters into a charter contract with each governing body of a charter school. The contract governs the terms and conditions for how a charter school is governed, operated, and overseen. Whereas, the governing body of a charter school will establish its own procurement practices within the bounds of the state's purchasing standards.

Education Service or Management Providers

Under the charter contract with SPCSA, the governing body of a charter school may elect to contract with third-party entities, including an education service or management provider. This includes Charter Management Organizations (CMO) and Educational Management Organizations (EMO). A CMO is defined in statutes as a nonprofit organization that enters into an agreement to operate more than one charter school in this State or another state. An EMO is defined as a for-profit entity that contracts with the governing body of a charter school to provide centralized support of operations. These may include educational, administrative, management, compliance or instructional services or staff.

When entering into such an agreement, the governing body of the charter school must comply with NRS 388A, NAC 388A, and other requirements stated within their charter contract with SPCSA. These requirements include the school's governing body reporting financial information under the EMO agreement no later than 15 business days following the end of the fiscal year. This report must also be posted to the charter school's website and available to the public. The information includes revenues received by the EMO and expenses incurred to carry out the contract. Expense information must identify each third-party contract, transaction, or agreement entered into by the EMO to fulfill its obligation to the charter school.

Procurement Card Practices

Procurement cards are intended to provide an efficient, cost-effective method for purchasing and paying for small dollar transactions. CCSD, WCSD, and SPCSA utilize commercial credit card companies to manage their procurement cards. The banking systems allow users to view and manage their procurement card information.

State Purchasing issues procurement cards to SPCSA, while CCSD and WCSD issue procurement cards to individuals, departments, and schools. CCSD and WCSD generally have three types of procurement cards used throughout district departments and schools based on funding: general funded, grant funded, and student activity funded. SPCSA has general funded procurement cards for general purchases and travel. Proper internal controls over procurement cards would include each card being assigned a card holder who secures the card, collects the receipts, and records the card's transactions. Additionally, an assigned approver, usually the department head or school principal, is responsible for the card and approves all transactions. All cards should be managed by a procurement card administrator who is usually in the accounting or finance department at the district level.

Overview of CCSD, WCSD, and SPCSA

Clark County School District

Creation of CCSD was authorized through legislative action in 1955. It is the largest district in Nevada, with a total of 377 schools and 301,697 students at the beginning of the 2024-25 school year. It is governed by an 11-member board of trustees, consisting of 7 elected members and 4 appointed members from local governing bodies. CCSD's mission is to have all students progress in school and graduate prepared to succeed and contribute in a diverse global society. CCSD's purchasing department is responsible for the procurement of goods and services and accounts payable is responsible for procurement card management.

Washoe County School District

Creation of WCSD was authorized through legislative action in 1955. It is now the third largest school district in Nevada with a total of 114 schools and 63,559 students at the beginning of the 2024-25 school year. WCSD is governed by a board of trustees consisting of seven elected members. WCSD, in partnership with school families and the community, pledges to know every student by name, strength, and need, so students graduate prepared for their chosen futures. WCSD's purchasing department is responsible for the procurement of goods and services and accounts payable is responsible for procurement card management.

State Public Charter School Authority

Creation of SPCSA as a state agency was authorized through legislative action in 2011. SPCSA's statutory purposes are to: 1) authorize charter schools of high quality throughout the State with the goal of expanding the opportunities for pupils in the State; 2) provide oversight to charter schools that it sponsors to ensure those schools maintain high educational standards; and 3) serve as a model for best practices in sponsoring charter schools.

NRS 388A.159 designates SPCSA as a local education agency, which receives and distributes state and federal funds. SPCSA had oversight over a total of 81 charter schools and 63,609 students at the beginning of the 2024-25 school year. SPCSA is governed by a board consisting of nine members who are appointed by various government officials. The mission of SPCSA is to sponsor, support, and oversee dynamic and responsive public charter schools that prepare all students for academic, social, and economic success. SPCSA's finance and operations team is responsible for overseeing contracting practices and procurement cards at SPCSA while the authorizing team provides guidance and oversees the EMO financial reporting.

Charter schools are overseen by a governing body that must include at least two licensed (or retired) educators, a parent or legal guardian of an enrolled student and two members with knowledge and expertise in accounting, financial services, law or human resources. This governing body has final authority and responsibility for the academic, financial, and organizational performance of the school.

Scope and Objective

This audit was required of the Legislative Auditor by Assembly Bill 517 (Chapter 454, Statutes of Nevada, 2023), included in Appendix A and was conducted pursuant to the provisions of NRS 218G.010 to 218G.270 and NRS 218G.600 to 218G.625.

The scope of our audit included a review of CCSD, WCSD, and SPCSA contracts, contract payments, and procurement card purchases made during fiscal year 2023. Our audit objective was to:

- Determine whether CCSD, WCSD, and SPCSA complied with state laws, regulations, policies, and best practices related to the procurement of goods and services.

The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, school districts, programs, activities, and functions.

Limitations

We conducted our audit in accordance with government auditing standards. Standards require we report constraints imposed on the audit approach by information limitations. We do not believe these limitations impacted our ability to conclude on our audit objective or affected our conclusions on internal controls. Many of the limitations noted resulted in findings and recommendations to strengthen internal controls.

Readers are encouraged to review our findings regarding contracting and procurement card practices. The methodology section of this report (see Appendix E) provides further detail regarding how evidence was obtained to support our audit conclusions.

The following are information limitations we identified during the audit:

- WCSD could not provide a complete list of active contracts in fiscal year 2023. Instead WCSD keeps a spreadsheet for current solicited contracts. In addition, the district did not maintain summary information to identify contract types or procurement methods used. This prevented us from determining the complete population for selecting and testing contracts that were active in fiscal year 2023. Instead, we requested a list of payments made to outside vendors in fiscal year 2023, selected a sample of payments, and then met with the district purchasing department to attempt to identify the type of contract and how it was solicited in order to perform limited testing.

- WCSD does not keep a list of active procurement card holders and approvers and their online banking system does not retain this information. This limited our ability to identify a complete list of authorized procurement card holders and approvers and test whether procurement cards were deactivated timely. However, the district's online banking system was able to generate a list of nine procurement cards where an employee had transferred or terminated employment, in which we did perform limited testing. WCSD also could not provide a list of procurement cards that included the card number, site location, and the assigned holder and approver for each card. This limited our ability to test whether there was an assigned procurement card holder and approver for each procurement card and whether they were separate individuals. Instead, we performed partial testing by pulling different reports within the district's banking system in which we could only match the data for 303 of 709 procurement cards.

- WCSD did not provide LCB auditors with direct access to district files to independently obtain documentation needed to perform audit testing. Instead, auditors were required to request records through district staff resulting in significant audit delays and in some cases, diminished ability to confirm the authenticity of certain documentation related to solicitation waivers.

- CCSD's business operation software could not produce a report that documents the amount spent for each contract. At the time of our testing, this information was not readily available as this is a report that the district does not usually produce. Therefore, to be cost effective, we did not request the district spend the time compiling this information for our test. However, the business operation software does have a control in place as it prevents the buyer from issuing a purchase order that would exceed the maximum contract spend.

Contracting Practices Need Strengthening

While we found general compliance with statutes for procurement, CCSD, WCSD, and SPCSA need to implement stronger controls over contracting practices and payments for goods and services. Our testing included 124 contracts with significant total contract values at CCSD, WCSD, and SPCSA. We found that CCSD and WCSD sometimes used noncompetitive procurement activities where competition should have been solicited. In addition, procurements frequently lacked documentation to support the procurement methods used, or to show proper approval was obtained. Competitive procurement methods are established and promoted to help ensure public funds are appropriately used and public entities receive the best value or price for services and items procured. Finally, we tested over $36 million in contract payments and found areas for improvement in payment approval processes and compliance with contract terms.

As this is a performance audit of CCSD's, WCSD's, and SPCSA's contracting and procurement practices, it looks to improve these activities in addition to addressing compliance with applicable standards. Therefore, the criteria used for our findings also includes statutes, regulations, state policies applicable to state agencies, and best practices. Furthermore, tested contracts were compared to CCSD, WCSD, and SPCSA policies and contracting practices. Best practices related to contracting will always look to promote competition and gain the best value, and not just to ease the procurement workload of staff. Best value does not necessarily mean selecting the lowest-priced option. Rather, it means achieving the greatest overall value by balancing cost with the quality of materials and services needed to meet the intended purpose.

Noncompetitive Procurement Activities Regularly Used

Procurement activities at CCSD and WCSD sometimes included processes that limited competition and did not provide evidence the best value was received. Specifically, we observed noncompetitive solicitations and contract lengths exceeding standards, which also resulted in situations of noncompetitive procurement. Competitive procurement practices help ensure fair competition and favorable contract terms at the best value.

The lack of competitive solicitations was in part due to contract classification and statutes. Classification of contract types is important because it determines what laws, regulations, policies, and best practices govern the solicitation method. Appendix B, on page 62, provides a summary of contracts tested by location and type and Exhibit 1 illustrates the types of contracts, key characteristics governing legal authority, solicitation requirements per NRS 332 or best practices, and examples of each contract category.

Classification of Contract Types **Exhibit 1**

Contract Category	Legal Definition & Authority	Solicitation Requirements	Examples
Services (General)	Contracts for nonprofessional services, general labor, supplies, materials, or equipment. NRS 332.063 and 332.065 (Generally procured through a Request for Proposal due to more complex solutions being needed where cost and quantity are not the only factors.)	Mandatory competitive solicitation if the annual amount exceeds $100,000, or quotes if between $50,000 and $100,000.	• Janitorial & landscaping services • Security services • Fleet maintenance • Commodity with service component
Commodities	Contracts for supplies, materials, or equipment. NRS 332.063 and 332.065 (Generally procured through an Invitation to Bid where specifications are highly standardized and well defined and it is a matter of cost and quantity.)	Mandatory competitive solicitation if the annual amount exceeds $100,000, or quotes if between $50,000 and $100,000.	• Tangible goods • Office supplies & equipment • Computer hardware • Raw materials
Professional Services	Exempt from competitive solicitation requirements by NRS 332.115(1)(b), if by their nature they are not adapted to award by a competitive solicitation.	Selection based on qualifications, expertise, and scope of work.	• Attorneys • Architects & Engineers • Accountants • Physicians/Medical Professionals
Sole Source	Items which may only be contracted from a single source per NRS 332.115(1)(a).	Exempt from competitive solicitation. Written justification required documenting why competition is not practical.	• Patented technology (single manufacturer) • Proprietary software maintenance • Unique artistic works • Repair parts for existing specialized equipment
Joinder Agreements	Allows a new entity to be added to an existing contract that was competitively solicited, binding them to all original terms and conditions without the need for another procurement process but still requiring a formal written agreement. NRS 332.195; Nevada State Administrative Manual 0308(1).	No additional competitive solicitation required by the joining agency, provided the lead agency's solicitation was properly conducted.	• Contracts with cooperative purchasing organization • Joining another entity's awarded contract • State of Nevada master price agreements

Source: Auditor prepared from Nevada Revised Statutes, Nevada Administrative Code, and the Nevada State Administrative Manual.

While NRS 332 acknowledges some services are not adapted to award by a competitive solicitation, in which price is the determining factor, it also does not prohibit a school district from advertising for, or soliciting responses. Both CCSD and WCSD policies also recognize that competitive solicitation is valuable and require district purchasing entities to seek competition whenever possible.

Professional Services Classification Resulted in Noncompetitive Solicitation

We observed at CCSD and WCSD that some contracts were procured without competition. Specifically, 7 of 27 (26%) contracts tested were not competitively solicited because the districts classified them as professional services. At SPCSA, no professional services were procured. Exhibit 2 shows contracts classified as professional services by location.

Professional Services Contract Classifications by Location — Exhibit 2
Fiscal Year 2023

Location	Contracts Tested Classified as Professional Services	Professional Services Not Competitively Solicited	Percentage of Contracts Tested	Dollar Amount for Noncompetitive Solicitation
Clark County School District	16	5	31%	$ 1,315,732
Washoe County School District	11	2	18%	9,314,884
State Public Charter School Authority	0	0	-	-
Totals	**27**	**7**	**26%**	**$10,630,616**

Source: Auditor created based on contracts, purchase orders, and other documentation obtained from CCSD, WCSD, and SPCSA, including vendor payments.
Note: Dollar amounts for contracts should not be compared between CCSD, WCSD, and SPCSA as some amounts are based on fiscal year payment amounts and others are contract maximum amounts that were compounded over multiple years. Please see additional discussions on limitations on pages 5-7.

CCSD

For 5 of 16 (31%) contracts tested, CCSD classified them as professional services and did not use a competitive solicitation process. For example:

- A $178,588 banquet hall rental was classified as a professional service. The district cited fluctuating pricing and the vendor's lack of need for the district's business as their justification.

CCSD was inconsistent in seeking competitive solicitations for professional services. During our testing, we identified two contracts for similar services that were classified as professional services in which CCSD used a competitive solicitation process.

At CCSD, the district staff making the purchase is responsible to classify what type of service is being procured and how it is solicited. Furthermore, the district does not have policies and procedures to define a professional service and to establish when competitive solicitation is not warranted.

WCSD

For 2 of 11 (18%) contracts tested, WCSD classified them as professional services and did not use a competitive solicitation process. For example, we noted:

- A $48,000 contract for consulting services to increase student engagement was classified as a professional service. Total expenditures for this contract totaled over $57,600.
- A $39,000 contract for consulting services to identify areas of improvement for the district's human resource department was classified as a professional service. Total expenditures for this contract exceeded $66,000.

At WCSD, despite multiple attempts, the district was unable to provide a complete list of active contracts in fiscal year 2023. This created an information limitation that prevented us from obtaining a complete population for testing whether the district competitively procured other professional services. See further discussion on page 5.

WCSD's practice was to classify all contracts for services as a professional service; thereby, exempting them from competitive solicitation methods. District staff also indicated it would not be practical or economical to issue a formal solicitation for all service procurements.

While we agree there are costs associated with certain solicitation methods, this is not sufficient justification to bypass competitive solicitation. A formal solicitation, like a Request for Proposal, does not always have to be performed. NRS 332 allows for the solicitation of two or more responses for contracts with an estimated annual contract amount between $50,000 and $100,000. The contract is then to be awarded on the basis of price, taking into account the minimum requirements prescribed in the solicitation. For professional services, statutes do not prohibit a governing body from advertising for or soliciting responses.

Both NRS 332 and district policies encourage competitive solicitation methods for services, whether general or professional. Best practices also encourage competition by attempting to narrowly define professional services as those requiring special licensing or certifications.

Contract Lengths for Service and Commodity Contracts Exceeded Standards

CCSD did not ensure contract lengths consistently followed district policies or best practices that were created to promote competition and secure best value. Specifically, we observed contracts being extended rather than being competitively solicited and exceeding a district's contract term limits. There are cases where competitively soliciting a contract frequently is not practical, particularly for large-scale systems such as an enterprise resource planning system where re-procuring every 4 years would cause significant operational disruption. Nevertheless, contract term limits should remain reasonable to provide vendors with a fair opportunity to compete and to ensure the district secures the best value.

<u>CCSD</u>

We found that for 9 of 20 (45%) service and commodity contracts tested, contract extensions were performed rather than following the contract length stated within the initial agreement. CCSD contract terms and conditions dictate contract term lengths, which are generally 1 year with six 1-year renewals. However, as a best practice, contracts should be solicited every 3 to 5 years. Similarly, the Nevada State Administrative Manual indicates state agencies should solicit contracts at least every 4 years.

Examples of service and commodity contracts extended beyond the initial contract term length included:

- A contract with an original term of 5 years that was extended 16 times, bringing the contract length to 22 years. While another contract with an original term of 5 years was extended 11 times, bringing the contract term to 16 years.
- Another contract with an original term of 7 years expired in October 2020 and was reopened 3 years later, in February

2023, to make a one-time purchase for modular classrooms totaling $2 million.

CCSD contract provisions provide language that allows the district to extend contracts beyond the initial contract length based on satisfaction with the vendor. The district also indicated that without increasing staff they would not have the manpower to perform competitive solicitations at a shorter interval. In addition, the district stated that agreements have become more complicated in recent years with software agreements and safeguarding of staff and student information, and negotiating data sharing, which is time-consuming.

However, not competitively soliciting purchases regularly prevents the district from ensuring fair competition and that the district receives the best value. In addition, the practice of 1-year renewals and multiple extensions is time consuming for the district. Furthermore, CCSD's practice of extending contract lengths rather than seeking competition resulted in price increases, which occurred for 113 of 340 (33%) of their amendments.

WCSD

We did not identify WCSD contracts being extended beyond stated contract term lengths for service and commodity contracts. WCSD policy allows for contract lengths of up to 5 years. For example, a solicitation may be awarded for 1 year with four 1-year renewal options.

Professional Service Agreements Exceeding Contract Length Standards

At CCSD and WCSD we found that 2 of 22 (9%) professional service agreements tested had contract lengths exceeding district and best practice standards, including 1 that did not have an expiration date. At SPCSA no professional services were procured. Exhibit 3 shows the number of professional service agreements by location with inappropriate contract term lengths.

Professional Service Agreements Exceeding Contract Length Standards **Exhibit 3**
Fiscal Year 2023

Location	Number of Agreements Tested	Agreements Exceeding Standard Lengths	Percentage of Agreements Exceeding Standard Lengths	Dollar Amount for Agreements Exceeding Standard Lengths
Clark County School District	11	1	9%	$ 180,000
Washoe County School District	11	1	9%	9,248,684
State Public Charter School Authority	0	0	-	-
Totals	**22**	**2**	**9%**	**$ 9,428,684**

Source: Auditor created based on contracts, purchase orders, and other documentation obtained from CCSD, WCSD, and SPCSA, including vendor payments.
Note: Dollar amounts for contracts should not be compared between CCSD, WCSD, and SPCSA as some amounts are based on fiscal year payment amounts and others are contract maximum amounts that were compounded over multiple years. Please see additional discussions on limitations on pages 5-7.

CCSD

For 1 of 11 (9%) professional service agreements tested, the contract included a length of 7 years. CCSD does not have written policies or regulations that set limits on contract term lengths.

WCSD

For 1 of 11 (9%) professional service agreements tested, the contract length did not include an expiration date, despite WCSD's policy limiting professional service agreements to 4 years.

Not setting contract term lengths, or not enforcing them, for professional service agreements and other noncompetitive procurements restricts districts' abilities to appropriately monitor and assess the costs and conditions associated with the procurement. Also, professional service needs can change rapidly. After just a few years, the initial scope of work, local market billing rates, and district needs will likely change.

Lack of Appropriate Documentation and Approval

CCSD and WCSD procured some goods and services without appropriate supporting documentation and required approvals and CCSD, WCSD, and SPCSA sometimes lacked a formal executed agreement. This included documentation such as waivers justifying the use of noncompetitive procurement methods and support for when joinder agreements were used. Not having adequate supporting documentation for noncompetitive procurements reduces accountability and increases the risk of circumventing competitive procurement. Furthermore, the lack of proper approval and having a formal agreement in place puts CCSD, WCSD, and SPCSA at risk of legal liability and weakens enforceability of desired scope of work and outcomes.

Contracts Were Missing Appropriate Supporting Documentation

We found that CCSD and WCSD did not execute solicitation waivers to justify the approval and support of a noncompetitive procurement as required by districts' policies. Exhibit 4 shows contracts that were missing appropriate supporting documentation by CCSD, WCSD, and SPCSA.

Noncompetitive Procurements Lacked Supporting Documentation **Exhibit 4**
Fiscal Year 2023

Location	Contracts Classified as Noncompetitive Procurements	Contracts without Appropriate Supporting Documentation	Percentage of Contracts Lacking Supporting Documentation	Dollar Amount for Contracts Lacking Supporting Documentation
Clark County School District	20	16	80%	$ 3,755,245
Washoe County School District	21	12	57%	13,609,796
State Public Charter School Authority	2	0	0%	-
Totals	**43**	**28**	**65%**	**$ 17,365,041**

Source: Auditor created based on contracts, purchase orders, and other documentation obtained from CCSD, WCSD, and SPCSA, including vendor payments.
Note: Dollar amounts for contracts should not be compared between CCSD, WCSD, and SPCSA as some amounts are based on fiscal year payment amounts and others are contract maximum amounts that were compounded over multiple years. Please see additional discussions on limitations on pages 5-7.

<u>CCSD</u>

For 16 of 20 (80%) contracts tested, CCSD did not have documentation showing contracts awarded without competitive solicitations were reviewed and approved in accordance with district policy. The following are examples of contracts without proper documentation and approval to waive solicitation:

- A contract totaling over $880,000 for tutoring services procured as a professional service.
- A contract totaling over $266,000 for preventative maintenance for tennis courts procured as a professional service.

CCSD developed forms to process noncompetitive solicitations. However, these forms were not consistently used, and one form did not include a written justification for waiving competitive solicitation for professional services or for any other types of noncompetitive solicitations under NRS 332.115.

WCSD

For 12 of 21 (57%) contracts tested, WCSD did not have documentation showing contracts awarded without competitive solicitations were reviewed and approved in accordance with district policy. The following are examples from our testing:

- A contract totaling over $530,000 for student support services procured as a sole source, but without a sole source waiver.
- A contract totaling $120,000 for student support and staff training procured as a professional service, but without a solicitation waiver.

At WCSD there is a lack of alignment between statutes, WCSD Board of Trustees' policy, and district regulations that govern procurement and the practice we observed to waive competitive solicitation. Specifically, statutes and regulations require that competitive solicitation should be used when practicable and that the local government's governing body or its authorized representative determines when it is not appropriate. In addition, WCSD regulations require its purchasing department to approve sole source procurement decisions and to determine which type of solicitation method is most appropriate.

Furthermore, board policy assigns the purchasing department the responsibility to engage in competitive solicitations for goods and services. Board policy also requires district leadership to consult purchasing to determine if competitive solicitation should be done, even for contracts exempt by statutes. However, WCSD's regulations also establish a process for a waiver of competitive solicitation by a committee that currently does not include a representative of the purchasing department. In addition, when solicitation requests are brought to this committee a form titled, The Funding Approval Request Form, is used that includes some general information and asks questions about funding impact. Funding impact questions focus on what the impact will be if not approved and if other ways were explored to meet the identified needs.

The Funding Approval Request Form also does not address the justification for waiving a competitive solicitation. A solicitation waiver should clearly explain how the purchase meets the specific statutory exemption or provision that allows the procurement to proceed without competition.

As a best practice for state agencies, agencies should ensure that competitive solicitation requirements are followed when procuring services. In circumstances where the need for competition is waived, agencies are required to obtain a solicitation waiver to authorize the noncompetitive solicitation. Pursuant to the Nevada State Administrative Manual 0312 and NAC 333.150, a solicitation waiver must be justified, approved by the agency head or designee, and submitted to State Purchasing for consideration.

In addition, CCSD and WCSD did not consistently enforce requirements to complete and approve documentation supporting noncompetitive solicitations. The lack of adequate supporting documentation for noncompetitive solicitations reduces accountability and increases the risk of circumventing competitive procurement standards. It also limits fair and open competition among vendors, which may result in higher costs and weakens board oversight. Furthermore, allowing nonpurchasing entities to make purchasing or solicitation decisions shifts responsibility away from procurement subject-matter experts and places decisions with individuals who may lack formal procurement authority or expertise.

Joinder Agreements Lacked Supporting Documentation
For 8 of 8 joinder contracts tested, WCSD did not have documentation supporting the use of competitive solicitation methods. For example, WCSD joined a contract to procure over $1.2 million in school buses without verifying the original contract was competitively solicited.

Furthermore, we observed 2 of 8 (25%) joinder agreements tested contained deliverables and contract terms that were not consistent with the agreement WCSD joined. This included adding services to use the vendor's warehouse as a delivery location, which was outside of the original agreement's scope of work. WCSD also joined an agreement between two parties that had already expired.

WCSD executes joinder agreements without a defined process to verify how the original contract was competitively solicited or whether the originating agreement permits participation by other governmental entities. Instead, the district relies on informal research methods and vendor permission and does not obtain documentation from the originating agency or cooperative purchasing organization. Joining a contract without first confirming that the original solicitation was conducted in alignment with state competitive solicitation standards increases the risk that the district is relying on an agreement that does not reflect fair and open competition.

Furthermore, WCSD procurement policies do not provide procedures or guidelines for joining contracts with outside entities, such as reviewing terms and conditions, scope of work, and contract terms of the original agreement to ensure alignment with the district's needs. The district also indicated that sometimes it is placed in a situation where it has to act quickly in order to not lose funds, thereby pursuing a joinder procurement. However, obtaining the existing contract and identifying how it was procured are necessary for joining an existing contract, per statutes.

In addition, joining an existing contract with established terms through a joinder agreement and then modifying those terms to fit the district's needs puts the contract at risk of being deemed invalid as it may not meet the requirements of the original contract it is attempting to join. Furthermore, it circumvents competitive procurement laws. It could also create confusion with the vendor on the actual agreement terms, leading to disputes, unenforceability, and legal challenges.

In August 2025, WCSD updated their procurement policies to include joinder agreements. However, these changes do not specifically address ensuring the original contract the district intends to join was solicited in alignment with Nevada standards or ensuring the scope of work and contract term dates align with the district's needs.

CCSD and SPCSA

We determined that in practice and through procedures CCSD and SPCSA performed steps to ensure that the contracts joined were properly solicited in alignment with state standards and properly aligned with their needs, such as requiring a due diligence form to be completed and approved before joining a contract. However, CCSD does not have an internal formalized written policy.

Contracts Were Missing Required Approvals

For 2 of 3 (67%) CCSD construction professional service agreements tested, board approval was not obtained. CCSD did not obtain required approval from its board in accordance with district policy, as vendors selected to perform this type of work must come from the district's approved list of architects and engineers. This included:

- A contract for licensed engineering services where the vendor was not a board-approved qualified engineer, going back as far as 2015.
- Another contract for licensed engineering services where the vendor was not a board-approved qualified engineer during its contract that started in July 2021. However, the vendor was approved in February 2016 and again in August 2023 for 2 years each time.

The CCSD Building Department misinterpreted a district procurement policy to only be applicable to engineers and architects selected for building schools and not for inspections. Therefore, they have been using their own internal list based off past knowledge of Clark County's approved list of engineers and architects. However, without access to the county's list, they only relied on phone calls to the county made years ago to ensure the individual was certified before awarding them the work. In addition, site inspectors were to double check their credentials onsite, but did not retain any record of this verification. Not ensuring that vendors appear on the board-authorized lists prior to selection bypasses the district's internal control processes. Furthermore, not properly verifying a vendor has a current and appropriate license leaves the district vulnerable to defective work and could pose a significant risk to public safety.

Contracts Were Lacking an Appropriate Formal Agreement
We observed CCSD, WCSD, and SPCSA operating without an appropriate formal agreement in place for 28 of 124 (23%) procurements tested. Rather than executing a formal agreement, purchase orders (PO), vendor quotes, memorandums of understanding (MOU), and other combinations of documents were relied upon, despite having complex deliverables and high costs. Furthermore, contracts were allowed to expire before renewal amendments were completed, causing them to operate without an active agreement in place. The lack of a formal agreement weakens enforceability of contractual obligations and exposes them to legal risks and increased costs.

CCSD

We found that CCSD regularly allowed contracts to expire through lapses in contract renewals, continuing to do business with vendors outside the protection of a contract. We observed this for 15 of 65 (23%) contracts tested. Examples of contracts operating outside a formal agreement included:

- A contract was renewed after expiring more than 22 months prior. In addition, the district continued to pay this vendor for services, despite operating outside a contract for another 8 years. Finally, for 9 of 19 (47%) contract renewals, the contract had expired prior to the renewal occurring.
- A contract that expired in August 2012, was renewed over 1 month later, but subsequently expired and continued to provide services another 13 years past expiration.
- A contract expired seven times, with each amendment being executed after the contract had already lapsed.

WCSD

For 12 of 53 (23%) WCSD contracts tested, a formally executed agreement could not be produced, including agreements for professional services, joinders, and sole source procurements. Examples of contracts lacking formal executed agreements at WCSD included:

- $6.6 million was spent on interactive display panels using a vendor quote and was put in place using a purchase order. The procurement additionally included not only materials, but also removal, disposal, and repairs to infrastructure, as well as payment for installation services and prevailing wages for the project.

- $3.5 million was spent on audio equipment that included installation and other services. Procurement was made with a purchase order as a joinder agreement where the original contract joined had expired.

Current district procurement policies at WCSD lack standardized processes and allow the use of purchase orders in place of formal agreements despite the complexity and cost of deliverables. As a best practice for state agencies established through law and policy, procurements involving contractual commitments must be documented through a formal written agreement signed by both parties and contain legally required terms, appropriate signatures, written negotiations, and proper approvals, which an MOU or purchase order do not have.

Not having a formal executed agreement in place weakens the district's enforceability of contractual obligations, such as services to be provided by vendors, and leaves the district exposed to legal risks and increased costs as proper protection clauses are missing. In addition to purchase orders, we found that WCSD used 18 different combinations of contractual documentation to form agreements. The use of inconsistent contractual documentation creates operational inefficiency and ambiguity making the procurement process more time consuming.

SPCSA

At SPCSA, we identified a joinder agreement had expired, resulting in SPCSA operating for 27 months without a contract in place. During this time, SPCSA paid the vendor $185,060.

Reliance on manual tracking methods and a lack of oversight and training, combined with delayed vendor responses, limited timely identification of contract expiration dates and allowed contracts to expire at CCSD and SPCSA. In addition, CCSD stated that contracts expire often due to renewals not being completed timely. The district also prefers longer contract term lengths to maintain a more consistent supply chain. CCSD further explained that its annual renewal process is not just to assess the relationship between the district and vendor, but that the district was concerned about being in a contract if there is a loss of funding, as it operates under a biennial appropriation funding mechanism. However, state agencies and the Nevada System of Higher Education also operate within biennial budget cycles and use 4-year contract terms. In addition, standard contract provisions for termination without cause and termination for non-appropriation would address CCSD's funding concern.

The absence of a fully executed agreement with a scope of work, performance requirements, and timelines increases the risk at CCSD, WCSD, and SPCSA that obligations are misunderstood, inconsistently applied, or disputed. In addition, it limits their ability to hold the other party accountable for nonperformance, enforcement of contract provisions, or to demonstrate mutual assent to the agreement; thereby, increasing legal, operational, and financial risk.

Contract Payments Generally Complied With District Standards

CCSD and WCSD generally complied with applicable laws, regulations, and policies regarding contract payments. The districts demonstrated that there were sufficient controls to ensure payments aligned with purchase orders and invoices. However, we identified areas where controls over some of the payment approval processes can be strengthened.

We observed 37 of 124 (30%) contract payments tested had issues related to noncompliance at CCSD and WCSD. This included some payments with multiple exceptions, which resulted in a total of 40 noncompliance issues. The majority of these instances involved the payment approval process at CCSD. However, payments were identified that exceeded purchase order limits and contract terms. Payments without proper approval and monitoring can place them at risk of noncompliance with internal controls and unauthorized payments being made. Exhibit 5 shows a breakdown of exceptions by district.

Contract Payments Outside District Standards **Exhibit 5**
Fiscal Year 2023

District	Number of Payments Tested	Number of Payments without Proper Approval	Number of Payments that Exceeded Purchase Order Limits	Number of Payments Outside of Contract Terms	Number of Payments with Services Rendered Prior to Board Approval and Purchase Order Issuance	Percentage of Payments with Exceptions
CCSD	69	28	0	2	2	46%
WCSD	55	3	4	1	0	15%
Totals	**124**	**31**	**4**	**3**	**2**	**32%**

Source: Auditor created based on contract payment documentation obtained from districts.

Payment Approval Not Obtained

For 28 of 69 (41%) contract payments tested at CCSD for over $25 million, proper approval was not obtained due to a misalignment between policy and practice within the payment approval process. CCSD policy requires that all payments over $15,000 be approved by a supervisor; however, the district's accounting system allowed supervisory approval to be bypassed for commodity payments by adding a goods receipt. Inconsistencies between written procedures and accounting system controls may create confusion for staff and increase the risk of noncompliance with internal controls.

By contrast, WCSD has no dollar threshold approval policy, and payment was approved once an item or service was marked as received in the district's accounting system. However, we found that 3 of 55 (5%) payments did not have proper evidence to support their approval. These instances occurred when staff marked all items within the purchase order as received all at once, resulting in subsequent payments being processed without proper approval. In addition, a payment was made in full for contracted services that were not yet rendered and per the contract were to be paid throughout the year using monthly or quarterly billings as services were rendered. When payments are pre-paid and processed without proper approval, WCSD faces financial and operational risks, including potential vendor default on contractual obligations.

Payments Exceeded Purchase Order Limits

For 4 of 55 (7%) payments tested at WCSD, the invoiced amounts paid exceeded the purchase order amounts. For example, payments made on a $725,000 purchase order increased the expenditure to nearly $2 million. This occurred because WCSD's practice is to allow clerks to pay over purchase order amounts and there were no controls to monitor payments to authorized amounts. When invoices continue to be paid beyond authorized amounts, including over the board-approved amount, spending controls are bypassed, unauthorized payments are made, and unexpected depletion of cash reserves may occur.

Payments Exceeded Contract Terms

We observed 2 of 69 (3%) payments tested at CCSD were not authorized under the contract terms. This included over $3,800 in expenses, for items like insurance, clothing, and grooming services. These expenses were related to a television host and were not authorized by the contract. At WCSD, 1 of 55 (2%) payments tested included two items with an unauthorized 15% price increase and two items that were purchased from a vendor who had not been awarded the contract for those items. WCSD awarded the contract on a line item basis and it prohibited price increases without prior approval.

Both districts rely on the end user to follow established purchasing processes. In addition, some purchase orders in our sample did not contain sufficient pricing information, which prohibited accounting from independently verifying invoice pricing to purchase order and contract terms. Payments that include charges or pricing increases not authorized may result in overpayments being made.

Services Rendered Prior to Board of Trustees Approval and Purchase Order Issuance

At CCSD, 2 of 69 (3%) payments were made for services rendered prior to board approval and purchase order issuance. CCSD stated that these payments fell under certain student services required by law (NRS 388.429), which exempts them from prior approval. However, without this exemption being documented or the district having policies in place for such exemptions, justification for such an exemption is difficult to determine. When services are performed prior to board approval and the issuance of a purchase order, it places the district at risk of having obligations that have not been properly encumbered, lack governance oversight, and increases the risk of budget overruns.

Although each issue occurred in a small number of payments, the control breakdowns may still increase the risk of unauthorized, inaccurate, or unsupported payments. This may also reduce the districts' abilities to ensure good stewardship of public funds as well as ensuring compliance with purchasing and accounting controls. In addition, misalignment between written policies and system controls or unwritten rules regarding the payment process creates confusion among staff.

CCSD Recommendations

1. Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority.
2. Revise policies and procedures to align contract term lengths with best practices, ensuring procurements are competitively bid timely.
3. Develop controls to ensure noncompetitive procurements contain the necessary documentation to justify and approve noncompetitive solicitations to meet the intent of district policy.
4. Design controls to ensure all professional services for engineering and architectural work is procured based on the Board of Trustees' approved lists to ensure appropriate licensure requirements and to align with district standards.
5. Develop additional controls to enhance monitoring of contract expiration dates, ensure amendments and renewals are processed in a timely manner, and prevent expired or terminated contracts from being utilized.

6. Develop written policies and procedures that formalize current district processes for joining outside entity agreements and solicitations and ensure those processes remain consistent with applicable legal requirements and best practices.
7. Ensure disbursement policy and procedures align with actual system controls and processes.
8. Strengthen controls to ensure contract payments align with contract terms, that contract amendments are formally executed, and purchase orders contain the proper information needed for an effective review of payments to take place.
9. Establish formal policies and procedures that outline the purchasing process for services under NRS 388.429, that are procured prior to Board of Trustees' approval and the issuance of a purchase order.

WCSD Recommendations

1. Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority.
2. Design controls for records retention that allows for improved accessibility of contractual documentation when accessing records.
3. Revise policies and procedures to align contract term lengths with district policy and best practices, ensuring procurements are competitively solicited timely.
4. Develop controls to ensure noncompetitive procurements contain the necessary documentation to justify and approve noncompetitive solicitations to meet the intent of district policy and statutory document retention requirements.
5. Revise policies and procedures to ensure that the decision to waive competitive solicitation is performed by purchasing as the subject-matter experts and Board-approved authorized representative.

6. Revise policies and procedures to ensure contracts the district joins have been properly solicited in alignment with state competitive solicitation standards and the district's contracts align with the terms and scope of the initial agreement.
7. Modify contracting policies and procedures to require the use of formal contract agreements, including those classified as noncompetitive or joinder, to ensure that all agreements include defined terms, deliverables, and appropriate protection clauses.
8. Develop controls to ensure staff follow established receiving procedures for entering goods receipts only after deliverables or services are verified, consistent with the terms of the purchasing agreement.
9. Develop controls that prevent payments from being processed when they exceed the purchase order amount.
10. Reinforce buyer training to ensure purchasing is consulted whenever pricing or awarded vendor issues arise.
11. Strengthen controls over purchase orders to ensure the verification of invoice pricing against the contracted price terms prior to payment authorization.

SPCSA Recommendation

1. Develop controls to ensure adequate monitoring of contract renewals and amendments that guarantees contracts do not operate outside terms.

Inadequate Oversight and Guidance of Charter School Contract Provisions and Payment Activities

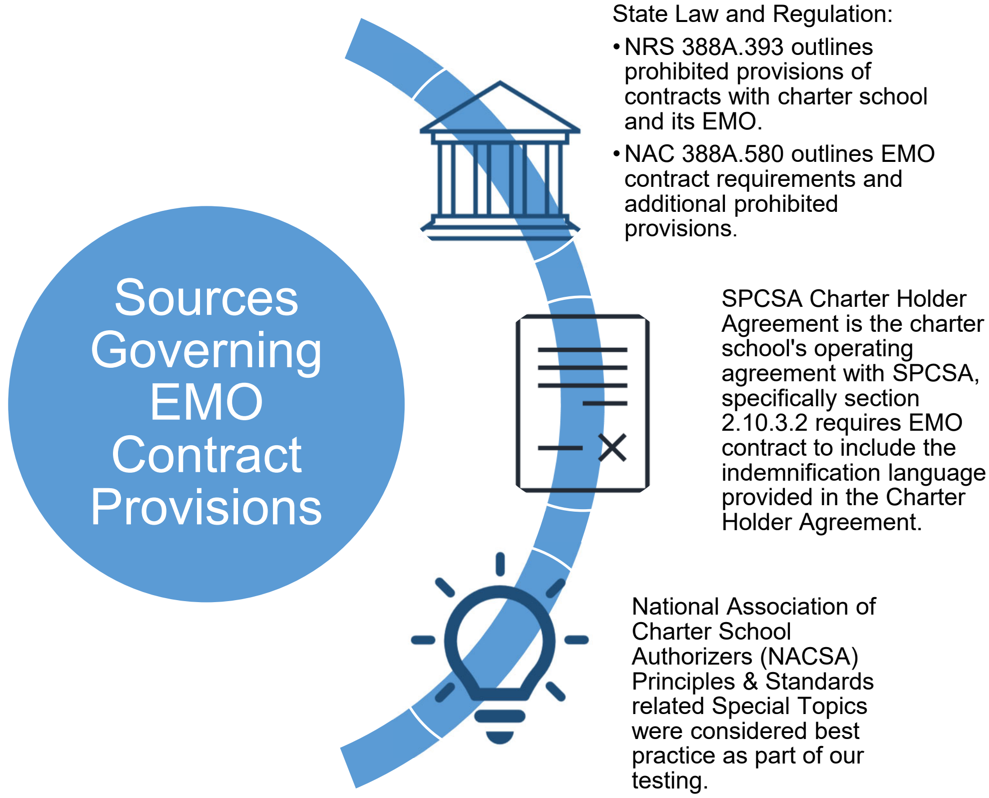
SPCSA did not provide adequate oversight and guidance regarding charter school and Educational Management Organizations' (EMO) contract provisions and payments. Although we observed EMO contracts included many appropriate contract provisions, we also found EMO contracts were missing important provisions and contained others that were unallowed or inappropriate. In addition, better oversight of the contracting practices and activities between charter schools and their EMOs is needed. These contract conditions leave charter schools at risk of noncompliance with state law, unfavorable contract terms, and misappropriation of state education funds. Furthermore, required contract and payment information between charter schools and their EMOs was not always properly reported. When contract payment information is not properly reported, it undermines public confidence in charter schools use of state education funds.

In fiscal year 2023, 13 of 42 (31%) SPCSA sponsored charter holders contracted with an EMO to provide services. Charter holders can represent one or more schools and for this chapter a charter school is synonymous with a charter holder. An EMO is a for-profit entity that provides support services, which may include financial management, human resources, marketing, and record keeping. These services are provided to charter schools through contracts that outline terms, duties, and compensation, among other provisions. SPCSA reviews the proposed school and its EMO contract during the charter school application approval process. In addition, schools submit contracts with the EMO to SPCSA yearly. SPCSA's authorizing team conducts both the initial review and the annual review of these contracts, with annual reviews focused primarily on identifying any changes.

Contracts With EMOs Had Missing and Inappropriate Provisions

For all five EMO charter school contracts tested, we observed the contracts did not have some required provisions or included ones that were inappropriate. These deficiencies were identified when comparing contract provisions to state law, regulation, contract requirements, and best practices published by the National Association of Charter School Authorizers (NACSA). SPCSA should provide adequate oversight of EMO contracts to help safeguard state funds and mitigate financial loss to the charter school and State in the event of default, negligence, or other adverse outcomes. Exhibit 6 outlines the criteria used to evaluate EMO contract provisions.

Criteria Used to Evaluate EMO Contract Provisions **Exhibit 6**



Source: Auditor prepared based on governing state law and regulation, charter holder agreements collected, and NACSA Principles & Standards.

We tested 25 contract provisions that were either required or recommended for contracts between charter schools and their

EMO. Examples of provisions required by state law include not giving the EMO control over educational services or financial decisions and indemnification clause language required by SPCSA and the charter holder agreement. Examples of provisions recommended by NACSA include ensuring that state funds are deposited into an account controlled by the school board and provisions to ensure that property purchased or developed with public funds remain the property of the school. Exhibit 7 shows the missing and inappropriate provisions for school years 2022-23 and 2023-24.

EMO Contracts with Missing and/or Inappropriate Provisions **Exhibit 7**

School Year 2022-23

Contract	Number of Contract Clauses Tested	Number of Missing Provisions	Number of Inappropriate Provisions	Total Missing or Inappropriate	Percentage of Missing or Inappropriate
Contract 1	25	3	0	3	12%
Contract 2	25	3	0	3	12%
Contract 3	25	1	1	2	8%
Contract 4	25	1	0	1	4%
Contract 5	25	2	1	3	12%
Totals	**125**	**10**	**2**	**12**	**10%**

School Year 2023-24

Contract	Number of Contract Clauses Tested	Number of Missing Provisions	Number of Inappropriate Provisions	Total Missing or Inappropriate	Percentage of Missing or Inappropriate
Contract 1	25	3	0	3	12%
Contract 2	25	3	0	3	12%
Contract 3(1)	N/A	N/A	N/A	N/A	N/A
Contract 4	25	1	0	1	4%
Contract 5	25	2	2	4	16%
Totals	**100**	**9**	**2**	**11**	**11%**

Source: Auditor prepared based on active EMO contracts during the 2022-23 and 2023-24 school years.
(1) Contract 3 excluded from school year 2023-24 testing as it was not a renewal year and no amendments were executed; therefore, the active agreement remained unchanged.

Below are specific instances of missing contract provisions observed during our review:

- **Purchase of Property** - 3 of 5 (60%) contracts did not include a provision requiring items purchased with state education funds to be the property of the charter school and not a third party. This provision is a recommended best practice by NACSA. In addition, state regulation requires property or equipment purchased with public funds to be transferred to the charter school sponsor for appropriate accounting and disposition if the school closes or its operation is terminated.

- **Indemnification -** 4 of 5 (80%) contracts did not contain the appropriate indemnification provision wording as required by SPCSA's contract with the charter school. This provision protects the charter school against specific losses, damages, or legal liabilities deemed the fault of the EMO. State regulations require that provisions in the EMO contract do not conflict with the contract between SPCSA and charter school, or state laws.
- **Control of Bank Account -** 3 of 5 (60%) contracts did not include a provision requiring payments from the Nevada Department of Education to be made to a bank account controlled by the charter school's governing board. However, we found that all three bank accounts were properly controlled by the school governing board. According to NACSA standards, EMO contracts should include additional provisions that provide for payments from the authorizer or the state to be made to an account controlled by the school governing board.

In addition to missing provisions, some contracts included unallowed, potentially inappropriate, or conflicting provisions. For example, we observed the following for the five EMO charter school contracts tested:

- **Penalty Provision -** 1 of 5 (20%) contracts included a penalty provision. This provision would require the charter school to pay the EMO $750 for each student enrolled as of the beginning of the school year, if the charter school terminated the contract. As of October 2023, the school had over 1,000 students, which would result in a payment of over $780,000 if the penalty was enforced. NACSA best practices recommend against this type of provision, and none of the other contracts tested contained penalty provisions. Moreover, NRS 388A.393(1) prohibits fees that are not tied to actual services and prohibits provisions that require an automatic renewal or provide that the contract remains in effect if the governing body of a charter school is reconstituted or a charter contract is terminated.

- **Conflicting Ownership Provision -** 1 of 5 (20%) contracts included a provision that equipment purchased with state education funds was the property of the charter school. However, the contract contained a conflicting provision stating all equipment, including computers, were the exclusive property of the EMO. The charter school that entered into this contract is an online school and state funds are paid to the EMO for computers and other equipment provided to students and staff. Nevada regulations require that when state funds are used to purchase items they become the property of the State.
- **Incentive Fee -** 1 of 5 (20%) contracts contained a provision which allowed for an incentive fee or reduced management fee based on academic performance. The intention of the additional fee was to recognize the EMO's role in providing support services. Based on this provision, the charter school will either pay a bonus fee to its EMO or reduce the EMO's management fee each year depending on the star rating. The charter school has three campuses. During the first 7 months of the 2024-25 school year, one campus paid a bonus of over $53,500, while the other two campuses had a reduction in management fees of nearly $65,000, resulting in a net reduction to management fees of over $11,000. State law does allow for an incentive fee contract provision based on academic improvement, but does not address the permissibility of management fees and adjustments based on star ratings.

Charter schools' contracts with their EMOs are submitted annually to SPCSA as part of the organizational performance framework oversight; however, SPCSA does not have procedures in place to ensure contract provisions align with state laws and regulations, SPCSA's contract with charter schools, or best practices recommended by NACSA. In addition, draft EMO contracts undergo review by SPCSA at the time of the initial charter school application process; however, this process was absent of legal review and approval.

Involving legal counsel in the review of EMO contracts would help SPCSA evaluate contract terms and ensure alignment with applicable requirements. The lack of a comprehensive and formalized contract review leaves charter schools at risk of noncompliance with state laws and regulations, unfavorable contract terms, and potential misappropriation of state education funds.

Charter School and EMO Practices Need Better Oversight

At three of five charter schools tested we observed activities that did not ensure proper independence between the charter school's governing board and EMO, or did not comply with state laws. We observed the following situations:

- For one school, the Executive Director and founder of the charter school was also the sole owner of the EMO.
- For another school, the Superintendent, who was also responsible for hiring staff and approving payments, was an employee of the EMO. Furthermore, the Superintendent admitted they did not submit every contract to the charter school's governing board for approval.
- At another school, state education funds were sent to a bank account in Arizona controlled by the charter school's EMO. Furthermore, none of the school's governing board members were authorized signers. This is inconsistent with the EMO contract itself as it outlines that both the EMO and authorized board members must be authorized signatories on school bank accounts. Moreover, bank documents are tied to an Arizona branch raising concerns the practice is inconsistent with NRS 388A.411, which requires all state money received by the charter school be deposited in an account in this State. Finally, NACSA's recommended best practices include that public funds are to be made to an account controlled by the school governing board, not the EMO.

SPCSA indicated it leaves oversight of contract provisions to schools as part of their autonomy. However, SPCSA is tasked by law to provide oversight of charter schools to safeguard the interests of pupils and the community, and to establish standards for the governance of each charter school it sponsors. Information regarding the relationships between charter school leadership and the EMOs was available on state licensing websites that provide business records.

Without proper monitoring and enforcement of statutorily required contract provisions, the activities of charter schools and their EMOs can impair independence and could lead to decisions that favor the EMO rather than the schools' interests. In addition, not having state funds under the control of the charter school creates a conflict of interest for the EMO and puts the funds at risk of unauthorized expenditure, mismanagement, and fraud.

EMO Contract and Financial Information Not Properly Reported

Charter schools did not properly report required EMO contract and financial information. Financial and contract information related to a charter school and its EMO's activities is required to be reported by statutes and regulations. A lack of enforcement from SPCSA led to inaccurate and incomplete reporting. Inaccurate or incomplete information on EMOs' reports reduces transparency and obstructs SPCSA's ability to provide adequate oversight.

SPCSA created a financial report sheet for charter schools to report information regarding EMOs' revenues, expenditures, and contracts. This reporting document is known as the EMO Revenue and Expenses Report (EMO Financial Report) and helps satisfy various laws and regulations. Exhibit 8 provides a description of the required reporting elements for the EMO Financial Report.

EMO Financial Report Elements and Descriptions **Exhibit 8**
Fiscal Year 2023

Report Element	Description	Criteria
Revenues	Amount of money received by the EMO from public and private sources to carry out the charter contract.	NRS 388A.354(1)(a)(2)(I) NAC 388A.580(6)(a)
Expenses	Expenditures of the EMO relating to carrying out the contract, including, without limitation, the payment of salaries, benefits, and bonuses.	NRS 388A.354(1)(a)(2)(II) NAC 388A.580(6)(b)
Employees	Total number of EMO full-time equivalent employees providing a direct service to the charter school.	NAC 388A.585(1)(2)
Contractors	An identification of each contract, transaction, and agreement entered into by the EMO related to carrying out the contract with the charter school, including, without limitation, contracts, transactions and agreements with parent organizations, subsidiaries and partnerships of the EMO.	NRS 388A.354(1)(a)(2)(III) NAC 388A.580(6)(c)

Source: Auditor analysis of EMO Financial Report.

Inaccurate or incomplete information was reported for all five 2023 school year EMO Financial Reports reviewed. Specific instances included the following:

- 3 of 5 (60%) financial reports examined did not properly identify contracts or agreements entered into by the EMO to perform its contractual obligation with the charter school, as required by statutes and regulations. One EMO did not provide the list of vendors specific to the charter school. In addition, another EMO elected to not provide pricing information associated with any of its vendors. However, this EMO bills the charter school by each service and goods provided and should be able to provide this information. In fiscal year 2023, the EMO was paid $7.8M (92%) of the state education funds received by the charter school.
- For all five (100%) financial reports observed, the reported EMOs' management fees did not align with each school's expenditure report, as required by statutes and regulations.

Exhibit 9 compares reported management fee revenue to the amount paid.

Reported Management Fee Revenue Compared to Amount Paid Fiscal Year 2023 **Exhibit 9**

Charter School	EMO Reported Amount	Actual Funds Paid to EMO	Difference	Percent Difference
School 1	$ 415,998	$ 414,383	$ 1,615	0.4%
School 2	794,930	802,456	(7,526)	(1%)
School 3	5,563,805	5,762,648	(198,843)	(4%)
School 4	812,052	748,664	63,388	8%
School 5[1]	7,309,239	7,755,396	(446,157)	(6%)
Totals	**$ 14,896,024**	**$ 15,483,547**	**$ (587,523)**	**(4%)**

Source: Auditor prepared based on expenditures from the charter schools' accounting records and reported amounts on EMO Financial Report.
[1] Charter School 5 pays the EMO for the services and commodities it provides individually and does not have management fees.

Furthermore, 4 of 5 (80%) charter schools tested made payments to their EMOs for nonmanagement fee expenses using state educational funds and federal grant money, but did not include them in the required reporting. These payments included reimbursements to the EMOs for advertising, professional development, and other pass-through expenses. Additionally, some of these payments were to entities who were affiliated with the EMOs. For example, School 2 paid two companies nearly $380,000 for services in which the managing members of the companies were the same as the EMO. Exhibit 10 identifies additional payments made to EMOs for nonmanagement fee services and amounts paid to affiliated entities that were not included in the required EMO Financial Report.

Additional Funds Paid to EMOs and Affiliated Entities Not Reported Fiscal Year 2023 **Exhibit 10**

Charter School	Nonmanagement Fee Payments to EMO	Payments to EMO Affiliated Entities	Total Payments
School 1	$ 11,562	$ 141,269	$ 152,830
School 2	42,743	379,309	422,052
School 3	262,645	-	262,645
School 4	1,046,257	8,168	1,054,425
School 5	-	-	-
Totals	**$ 1,363,207**	**$ 528,746**	**$ 1,891,952**

Source: Auditor prepared based on the charter school's accounting records.
Note: "Affiliated" refers to relationships involving a parent organization, subsidiary, partnership, or other entity associated with the EMO and related to carrying out the charter contract.

These payments were not disclosed on the EMO Financial Report. Some examples of these payments included:

- One school paid its EMO an additional $991,000 in fiscal year 2023, which included reimbursements of over $300,000 for startup costs incurred in 2019 and over $8,000 to the Executive Director. The amount paid to the Executive Director included a $5,000 bonus and reimbursements of over $600 for golf-related expenses (entrance fee, cart rental, merchandise, and food and beverages) associated with a meeting with administrators and school board members. In addition, over $2,500 was reimbursed for other purchases, including electronic items, decorations, and clothing items in which some of the items were shipped to a home address.
- Another school contracted with and paid vendors affiliated with its EMO approximately $380,000 in fiscal year 2023. This EMO procures goods and services on behalf of the school.
- A third school also contracted with and paid vendors affiliated with its EMO approximately $141,000 for services that support the special education population and provide substitute teacher staffing.

Appendix C, found on page 63, provides a detailed breakdown of amounts paid to EMOs by school. NRS 388A.354(1)(a)(2) requires a charter school governing body that receives services from an EMO to publicly disclose the amount of money received by the EMO to carry out the contract, including the payment of salaries, benefits, and bonuses. Also, the identification of each transaction and agreement related to carrying out the contract with the school, including with parent organizations, subsidiaries, and partnerships of the EMO. Moreover, NAC 388A.580(6) requires the EMO to provide this information to the governing body of the charter school.

However, SPCSA has experienced problems with charter school EMO Financial Reports. According to SPCSA, one EMO has refused to report complete information, and its charter school has not required the EMO to comply. Additionally, SPCSA does not request supporting financial documentation from the charter school and EMO to verify the accuracy of reported information. Incomplete reporting of contracts on the EMO Financial Report reduces transparency, public trust, and obstructs SPCSA's ability to provide adequate oversight.

Questionable Payments and Contracting Practices by Charter Schools

In addition to the reporting issues mentioned above, we noted the following improper or questionable activities by charter schools when reviewing payment information:

- One charter school changed its EMO before obtaining approval from SPCSA as required by regulation. This same charter school paid over $184,000 to its EMO for management fees without any invoices. Instead, the supporting documentation consisted of emails from the Executive Director, who was the sole owner of the current EMO. Not disclosing changes in the charter school's EMO violates the contract between the charter school and SPCSA and governing statutes. In addition, it decreases transparency in the use of public funds.
- Another school made an expenditure that appeared to be an unreasonable use of state education funds. The school paid for a week-long cruise for school leadership and personnel totaling $20,000. The trip was for a leadership summit. However, the agenda showed little time devoted to leadership course work. Using state education funds for unnecessary purchases reduces the amount of funds available for the operation of the school.

SPCSA does not have written policies or procedures regarding the review of financial reports, nor does it obtain the charter school's detailed budgets or expense information to ensure accuracy of the figures reported.

SPCSA management indicated they do not have the authority over some activities between a charter school and its EMO, including how state funds are spent. While charter schools do have more autonomy than other public schools, statutes and regulations establish the SPCSA as the oversight entity for charter schools and require information regarding the charter school and EMO relationship. For example, NRS 388A.354(1) requires charter schools that contract with an EMO to publicly disclose financial information and NAC 388A.580(6) obligates the charter school to require the EMO to report funds received and expenditures. Furthermore, it requires identification of each contract, transactions, or agreement. As SPCSA has elected to use the EMO Financial Report as the tool for ensuring compliance, it should also ensure that what is reported is accurate and complete. Unreported contract and financial information, combined with questionable uses of state education funds, creates the appearance of reduced transparency and accountability regarding the use of public money.

SPCSA Recommendations

2. Develop policies and procedures to ensure contract provisions between charter schools and their EMOs include proper legal review and comply with state laws, contract provisions, and best practices.
3. Develop controls that require charter schools to submit accurate and complete EMO Financial Reports, including accurate EMO contracting information and payments made to the EMOs and affiliated vendors to carry out the operations of the schools.

Better Controls Needed Over Procurement Cards

CCSD and WCSD need stronger procurement card controls to limit misuse, ensure accountability, and realize cost saving opportunities. After testing over $1 million in general funded procurement card transactions, we found over $189,000 (19%) to be inappropriate or in violation of district policies. In addition, we observed a lack of proper administrative controls, including inadequate documentation and review of transactions. Finally, we observed opportunities for cost savings to help ensure better use of state education funds when using procurement cards. Without stronger procurement card controls, there is risk for inappropriate purchases. In addition, a lack of proper administrative controls may lead to reduced accountability, increased financial risk, and missed opportunities for cost savings. At SPCSA, our testing found general funded procurement card purchases complied with law and policy. However, we identified some internal control weaknesses.

Inappropriate Purchases and Policy Violations

Concerns were identified with purchases using procurement cards at both CCSD and WCSD. For 177 of 600 (30%) general funded procurement card transactions judgmentally selected, one or more exceptions were observed indicating the transactions were either inappropriate or violated district policy. It is important to understand the sampling of transactions tested for inappropriate purchases was performed judgmentally to identify transactions with a higher likelihood of deficiencies. As a result, the frequency of issues we note in this section do not necessarily represent the frequency of such issues in the entire population of the districts' transactions. Some purchases had multiple issues, resulting in a total of 222 exceptions. Specifically, there were purchases of inappropriate items such as gift cards; staff incentives; theme park tickets; and personal purchases for things like food, alcohol, airline seat upgrades, and hotel late checkout fees. In addition to being inappropriate, some purchases demonstrated noncompliance with established policies, such as missing or lack of itemized receipts. CCSD and WCSD generally have three types of procurement cards distributed around departments and schools based on funding; general funded, grant funded, and student activity funded, in which we only tested general funded procurement cards. Without proper oversight, there is an increased risk of wasteful and inappropriate use of state funds. Exhibit 11 shows the number of transaction deficiencies identified by district and type.

Procurement Card Transaction Deficiencies Identified by District and Type **Exhibit 11**
Fiscal Year 2023

District	Transactions Reviewed	Transactions with Deficiencies	Deficiency Rate	Inappropriate Transactions Deficiencies	Policy Noncompliance Deficiencies	Total Deficiencies
CCSD	350	93	27%	57	54	111
WCSD	250	84	34%	47	64	111
Totals	**600**	**177**	**30%**	**104**	**118**	**222**

Source: Auditor prepared using procurement card transactions in fiscal year 2023.
Notes: Some purchases contained multiple exceptions; therefore, 177 purchases resulted in 222 total exceptions. Due to auditors' judgmental selection of transactions, the frequency of issues noted in this section do not necessarily represent the frequency of such issues in the entire population of the districts' transactions.

Inappropriate Procurement Card Purchases

We observed at both CCSD and WCSD that inappropriate procurement card purchases were made in fiscal year 2023. The number of exceptions we reported is understated as we chose not to include inappropriate purchases that were ultimately reimbursed with personal funds or student activity funds.

Inappropriate purchases are those that do not fulfill the instructional or work-related definition per the districts' policies. Specifically, we identified 104 transactions with deficiencies we classified as being inappropriate purchases. Appendix D, on page 64, shows the type and number of inappropriate purchases by district and below are some examples:

<u>CCSD</u>

- **Staff Incentives:** A school purchased a mobile massage service for $1,089 as part of a teacher appreciation event.
- **Theme Park and Show Tickets:** In fiscal year 2023, CCSD allowed theme park and show tickets to be purchased with general funds and indicated they should have been

reimbursed through student activity funds within 30 days. However, no monitoring or follow-up was performed to ensure compliance. For 3 of 20 (15%) theme park or show ticket purchases tested, valued at almost $10,000, the district did not have documentation showing a proper reimbursement to the general fund was made. In addition, two other purchases, valued at over $2,500, were only reimbursed after we brought it to the attention of the district during the course of the audit. CCSD has since implemented student activity fund procurement cards specifically for these types of purchases, which began in November 2023.

WCSD

- **Personal Items:** A department employee spent over $200 on several occasions for food delivery services ($138) delivered to a home address and purchased a smartwatch charger, cable, and power adapter ($71). Other employees spent nearly $150 on hotel late check out fees, airline seat upgrades, and alcohol.
- **Gift Cards:** Over $1,000 in gift card purchases were noted. For example, a $970 purchase for fast-food establishment gift cards and a $40 craft store gift card. A substitute teacher appreciation event and a raffle event for a needy family were given as explanations for these purchases. While both may seem to be reasonable purchases, policy does not allow the use of general funds.

Discussions with CCSD and WCSD personnel identified gaps and inconsistencies in procurement card training that may have contributed to these issues. At CCSD, procurement card users do not receive formal training as the existing training is only required for cardholders and approvers. For WCSD, training is only required when staff are first assigned their role with no requirement for periodic training. As a result, there is no guarantee that procurement card users fully understand policies, and staff may rely on their own experience or legacy knowledge, which can become distorted or outdated over time. Additionally, we found instances where card approvers who are responsible for the monthly transactions did not provide a thorough review of supporting documentation, including receipts.

Without adequate enforcement of established policies and procedures over the use of procurement cards, there is an increased risk of financial mismanagement, including wasteful and potential misuse of funds. In addition, ineffective stewardship of public resources can lead to a lack of trust within the community and stakeholders.

Procurement Card Purchases Demonstrated Noncompliance
We observed at CCSD and WCSD 118 instances of noncompliance with administrative policies and procedures. Specifically, splitting purchases to circumvent spending limits, approving of purchases without itemized receipts, reimbursing for meals when individuals were already compensated per diem, and reimbursing for travel without documented proper approvals. Below are examples of noncompliance with policies by district:

CCSD

- **Itemized Receipts:** 19 transactions tested were missing itemized receipts. For example, 5 transactions at the same elementary school over a 7-day period, totaling $4,308, were missing itemized receipts.
- **Cost Splitting:** 21 transactions tested showed evidence the purchase was made with multiple transactions to avoid the per-transaction limit. For example, staff split an $8,288 music equipment purchase into two $3,000 payments and one $2,288 payment.

WCSD

- **Itemized Receipts:** 39 transactions tested were missing itemized receipts. For example, one $2,894 transaction for cleaning products that lacked an itemized receipt.
- **Travel Authorization:** 15 of 29 (52%) travel-related transactions tested did not have the required pre-approved travel request form. An example was $882 for an employee's 2-night stay at a hotel in Las Vegas that also significantly exceeded the reimbursement rate.

Despite CCSD and WCSD having procurement card policy and procedure manuals on what is considered appropriate practices and a requirement for employees to sign a user agreement, we found a lack of oversight to ensure compliance with policies.

Lack of Proper Administrative Controls

A lack of procurement card controls was observed at CCSD and WCSD. Specifically, we observed the separation of duties was inadequate at CCSD and WCSD could not identify all assigned card holders and locations. In addition, there was a lack of proper documentation and review of card activities and some cards were left unsecured. Finally, there was a lack of monitoring and review of declined procurement transactions to detect habitual users attempting inappropriate purchases. Enhancing these controls is important considering the districts' procurement card expenditures exceeded $41 million in fiscal year 2023. These issues increase the risk of inappropriate purchases, noncompliance with policy, and misuse of state funds. Additionally, improper review of purchases and declined transactions reduces the likelihood of timely detection and accountability.

SPCSA generally demonstrated adequate controls over most of the aforementioned activities. However, SPCSA could further improve its oversight and monitoring of procurement card user agreements and monthly reconciliations. Not ensuring staff complete procurement card user agreements creates user uncertainty, difficulty in enforcing guidelines, and increases the chance of misuse. When monthly reconciliations are not properly reviewed it can increase the risk of inappropriate purchases going unnoticed and can lead to a lack of accountability.

Inadequate Separation of Procurement Card Duties

At CCSD and WCSD, different practices removed an important control that helps ensure procurement card transactions are appropriate. Specifically, the separation of duties between key procurement card functions was not maintained.

CCSD Consolidation of Duties

For 68 of 2,378 procurement cards tested, across different CCSD departments and schools, the authority for each procurement card resided with one individual. This included 30 cards with only an assigned approver and 38 cards with only an assigned holder. While this was only 3% of the population, having a separation of duties is a key control and its absence increases the risk of inappropriate transactions. The district explained that due to some entities being smaller in size or lacking administrative staff, it has allowed the same individual to perform both roles. The procurement card approver is responsible for overseeing the procurement card program at their school or department and must approve all procurement card transactions monthly. Meanwhile, a procurement card holder is responsible for maintaining the purchasing card log, filing all receipts, coding all transactions, attaching the receipts to the transaction on their online banking management system, and verifying that there are sufficient funds to cover the transaction.

WCSD Missing Key Information

WCSD does not maintain a complete list of procurement cards that documents the assigned holder, approver, and designated site location for each card. Only about half the procurement card data provided could be verified when attempting to determine where cards were located and which individuals had assigned roles for the card. This resulted in a data limitation that reduced the population of cards that could be reconciled for performing this test down to 10 cards at schools and departments.

For all 10 site locations, appropriate separation of duties was in place. However, the absence of a complete list of procurement card holders and approvers increases the risk that separation of duties may not be consistently implemented.

Employees Bypassing Controls for Separation of Duties

During our audit work, we observed that despite controls to ensure proper separation of duties some employees chose to bypass controls. For example, the following observations were noted:

- At CCSD, a school principal allowed their secretary to use their login credentials and approve transactions. The principal estimated this occurred approximately 75% of the time.

- At WCSD, a principal, the approver, shared their username and password with a procurement card holder to approve transactions while they were on vacation.

Procurement Card Holders and Approvers Missing Signed User Agreements

For 66 of 121 (55%) procurement card holders and approvers tested at CCSD, WCSD, and SPCSA, a signed user agreement was not in place. This included missing forms, agreements signed on the date of our site visits, and staff being unsure who is responsible for the retention of the agreements. In addition, the procurement card approver at SPCSA did not have a signed user agreement for the 2022-23 school year, as required by agency policy, until we brought it to their attention. Exhibit 12 shows the breakdown by CCSD, WCSD, and SPCSA of missing user agreements.

Procurement Card User Agreements Missing by Location Fiscal Year 2023 **Exhibit 12**

Location	User Agreements Tested	Missing User Agreements	Percentage of Total
CCSD	59	16	27%
WCSD	58	48	83%
SPCSA	4	2	50%
Totals	**121**	**66**	**55%**

Source: Auditor prepared from procurement card user agreements obtained at CCSD, WCSD, and SPCSA.

The lack of oversight at CCSD and WCSD regarding procurement card user agreements was due to a misunderstanding of who is responsible for retaining agreements and the absence of regular training. At SPCSA, the unsigned user agreements were due to a lack of oversight by the procurement card approver.

User agreements serve as a key training tool for users to be aware of what procurement card purchases are allowable and which are prohibited. Having individuals sign their agreement acknowledges their understanding of acceptable uses and defines their assigned role. Also, it provides for a good internal control over procurement card usage and management.

Procurement Card Logs Missing or Incomplete

We observed at CCSD and WCSD that 37 of 89 (42%) procurement card logs tested were missing or incomplete. Procurement card logs document key transaction data, including dates and times, card user identities, vendor details, and expenditure amounts. For example, at CCSD one school's log lacked 32 entries for 1 month, including missing dates, times, and initials for card transactions. At WCSD, we found an instance of a school using its own internal form and another instance of the school using an incorrect form. At SPCSA, procurement cards are assigned to individuals, and each individual card holder is responsible for keeping their own card, making logs unnecessary. Exhibit 13 shows the breakdown of missing or incomplete procurement card logs by district.

Procurement Card Logs Missing or Incomplete by Location **Exhibit 13**
Fiscal Year 2023

District	Procurement Card Logs Tested	Procurement Card Logs Missing or Incomplete	Percentage of Logs Missing or Incomplete
CCSD	61	23	38%
WCSD	28	14	50%
Totals	**89**	**37**	**42%**

Source: Auditor prepared from procurement logs obtained at districts.

A lack of awareness, education, and internal controls at CCSD and WCSD by procurement card holders and approvers has led to procurement card logs not being utilized correctly.

When procurement card logs are not regularly in use or kept up to date, it is difficult to identify who may have made the purchase or know the location of the card. This reduces the ability of the procurement card holder and approver to detect fraud, waste, or abuse by procurement card users.

Monthly Reconciliations Not Adequately Performed
CCSD, WCSD, and SPCSA inadequately performed monthly reconciliations of procurement card logs. For 27 of 55 (49%) monthly reconciliations, we identified missing supporting documentation, a lack of approval, inappropriate purchases, and other issues. This demonstrated the reviews were not performed according to CCSD, WCSD, and SPCSA standards. Exhibit 14 shows the exceptions identified by location and type.

Monthly Reconciliations Not Properly Performed by Location and Type of Deficiency
Fiscal Year 2023
Exhibit 14

Location	Total Number of Monthly Reconciliations Tested	Approver Did Not Identify Missing Supporting Documentation	Approver Did Not Identify Inappropriate Purchases	Monthly Reconciliation was Missing Approval	Total Number of Deficiencies
CCSD	26	5	6	1	12
WCSD	25	2	14	0	16
SPCSA	4	2	0	6	8
Totals	**55**	**9**	**20**	**7**	**36**

Source: Auditor prepared based on monthly reconciliation documentation and support collected from CCSD, WCSD, and SPCSA.
Notes: Inappropriate purchases identified within monthly reconciliations differ from those identified in the Inappropriate Purchases and Policy Violations section of this chapter. Multiple exceptions may exist within a single month tested; however, reconciliations were counted only once within each exception type.

Across all three entities, insufficient oversight contributed to noncompliance with procurement card monthly reconciliations, along with previously identified gaps in training at CCSD and WCSD. Not performing monthly reconciliations to applicable standards can lead to unallowable purchases and lack of accountability.

Procurement Cards Unsecured at Site Locations

We observed at CCSD and WCSD that 36 of 107 (34%) procurement cards tested were unsecured. At SPCSA, procurement cards were assigned to individuals and therefore each individual card holder was responsible for the safekeeping and proper use of their card. Exhibit 15 shows the number of procurement cards left unsecured by district schools and departments.

Procurement Cards Left Unsecured by District and Site Location Fiscal Year 2023 **Exhibit 15**

District Location	Procurement Cards Tested	Unsecured Procurement Cards	Percentage Unsecured
CCSD			
Department	28	8	29%
School	42	12	29%
Totals	**70**	**20**	**29%**
WCSD			
Department	18	8	44%
School	19	8	42%
Totals	**37**	**16**	**43%**
Combined Totals	**107**	**36**	**34%**

Source: Auditor prepared based on observations during site visits.
Note: Department included various district level departments within the school district and does not represent school site locations.

The most common example of procurement cards not being secured was cards being left in an unlocked drawer. However, other examples included:

- At CCSD, we observed a card was missing because it had been lent out without being documented in the procurement card log.
- At WCSD, we observed where school and department staff kept cards in a binder or folder that was left out in the open and at another location cards were left on a desk in a basket. In one instance, we could not verify whether a department employee had the cards as the employee took cards off site and reportedly left them in a personal purse rather than a secured location at the department.

The number of procurement cards not properly secured indicates that staff prioritized convenience over security. Without proper security of procurement cards, there is an increased risk of the cards being stolen or misused.

Deactivation of Procurement Cards Not Timely

Both CCSD and WCSD did not ensure procurement cards were deactivated timely when employees were no longer authorized to use the cards. For SPCSA, no exceptions were noted. The following was observed for procurement card activities during fiscal year 2023:

- For CCSD, 48 of 77 (62%) employees with procurement cards either left employment or transferred positions within the district without the accounting department being notified. This included 31 terminated employees and 17 transferred employees.
- For WCSD, 5 of 7 (71%) employees did not have documentation to support their procurement cards were surrendered or deactivated prior to their separation from the district.

Our sample at WCSD was limited because the district does not maintain a comprehensive and accurate list of procurement card holders or approvers. From the limited sample, the only two that complied were terminated employees that surrendered their cards prior to separation from the district.

Although CCSD and WCSD have procurement card policies for when employees separate or transfer, these were not sufficient to ensure proper accountability. Without adequate controls to enforce the timely deactivation of procurement cards and procurement card access, there is potential for fraud.

Declined Procurement Card Transactions Not Reviewed

Declined procurement card transactions were not regularly reviewed to detect habitual users attempting inappropriate purchases at CCSD and WCSD. Districts can utilize their systems' declined transaction reports to perform periodic reviews of declined transactions. This helps identify individuals who continue to attempt unauthorized purchases; thereby, enabling CCSD and WCSD to follow-up, document, and detect attempts of noncompliance and misuse.

CCSD and WCSD did not have proper controls over the transactions to identify and address habitual users for 50 declined transactions, totaling nearly $50,000 across 30 locations. At SPCSA, only one declined purchase occurred in fiscal year 2023. In addition, SPCSA has a formal process for the regular monitoring of declined purchase attempts. Exhibit 16 shows a breakdown of declined transactions by CCSD, WCSD, and SPCSA.

Declined Procurement Card Transactions by Location Fiscal Year 2023 **Exhibit 16**

Location	Declined Procurement Card Transactions	Attempts Made	Average Attempts per Declined Transaction	Amount of Declined Transactions
CCSD	20	102	5	$ 39,521
WCSD	30	114	4	9,644
SPCSA	1	1	1	100
Total	**51**	**217**	**10**	**$ 49,265**

Source: Auditor prepared based on declined transactions reviewed and discussions with CCSD, WCSD, and SPCSA staff.
Note: Attempts made reflect total retry attempts per declined transaction tested.

The following examples represent declined transactions tested:

- At CCSD, 4 attempts were made for a $3,400 purchase from a florist shop despite purchases over $3,000 being unallowed and flower purchases being prohibited in any amount. In addition, two attempts were made for approximately $1,260 at a sports bar. The school indicated it was likely related to a field trip, but had not verified.
- At WCSD, 2 attempts were made at an online clothing store for approximately $216. The department indicated that it did not recognize the transactions.

Although CCSD and WCSD online payment systems appeared to work properly in identifying and blocking certain purchases, there were no district procedures requiring schools or departments to review and monitor declined transactions regularly. While some declined purchases may ultimately be appropriate, the fact that districts did not monitor the declined transactions reports increases the risk that bad actors will not be identified and inappropriate purchases made.

Opportunities for Cost Savings

Improved oversight of procurement card usage could result in significant annual savings at CCSD and WCSD. These savings would likely be realized through competitively bid contracts, vendor business accounts, and enhanced controls over food purchases. Not having contracts or business accounts in place limits the districts' ability to ensure best value and effective use of state funds. In addition, enhanced controls over food purchases would provide clear guidance to employees on allowable expenditures, reducing ambiguity and risk of misuse.

Lack of Contract or Business Account for Payments Over $100,000

Procurement cards were used by CCSD and WCSD to purchase items from a single vendor, whose accumulated amount exceeded $100,000. Approximately $5 million of $20 million (25%) in cumulative procurement card spending across CCSD and WCSD was spent on vendors that lacked a formal agreement or business account. Whereas, SPCSA did not pay a single vendor more than $100,000 using procurement cards in fiscal year 2023.

Payments to these vendors included a range of services and commodities, from professional development, plumbing services, office supplies, and sporting goods. Examples of vendors paid over $100,000 without a contract in place included:

- At CCSD, $126,000 was spent on a vendor specializing in sporting goods without a competitively bid contract.
- At WCSD, $267,000 was spent with a refrigeration parts and HVAC equipment vendor without a competitively bid contract.

NRS 332.065 requires a competitive solicitation when the estimated annual amount to perform a contract exceeds $100,000. While not all purchases from the same vendor might meet the legal definition required for a contract, the use of the same vendor by multiple district units would suggest the consistent need for a particular commodity or service. Therefore, better planning and aggregation of known needs could result in savings from a contract competitively bid.

In some instances, contracts with a vendor may not be feasible given their size, including airlines, building materials and supply companies, and large e-commerce vendors. However, there are opportunities to generate cost savings through business accounts with these larger vendors. For example, through CCSD's business account with an e-commerce vendor, the district achieved an estimated savings of $590,000 after $17 million was spent in fiscal year 2025.

During the audit, WCSD stated it did not seek a business account with the same e-commerce vendor as CCSD because of high vendor fees. However, after speaking with the vendor they informed us that WCSD could generate significant savings and gain greater purchasing oversight and control. It is possible that WCSD did not have sufficient information to calculate the potential cost savings as initially it mistakenly indicated that schools and departments did not use procurement cards to make purchases from this vendor.

CCSD and WCSD do not have adequate policies and procedures to identify cost saving opportunities through competitive bidding when over $100,000 is spent within a given fiscal year, or when creating business accounts. For example, the CCSD purchasing department indicated it does not have access to the aggregate procurement card purchases. However, we determined that they have the ability to request this information from the CCSD accounting department. WCSD's accounting system has limited expense tracking capabilities.

Not having a competitively bid contract in place for vendors paid $100,000 or more within a fiscal year limits the districts' ability to guarantee best value for goods and services. Furthermore, for vendors where establishing a formal contract is impractical, a business account or negotiated pricing may result in cost-saving opportunities.

Lack of Controls Over Food Purchases

Procurement cards were sometimes used to buy food for district meetings using state education funds. Specifically, for purchases tested at WCSD, we found that the district spent nearly $80,000 on food in fiscal year 2023 in which $17,000 of those purchases were missing documentation to support appropriateness. Exhibit 17 shows food expenditures at WCSD by site location.

WCSD Food Purchases Using State Funds by Location **Exhibit 17**
Fiscal Year 2023

District	Amount Spent	Percent of Amount Spent
WCSD		
Department	$ 75,765	95%
School	4,160	5%
Total	**$ 79,925**	**100%**

Source: Auditor created based on general funded procurement card transactions.

Of the nearly $80,000 spent by WCSD, almost $76,000 (95%) was used by district departments for breakfasts, lunches, and dinners described as working meetings, professional development days, or retreats. However, the appropriateness of more than $17,000 of these expenditures could not be verified due to missing documentation, such as meeting agendas or attendance records. The remaining amount supported school activities, including snacks and food for graduations, end-of-year celebrations, a National Honors Society ceremony, attendance parties, and testing days.

Examples of department-level food purchases at WCSD included a $580 purchase from a local restaurant for a professional development planning event where only 20 people attended, which equates to $29 per person, and at the time the per diem rate was only $17 per person. We also identified a $915 dinner purchase without an itemized receipt or attendance list.

WCSD policy permits the use of state education funds for working lunches, but states that every effort should be made to conduct meetings during non-meal times. While working lunches are a nice gesture for departmental administrative staff, the frequency of these purchases and the use of state education funds raise concerns about the alignment with NRS 387, which requires that budgetary priorities be directed at improving the achievement of pupils and classroom instruction. When brought to the attention of district management, management communicated this has been an area of concern and they are taking steps to address both missing receipts and frequency of food purchases.

CCSD Recommendations

10. Strengthen controls over procurement card purchases to ensure compliance with district policy, including regular training and review of purchases.
11. Develop policies and procedures to ensure that purchases made with general funds do not include theme park and show tickets.
12. Strengthen controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties.
13. Strengthen controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card.
14. Strengthen controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card.
15. Strengthen controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained.
16. Strengthen controls that ensure procurement cards are properly secured onsite.
17. Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position.
18. Design controls to strengthen existing policies regarding declined transactions and ensure proper monitoring and processes to address repeated noncompliance.
19. Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years.
20. Seek out business accounts to generate cost savings from large vendors.

WCSD Recommendations

12. Develop controls over procurement card purchases to ensure compliance with district policy, including regular training and thorough review of purchases.
13. Develop policies and procedures that require the tracking of procurement card holders and approvers, including assigned site locations and card numbers.
14. Develop controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties.
15. Develop controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card.
16. Develop controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card.
17. Develop controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained.
18. Develop controls that ensure procurement cards are properly secured onsite.
19. Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position.
20. Modify policies and procedures regarding declined transactions to ensure proper monitoring and address repeated noncompliance.
21. Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years.
22. Seek out business accounts to generate cost savings from large vendors.

23. Enhance policies and procedures to ensure food purchases are justified and supporting documentation, such as attendees and justification for working meals, is retained to ensure accountability and compliance with district policy.

SPCSA Recommendations

4. Develop controls to ensure all assigned procurement card approvers and card holders have a signed user agreement.
5. Develop controls to ensure monthly reconciliations of procurement card transactions are performed to SPCSA standards, including proper review and approvals.

Appendix A

Excerpts From Assembly Bill 517, Chapter 454 From the 2023 Legislative Session

Assembly Bill No. 517–Committee on Ways and Means

CHAPTER 454

AN ACT relating to the Legislative Counsel Bureau; requiring the Legislative Auditor to conduct performance audits of certain school districts and the State Public Charter School Authority; authorizing the Chair of the Interim Finance Committee to request certain additional audits of school districts; establishing provisions governing such performance audits; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law establishes the Legislative Counsel Bureau which consists of a Legislative Commission, an Interim Finance Committee, a Director, an Audit Division, a Fiscal Analysis Division, a Legal Division, a Research Division and an Administrative Division. (NRS 218F.100)

Existing law requires the Legislative Auditor, who is the chief of the Audit Division, to conduct certain audits of accounts, funds and other records of agencies of the State to determine certain information. (NRS 218F.100, 218G.200) **Section 5** of this bill requires the Legislative Auditor to conduct a performance audit of the two school districts with the largest number of enrolled pupils in this State and the State Public Charter School Authority not later than August 31, 2026, and not less than once every 4 years thereafter. **Section 5** authorizes the Legislative Auditor to evaluate certain matters as part of such a performance audit and to exercise his or her professional judgment in determining the scope and manner of work to be conducted and the objectives of each such audit. **Sections 5, 8 and 9** of this bill require the final written report of each audit to be presented to the Legislative Commission, the Interim Finance Committee or a subcommittee of the Interim Finance Committee and, under certain circumstances, the Audit Subcommittee of the Legislative Commission, by certain dates.

Section 6 of this bill authorizes the Chair of the Interim Finance Committee, not later than January 1, 2026, and every 4 years thereafter, to request that the Legislative Auditor conduct a performance audit of up to three additional school districts. **Sections 6, 8 and 9** of this bill require the final written report of each such audit to be presented to the Legislative Commission, the Interim Finance Committee or a subcommittee of the Interim Finance Committee and, under certain circumstances, the Audit Subcommittee of the Legislative Commission, by certain dates.

Section 7 of this bill requires the Legislative Auditor or the authorized representative of the Legislative Auditor to furnish a copy of the preliminary report of a performance audit to the superintendent of the respective school district or the Executive Director of the State Public Charter School Authority, as applicable. **Section 7** requires the superintendent of the respective school district or the Executive Director of the State Public Charter School Authority, as applicable, to submit to the Legislative Auditor a written statement of explanation or rebuttal concerning any findings for inclusion in the final report. **Section 8** of this bill requires the Legislative Auditor to furnish copies of the final written report to certain persons and prohibits the Legislative Auditor from disclosing the contents of an audit before it has been presented to certain legislative bodies. **Section 8** authorizes the Legislative Commission to adopt certain regulations regarding the presentation and distribution of the final written report.

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Appendix A

Excerpts From Assembly Bill 517, Chapter 454 From the 2023 Legislative Session (continued)

– 2 –

Section 9 of this bill requires the Legislative Commission or Audit Subcommittee to notify the respective school district or the State Public Charter School Authority, as applicable, of its acceptance of a final written report of an audit that contains a recommendation for corrective action and requires the school district or the State Public Charter School Authority, as applicable, to submit a plan for corrective action to the Legislative Auditor. **Section 9** requires a person who submits a plan for corrective action to submit to the Legislative Auditor a report regarding the implementation of any recommendations of the Legislative Auditor.

Section 10 of this bill requires the officers and employees of a school district or the State Public Charter School Authority to provide certain assistance to the Legislative Auditor or the authorized representative of the Legislative Auditor in the inspection, examination and audit of books, accounts, records, reports or other documents. **Section 10** requires each school district or the State Public Charter School Authority to cooperate fully with the Legislative Auditor or the authorized representative of the Legislative Auditor in the performance of his or her duties with respect to a performance audit conducted pursuant to **sections 5-10** of this bill.

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

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Sections 1-3. (Deleted by amendment.)

Sec. 4. Chapter 218G of NRS is hereby amended by adding thereto the provisions set forth as sections 5 to 10, inclusive, of this act.

Sec. 5. ***1. The Legislative Auditor shall, not later than August 31, 2026, and not less than once every 4 years thereafter, conduct a performance audit of each of the following entities:***

(a) The school district in this State with the largest number of pupils enrolled;

(b) The school district in this State with the second largest number of pupils enrolled; and

(c) The State Public Charter School Authority.

2. As part of a performance audit conducted pursuant to this section, the Legislative Auditor may evaluate, without limitation:

(a) Compliance with statutory requirements concerning annual reports of accountability, as well as consistency, or lack thereof, in the methodology used for such reporting;

(b) Compliance with state or local laws relating to contracting with outside entities to provide goods or services;

(c) Whether any plans presented by the school district or the State Public Charter School Authority to the Legislature or the Interim Finance Committee, including, without limitation, any subcommittee of the Interim Finance Committee, have been

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Appendix A

Excerpts From Assembly Bill 517, Chapter 454
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implemented and whether any such plan is achieving or has achieved the desired outcome;

(d) The efficacy of any strategy or program implemented at one or more schools to:

(1) Improve the proficiency of pupils in the subject areas of reading, mathematics, science or writing;

(2) Improve the educational outcomes of pupils who are English learners, at-risk pupils or receiving special education;

(3) Improve the academic performance of pupils enrolled in a Title I school, as defined in NRS 385A.040; or

(4) Increase parental involvement and family and community engagement in public schools.

(e) The efficacy of any strategy or program of recruitment or retention designed to ensure the availability of qualified teachers and other educational personnel and support staff, including, without limitation, mental health professionals.

(f) The efficacy of any strategy or program implemented by a school district or the State Public Charter School Authority to reduce class sizes.

(g) Any other matter which the Legislative Auditor is requested to evaluate by the Interim Finance Committee.

3. The Legislative Auditor, in performing his or her duties pursuant to this section and section 6 of this act, may exercise his or her professional judgment in determining the scope and manner of work to be conducted and the objectives of each audit.

4. The Legislative Auditor shall, on or before September 1, 2026, and every 4 years thereafter, present to the Legislative Commission a final written report of each audit conducted pursuant to this section during the immediately preceding 4 years.

5. The Legislative Auditor shall present a final written report of each audit conducted pursuant to this section to the Interim Finance Committee, or the appropriate subcommittee of the Interim Finance Committee, as directed by the Chair of the Interim Finance Committee, after the report is presented to the Legislative Commission but in no event later than December 31 of the year in which the final report was presented to the Legislative Commission.

6. As used in this section, "at-risk pupil" has the meaning ascribed to it in NRS 387.1211.

Sec. 6....

Appendix B

Summary of Contracts Tested by Location and Type

Types of Contracts Tested by Location

Location	Type of Procurement	Number of Procurements Tested	Dollar Amount
CCSD	Service and Commodity	20	$1,680,786,989
CCSD	Professional Service Agreement	16	3,755,245
CCSD	Sole Source Procurement	4	582,906
CCSD	Vendors Paid Over $100k	25	547,265,575
CCSD	Joinder Agreements	4	17,295,153
Totals		**69**	**$2,249,685,868**
WCSD	Service and Commodity	9	$ 16,084,481
WCSD	Professional Service Agreement	11	13,056,356
WCSD	Sole Source Procurement	10	1,985,533
WCSD	Vendors Paid Over $100k	21	62,645,755
WCSD	Joinder Agreements	8	25,854,355
Totals		**59**	**$ 119,626,480**
SPCSA	Service and Commodity	0	$ -
SPCSA	Professional Service Agreement	0	-
SPCSA	Sole Source Procurement	2	848,368
SPCSA	Vendors Paid Over $100k	3	1,311,401
SPCSA	Joinder Agreements	1	386,900
Totals		**6**	**$ 2,546,669**
Combined Totals		**134**	**$2,371,859,017**
Subtract Joinder Agreements[(1)]		**10**	**($ 41,893,097)**
Grand Total		**124**	**$2,329,965,920**

Source: Auditor created based on contracts, purchase orders, and other documentation obtained from CCSD, WCSD, and SPCSA, including vendor payments.

[(1)] Some joinder agreements appeared in multiple testing populations and therefore were removed to show actual counts of contracts tested.

Note: Dollar amounts for contracts should not be compared between CCSD, WCSD, and SPCSA as some amounts are based on fiscal year payment amounts and others are contract maximum amounts that were compounded over multiple years. Please see additional discussions on limitations on pages 5-7. At SPCSA, the contract maximums reflected the actual contract amounts listed on the contract, which we verified by obtaining and reviewing the executed agreement.

Appendix C

State Education Funds Paid to EMOs and EMO Affiliated Entities by School

School	State Education Funds Received	Charter School Payments to EMO (Management Fees)	Nonmanagement Fee Payments to EMO	Payments to EMO Affiliated Entities	Total Payments to EMO and Affiliated Entities	Total Percent of State Education Funds Paid to EMO and EMO Affiliated Entities
School 1	$ 6,605,122	$ 414,383	$ 11,562	$141,269	$ 567,214	9%
School 2	13,292,094	802,456	42,743	379,309	1,224,508	9%
School 3	31,734,739	5,762,648	262,645	-	6,025,293	19%
School 4	7,402,513	748,664	1,046,257	8,168	1,803,089	24%
School 5	8,384,865	7,755,396	-	-	7,755,396	92%
Totals	**$67,419,333**	**$15,483,547**	**$1,363,207**	**$528,746**	**$17,375,500**	**26%**

Source: Auditor prepared based on reported amounts from the state accounting system and the charter schools' accounting records.
Note: The state education funds represented within this appendix may include small amounts of grant funds and other state education program funds.

Appendix D

Inappropriate and Noncompliant Procurement Card Purchases

Inappropriate Procurement Card Purchases at CCSD and WCSD

Inappropriate Purchase Type	CCSD Amount	CCSD Dollar Amount	WCSD Amount	WCSD Dollar Amount
Wasteful Spend[(1)]	13	$ 20,800	13	$ 6,370
Social Events, School Parties, or Students/Staff Incentives	5	6,354	1	25
Personal Purchase	5	363	7	408
Independent Contractor	3	6,148	-	-
Gift Cards	0	-	3	1,040
Food or Beverage	1	117	9	1,789
Computers, Software, or Web-Based Programs	4	3,709	1	699
Alcohol	0	-	1	16
District Specific Violations[(2)]	26	36,835	12	19,741
Totals	**57**	**$ 74,326**	**47**	**$ 30,088**

Noncompliant Purchases at CCSD and WCSD

Noncompliance Type	CCSD Amount	CCSD Dollar Amount	WCSD Amount	WCSD Dollar Amount
Sales Tax Paid	4	$ 86	2	$ 38
Missing Request for Leave	8	9,681	15	4,268
Missing Itemized Receipt	19	26,409	39	17,481
Meal Purchased[(3)]	2	21	2	38
Cost Splitting	21	51,744	6	12,990
Totals	**54**	**$ 87,941**	**64**	**$ 34,815**
Combined Totals	**111**	**$ 162,267**	**111**	**$ 64,903**

Source: Auditor prepared using procurement card transactions tested identified as inappropriate or noncompliant purchases according to district policy for fiscal year 2023.

[(1)] Wasteful Spend included instances where state education funds were spent on items that weren't economical, overpriced, or didn't serve an educational purpose. (furniture, Disney photos, raffle items, etc.)

[(2)] District-specific violations were identified according to each district's individual p-card policy. At CCSD, these violations included purchases involving gifts of any kind, trophies, chemicals, and t-shirts for students and staff. At WCSD, these violations included textbook purchases and other book purchases exceeding $500.

[(3)] Meal Purchased indicates meals that were purchased during travel, when per diem was allotted.

Notes: Inappropriate purchases that were reimbursed using personal funds or student activity funds were not included in the count. Noncompliant sales tax charges that were reimbursed by the vendor, as well as out-of-state sales tax charges, were not included in the count.

Appendix E
Audit Methodology

To gain an understanding of procurement practices at CCSD, WCSD, and SPCSA, we interviewed staff, reviewed statutes, regulations, and policies and procedures significant to their operations. We also reviewed financial information, prior audit reports, Legislative Committee minutes, and other information describing their activities. In addition, we documented and assessed CCSD, WCSD, and SPCSA's controls related to procurement practices of goods and services.

Our audit included a review of the internal controls significant to our audit objective. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objective of the entity. The scope of our work on controls related to the procurement practices at the CCSD, WCSD, and SPCSA, included the following:

- Design control activities and implement control activities through policy (Control Activities);
- Establish structure, responsibility, and authority (Control Environment); and
- Perform monitoring activities (Monitoring).

Deficiencies and related recommendations to strengthen internal control systems are discussed in the body of this report. The design, implementation, and ongoing compliance with internal controls is the responsibility of CCSD, WCSD, and SPCSA management.

Compliance with Contracting Practices

Service and Commodity Contracts

To develop our sample populations of contracts at CCSD, we requested a list of contracts that were active in fiscal year 2023 based on dollar value. To assess the reliability of the list of contracts we met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled. We then selected a stratified judgmental sample of 20 contracts based on the type of contract (service or commodity), highest dollar amount, department, and the number of extensions, amendments, and the purchasing buyer.

Due to WCSD not being able to provide a list of contracts that were active in fiscal year 2023, we requested a list of payments made to vendors within that year. To assess the reliability of the list of payments, we met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled. We selected a stratified judgmental sample of nine contracts based on type of contract (service or commodity), highest dollar amount, procurement description, and whether the vendor appeared on any internal lists provided by the district.

To develop our sample populations of contracts at SPCSA, we requested a list of contracts that were active in fiscal year 2023 based on dollar value. To assess the reliability of the list, we met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled. We also compared the list to Legislative Counsel Bureau, Fiscal Division contractual records for SPCSA, and vendor payments, to determine completeness. However, within this population, SPCSA had 6 contracts, with only 3 contracts identified as procured by the SPCSA in fiscal year 2023. Of those three, two were sole source procurements and one was a joinder agreement. Therefore, no testing was performed for service and commodity contracts at SPCSA.

To determine if CCSD and WCSD had adequate controls over service and commodity contracting practices, we reviewed contractual documentation from our sample including executed agreements, amendments, scopes of work, solicitations, bid responses, panelist names and score sheets, and all related approvals. We tested these contracts for compliance with state and local law solicitation requirements, including whether contracts were competitively bid, did not extend beyond the original contract term, whether amendments stayed within scope, and whether contracts had proper approval.

Professional Service Agreements and Sole Source Procurements

To develop our sample populations of professional service agreements and sole source procurement contracts at CCSD, we requested a list of contracts that were active in fiscal year 2023 based on dollar value. To assess the reliability of the list we met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled. We then selected a random sample of 15 professional service contracts and judgmentally selected the professional service contract with the highest dollar value for a total of 16 professional service contracts. We then randomly selected 4 sole source procurements for a total of 20 noncompetitive procurement contracts.

To develop our sample of professional service agreements for WCSD, we used the same list of payments made to vendors within fiscal year 2023 mentioned above. We then selected a stratified judgmental sample of 11 contracts based on type of contract (professional service agreements), highest dollar amount, whether the vendor appeared on any internal lists provided by the district and whether any of the vendors appeared to be names of individuals. To develop our sample of sole source contracts for WCSD, we requested a list of sole source contracts that were active in fiscal year 2023 based on dollar value. To assess the reliability of the list we compared it to the WCSD bid calendar provided by district personnel, and the vendor payment report used above. We then selected a random sample of 10 sole source contracts for a total of 21 noncompetitive procurement contracts.

To develop our sample populations of contracts at SPCSA, we used the list of contracts that were active in fiscal year 2023 mentioned above. Only 3 contracts were procured by SPCSA in fiscal year 2023, valued at $25,000 or more, which included 2 sole source procurements and 1 joinder agreement. Therefore, we selected the two sole source procurements as they were the only noncompetitive contracts for testing.

To determine if CCSD, WCSD, and SPCSA had adequate controls over contracting practices related to noncompetitive procurements, we reviewed contractual documentation from our samples including executed agreements, scopes of work, sole source justification documents, if applicable, and all related approvals. Using professional judgement, we tested each contract to determine if it could have been competitively solicited or if it had appropriate supporting documentation. In addition, we tested whether there were vendors CCSD, WCSD, and SPCSA contracted with that provided similar services, whether the term lengths of the agreements were appropriate given the lack of competition, and whether the solicitations had proper approval. However, based on limitations at WCSD we were not able to determine if there were similar services that were being competitively bid versus being deemed a sole source or professional service. We also tested to see if any of the contractors were also CCSD, WCSD, and SPCSA employees, and if so, had proper approval.

<u>CCSD, WCSD, and SPCSA Vendors Paid Over $100,000</u>

To develop our sample of vendors paid over $100,000 at CCSD we requested a list of payments made during fiscal year 2023. To assess the reliability of the list, we met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled. However, CCSD's business operation software could not produce a report that documents the amount spent for each contract, therefore we pulled the highest dollar value purchase order above $100,000 per vendor, to develop our population, as noted on page 6. At WCSD we used the vendor payments report mentioned above. Next, we identified vendors that were paid over $100,000 in fiscal year 2023. Then we excluded any vendors previously selected for testing in other areas. At CCSD we randomly selected 10 vendors and judgmentally selected 15 vendors based on amount and number of payments for a total of 25 vendors. At WCSD we randomly selected 7 vendors and judgmentally selected 14 vendors based on amount and number of payments for a total of 21 vendors. To develop our sample of vendors paid over $100,000 for SPCSA, we used both the contract list provided by the SPCSA and the state report of vendor payments mentioned above and tested three vendors paid over $100,000 in fiscal year 2023.

To determine if CCSD, WCSD, and SPCSA had adequate controls over contracting practices for vendors that were paid over $100,000 in fiscal year 2023, we reviewed contractual documentation including executed agreements with the related scope of work and all related approvals. We then tested each vendor to determine if there was a signed agreement in place, and if not, whether deliverables were complex enough to warrant a standard form executed agreement, whether proper protection clauses were included, and whether proper approval was obtained.

Joinder Agreements

To develop our sample of joinder agreements at CCSD, WCSD, and SPCSA, we used the sample population of vendors paid over $100,000 mentioned above. We identified four joinder agreements for CCSD, eight joinder agreements for WCSD, and one joinder agreement at SPCSA. To determine if the CCSD, WCSD, and SPCSA had adequate controls over contracting practices for joinder agreements, we reviewed each joinder procurement to determine whether the initial agreement was competitively solicited in alignment with specific laws, regulations, and statewide best practices and whether it prohibited others from joining the agreement. We also tested whether the CCSD, WCSD, and SPCSA had an executed joinder agreement in place with the vendor, and whether the scope of work and contract term lengths in the initial agreement aligned with the executed joinder agreement.

Appropriate Formal Agreement

To develop our sample of contracts at CCSD, WCSD, and SPCSA, we used the sample populations from all contract testing mentioned above and excluded contracts that did not have an executed agreement based on complexity and cost of deliverables. This resulted in 65 contracts for CCSD, 53 contracts for WCSD, and 6 contracts for SPCSA for a total of 124 contracts.

To determine whether CCSD, WCSD, and SPCSA had consistent contracting practices for developing agreements and including appropriate supporting documentation based on the type of solicitation performed, we reviewed what documentation we had already collected. We then tested the type of solicitation performed against the type of documentation utilized by CCSD, WCSD, and SPCSA and quantified the number of variations. For contracts that were identified as construction professional services, we reviewed the related documents, including the executed agreement, and the solicitation method used to determine if they followed proper procurement procedures based on the type of services being provided.

Contract Payments

To develop our sample of contract payments to test at CCSD and WCSD, we used our above-mentioned selected sample populations of contracts for noncompetitive procurements and contracts for services and commodities. We did not perform testing of contract payments at SPCSA as the state agencies process payments through the State's accounting system. We then obtained a list of payments for each contract in fiscal year 2023, from both districts. To assess the reliability of the list, we identified and met with the individual responsible for pulling the data, identified the source of the data, and observed how the information was pulled.

We then selected a judgmental sample of two payments per contract based on the highest dollar payment. In some cases, we could not select two payments because certain contracts either had no payments or only one payment during fiscal year 2023. In two instances, we expanded our sample to include four payments where a purchase order was missing or incorrect. In total, our sample included 124 contract payments (69 at CCSD, 55 at WCSD).

To determine if CCSD and WCSD had adequate controls over contract payments, we reviewed each payment to ensure it matched the purchase order, invoice, and had proper authorization. We also obtained supporting documentation to show goods or services were received, the purchase orders were created in advance, and the payments complied with terms of the contract. In addition, at WCSD we tested contract payments to ensure contract maximums were not exceeded within fiscal year 2023. We did not perform this test at CCSD due to a limitation. However, the district's business operation software does have a control in place to prevent the buyer from issuing a purchase order that would exceed the maximum contract spend.

Education Management Organizations

Contractual Provisions

To develop our sample population of charter schools, we requested a list of all charter schools sponsored by SPCSA in fiscal year 2023. To assess the reliability of the list we identified and met with the individual responsible for compiling the list, and observed how the information was pulled. Next, we selected a stratified judgmental sample of five schools based on the school having an Education Management Organization (EMO), the number of schools in Nevada that the EMO serves, the type of school (elementary, secondary, online), and the most recent SPCSA assigned risk designation of the school.

To determine if SPCSA had adequate controls over charter schools' contracts with EMOs, we reviewed charter school contracts with both the SPCSA and their contracted EMO. We tested whether the contracts complied with State law, national standards, and contained proper contractual provisions. As four of the five schools in our sample renewed their contracts with their EMOs in July 2023, and contract terms can be up to 6 years, we elected to test those additional contracts for a total of nine contracts. In addition, we reviewed charter school staffing reports to determine whether charter schools complied with EMO staffing requirements to not provide more than 30% licensed teachers per charter school. To assess the reliability of the school staffing reports we met with the individuals responsible and observed how the report was compiled.

Reported Contractual and Financial Information

To develop our sample of charter school payments we obtained the expenditure reports for each of the five schools within our sample. To assess the reliability of each report we met with the individual responsible for the report at each school and observed how the report was compiled. We then selected a stratified judgmental sample of no more than 5 payments made directly to EMOs per school, based on dollar value and type of payment for a total of 25 payments. We also selected a judgmental sample of no more than 3 non-EMO payments made per school for a total of 11 payments. This was based on dollar amount and the payment appearing to be questionable predicated on their agreement with SPCSA.

To determine whether there were adequate controls over charter school payments we reviewed EMO revenue and expenditure reports, the SPCSA biennial report, and school expenditures to determine the accuracy of the reported amounts to actual amounts paid. We tested whether payments made to EMOs complied with State law, national standards, and aligned with contract terms. We tested whether non-EMO payments were reasonable and justified. We also determined the amount of state education funds paid to EMOs and whether those payments complied with State law and national standards.

Procurement Cards

<u>Procurement Card Transaction Lists</u>

To develop our population of procurement card transactions at CCSD, WCSD, and SPCSA, we requested a list of all general funded procurement card transactions in fiscal year 2023. To assess the reliability of these lists we met with the individuals responsible for compiling the data and observed how the information was pulled. In addition, we compared the procurement card transaction data against CCSD's accounting software data by selecting 54 transactions and comparing them against a detailed expense report from SAP to verify that the transactions were properly recorded in CCSD accounting records. At WCSD, we also compared the procurement card transaction data from WCSD's procurement card banking platform against WCSD's accounting software data. At SPCSA we also compared the procurement card transaction data from SPCSA's online banking platform against the state accounting system.

<u>Unallowable Procurement Card Transactions</u>

To develop our sample of procurement card transactions, we judgmentally selected 630 transactions (350 at CCSD, 250 at

WCSD and 30 at SPCSA) based on dollar value, type of transaction, month, and procurement cards used within fiscal year 2023. To determine whether they had adequate controls over procurement card transactions, we reviewed procurement card transaction detail and supporting documentation, and reached out to CCSD, WCSD, SPCSA, and site procurement card holders and approvers when applicable. We tested whether procurement card transactions were inappropriate or compliant with policy and best practices.

Vendors Paid Over $100,000 with Procurement Cards

To determine whether CCSD, WCSD, and SPCSA had adequate controls over procurement purchases made from third-party vendors, we reviewed the procurement card transactions lists mentioned above and sorted the data by vendor and dollar amount. We tested whether purchases paid to a single vendor should warrant a contract and whether CCSD and WCSD had a business account with the vendor to generate cost savings.

Active Procurement Card Lists

To develop our sample population of active procurement cards at CCSD and SPCSA, we requested a list of all active procurement cards in fiscal year 2023, including the assigned procurement card holder, approver, and site location. To assess the reliability of these lists we identified the individuals responsible for compiling the information and observed how the information was pulled. We also performed additional data reliability at CCSD and SPCSA by selecting procurement cards from the active procurement card list and comparing the list to the procurement card transaction lists mentioned above. Despite a limitation at WCSD and not being able to obtain a list of procurement cards that included the card number, site location, and assigned holder and approver for each card, we were able to pull different reports within the district’s banking system. To assess the reliability of the information, we met with district personnel but could only reconcile 303 of 709 (43%) procurement cards. However, despite this limitation we determined whether CCSD, WCSD, and SPCSA had adequate controls over segregation of duties.

Segregation of Duties

To determine whether CCSD and SPCSA had adequate controls over segregation of duties, we used the active procurement card lists mentioned above and selected all procurement cards at CCSD and SPCSA (2,378 at CCSD and 4 at SPCSA). Due to the limitation of the active procurement card list at WCSD, we selected a stratified judgmental sample of 10 procurement cards (5 departments, 5 schools), based on highest spend amount and number of transactions by card.

We then used the lists at CCSD and SPCSA to test whether there was an assigned card holder and approver for each card and that they were different individuals. At WCSD we reviewed bank transaction envelopes and went to each site location to test whether there was an assigned card holder and approver for each card and that they were different individuals.

Procurement Card Site Activities

To develop our sample population of procurement cards at CCSD for testing the monitoring of procurement card holder and approver site activities, we used our list of procurement card transactions and active procurement card list mentioned above. We then selected a stratified judgmental sample of 26 procurement card locations (15 schools, 11 departments), based on highest spend, highest number of transactions, and for 3 locations, whether the location had a card holder and site approver. We then used the 26 procurement card locations to select a stratified judgmental sample of 70 procurement cards based on highest spend and number of transactions and selecting no more than 3 cards per location. At SPCSA we selected all four procurement cards for our sample.

As WCSD did not have an active procurement card list we used the procurement card transactions list mentioned above and selected a stratified judgmental sample of 25 procurement card locations (15 schools, 10 departments), based on highest spend and highest number of transactions. We then used the 25 procurement card locations to select a stratified judgmental sample of 37 procurement cards based on highest spend and number of transactions and selected no more than 3 cards per location.

Procurement Card User Agreements

To determine whether CCSD, WCSD, and SPCSA had adequate controls over procurement card user agreements, we went to each location and reviewed the user agreements for the procurement card holder and approver and tested whether there was a signed user agreement for each person that was assigned a role for the card.

Security of Procurement Cards

To determine whether CCSD and WCSD had adequate controls over the physical security of procurement cards, we went to each location and physically inspected where the procurement was being stored and whether the card was properly secured onsite. We did not perform this test at SPCSA as procurement cards are issued to individual cardholders and therefore is not applicable.

Procurement Card Logs

To determine whether CCSD and WCSD had adequate controls over procurement card logs, we went to each location and reviewed the most recent procurement card logs and tested whether a procurement card log was being utilized by the site for the card being tested, whether it was completed, and up to date. We did not perform this test at SPCSA as procurement cards are issued to an individual cardholder and therefore a log is not applicable.

Procurement Card Monthly Reconciliations

To develop our sample of procurement card monthly transactions at CCSD and WCSD, we used our population of procurement cards mentioned above and selected a random sample of 51 monthly reconciliations (26 at CCSD and 25 at WCSD), within fiscal year 2023. For SPCSA we used the same population but selected a judgmental sample of 4 monthly reconciliations, based on the months with the highest spend amounts.

To determine whether CCSD, WCSD, and SPCSA had adequate controls over procurement card monthly transactions, we reviewed documentation within the online banking system including transaction detail, descriptions, receipts and approvals. We then tested the monthly reconciliations for evidence of review and approval, proper supporting documentation, and whether the purchases were allowable by their standards.

Transferred or Terminated Employees List

We obtained a list of all procurement card holders and approvers that transferred or terminated employment from CCSD and SPCSA in fiscal year 2023. To assess the reliability of these lists we identified the individuals responsible for compiling the lists and observed how the information was pulled. WCSD does not maintain a list of transferred or terminated employees. However, the district's banking system was able to generate a list of nine procurement cards where a total of seven employees had transferred or terminated employment which limited our testing. SPCSA did not have any procurement card holders or approvers transfer or terminate employment in fiscal year 2023. Therefore, we tested all procurement card holders and approvers at CCSD and WCSD that appeared on the lists which included 77 employees at CCSD (31 terminated and 46 transferred) and 7 at WCSD (3 terminated and 4 transferred).

To determine whether CCSD and WCSD had adequate controls over the deactivation of employee procurement card access once they separated from their procurement card role, we reviewed the procurement card status information within the banking system. We then compared it to the date in which the employee separated from their procurement card role, whether they properly notified the CCSD and WCSD, whether account access was deactivated, and determined any lapse in days.

Declined Procurement Card Purchases

We obtained a list of declined procurement card purchases from the CCSD, WCSD, and SPCSA in fiscal year 2023. To assess the reliability of lists at WCSD and SPCSA we identified the individuals responsible for compiling the lists and observed how the information was pulled. At CCSD we prepared a list by downloading the information from the district's online banking platform. To ensure completeness of this data, we randomly selected seven transactions from our downloaded list, conducted a search, and verified each of the seven transactions within the online banking platform. We then used the data to select a judgmental sample of 30 site locations based on the highest number of declined procurement card transactions (10 at CCSD and 20 at WCSD). From those 30 site locations, we selected a judgmental sample of 50 declined procurement card transactions based on the highest dollar value and highest number of declines per transaction (20 at CCSD and 30 at WCSD). At SPCSA, we tested the only transaction that was declined.

To determine whether CCSD, WCSD, and SPCSA had adequate controls over declined procurement card transactions, we reviewed transaction details within the banking system. We also spoke with the card holder and/or approver at each site location to determine the reasoning behind the declined transaction. We then determined whether CCSD, WCSD, SPCSA and various site locations had adequate controls to identify and address procurement card users that habitually had purchases declined.

We used nonstatistical sampling for our audit work, which was the most appropriate and cost-effective method for concluding on our audit objective. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provided sufficient, appropriate audit evidence to support the conclusions in our report. We did not project exceptions to the population.

Our audit work was conducted from August 2023 to January 2026. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.610, we furnished a copy of our preliminary report to CCSD, WCSD, and SPCSA. We met district officials to discuss the results of the audit on the following dates: CCSD on July 13, 2026; WCSD on June 24, 2026; and SPCSA on

July 10, 2026, and requested a written response to the preliminary reports. Those responses are contained in Appendix F on page 79, Appendix H on page 93, and Appendix J on page 108.

Contributors to this report included:

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Appendix F

Response From Clark County School District

CCSD
CLARK COUNTY
SCHOOL DISTRICT

Clark County School District
Compliance with Procurement Standards
Performance Audit #LA26-12 Response

DATE: July 24, 2026

TO: Daniel Crossman, Legislative Auditor
Legislative Counsel Bureau

FROM: Felicia Gonzales, Deputy Superintendent of Business Operations
Mike Casey, Chief Operations Officer
Justin Dayhoff, Chief Financial Officer
Brandon McLaughlin, Chief of Facilities

SUBJECT: Performance Audit #LA26-12, CCSD Response

Dear Legislative Auditor Crossman and Members of the Legislative Counsel Bureau,

On behalf of the Clark County School District (CCSD or the District), we appreciate the opportunity to respond to the recommendations contained in Performance Audit #LA26-12. We value the time and effort invested by the Legislative Auditor's Office in conducting this review and recognize the important role performance audits serve in promoting accountability, transparency, and continuous improvement in public operations.

CCSD has carefully reviewed each recommendation and appreciates the acknowledgment of the District's existing internal controls and practices in several operational areas. Where opportunities for enhancement have been identified, the District accepts the recommendations and is committed to implementing improvements that strengthen governance, reinforce internal controls, and support efficient stewardship of public resources. In other areas, the District believes its existing policies and procedures substantially address the audit objectives and will continue to evaluate opportunities to further clarify and enhance documented processes. The District also believes it is important to provide context regarding the audit period, which evaluated activities occurring between July 1, 2021, and June 30, 2024.

The following responses outline CCSD's position on each recommendation and the actions the District will take to address the audit findings while maintaining operational effectiveness, statutory compliance, and continuity of educational services.

Recommendation #1: *Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority.*

Response: CCSD accepts this recommendation. CCSD is committed to prioritizing competitive solicitations to secure maximum value for public funds, a practice validated by our consistent placement in or near the upper quartile of competitive procurement ratios as measured by the Council of the Great City Schools. Accordingly, the District will review its procurement workflows to identify opportunities to further enhance competitive processes for contractual and professional services. While pursuing these enhancements, CCSD will ensure that operational policy updates continue to preserve the statutory flexibility essential to the Local Government Purchasing Act (NRS 332), which enables the District to effectively address highly specialized, time-sensitive, and evolving operational requirements.

Recommendation #2: *Revise policies and procedures to align contract term lengths with best practices, ensuring procurements are competitively bid timely.*

Performance Audit #LA26-12 Response
July 24, 2026
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Response: CCSD accepts the recommendation to review and, where appropriate, revise its operational procurement policies and procedures. This review will focus on the strategic alignment of contract renewal term durations with prevailing industry standards. The District remains committed to continuous process improvement, acknowledging the value of periodic market engagement to bolster fiscal efficiency, transparency, and robust vendor competition.

To mitigate the potential for administrative disruption or adverse impacts on service continuity, the District will identify specific procurement categories suitable for shorter, more frequent solicitation cycles, while preserving longer, stable contractual frameworks for highly complex enterprise systems that require extended implementation horizons. By focusing on these targeted, opportunity-based revisions, the District aims to enhance its competitive bidding practices while strictly adhering to the standards of operational integrity and fiduciary stewardship required of the state's largest school district.

Recommendation #3: *Develop controls to ensure non-competitive procurements contain the necessary documentation to justify and approve non-competitive solicitations to meet the intent of district policy.*

Response: CCSD accepts the recommendation to further strengthen and clarify its procurement documentation practices.

The District's existing multi-tiered review protocol, which includes eligibility assessment via the Internal Purchasing Review Form (IPRF) process, formal statutory execution by a Purchasing Director, and Executive Leadership Team review prior to Board submission, provides a robust foundation for internal oversight.

CCSD recognizes an opportunity to enhance the transparency and consistency of these controls. To resolve the administrative ambiguities identified during the audit regarding the application of NRS 332.115 exemptions and the use of due diligence documentation, the District will implement the following measures:

- Formalize Documentation Requirements: CCSD will update its internal procurement guidelines to explicitly define which competitive exemptions require a dedicated due diligence form and clarify the documentation standards for other exempt categories under NRS 332.115.
- Explicit Statutory Citations: The District will ensure that all non-competitive award recommendations and related review files (including the IPRF) explicitly denote the specific statutory exemption being applied.
- Update Training Materials: CCSD will revise its training documents to clearly delineate the specific compliance paths for different types of exemptions, removing any potential for misinterpretation regarding default requirements.

By formalizing these distinctions and explicitly documenting the review work already being performed by Purchasing Directors, CCSD will ensure its established framework is both highly effective and structurally unambiguous.

Recommendation #4: *Design controls to ensure all professional services for engineering and architectural work are procured based on the Board of Trustees' approved lists to ensure appropriate licensure requirements and to align with district standards.*

Response: CCSD accepts the recommendation and has since altered its procedure to ensure proper Board approval for all special inspections/geotechnical engineering professional services contracts. As early as January 2027, the District will solicit prequalified geotechnical engineers as part of its Board-approved architectural and engineering prequalification categories of engineering.

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Recommendation #5: *Develop additional controls to enhance monitoring of contract expiration dates, ensure amendments and renewals are processed in a timely manner, and prevent expired or terminated contracts from being utilized.*

Response: CCSD accepts the recommendation to strengthen control measures, ensuring the timely processing of contract renewals and amendments, and to reinforce protocols requiring a new procurement process upon contract expiration. The District will implement refined internal controls that distinguish between temporary administrative alignment periods and long-term contract expirations to ensure regulatory compliance while maintaining uninterrupted educational services.

For essential, ongoing services, brief gaps may occasionally occur between the formal expiration of a written agreement and the final execution of a renewal or amendment. These minor gaps are primarily driven by third-party vendor administrative delays or misalignment of renewal processing with calendared approval dates, rather than a material breakdown in performance or intent.

In these short-term interim periods, the District does not consider the contractual relationship terminated. Rather, where both parties continuously perform according to established terms, validated by an active, approved purchase order, a legally binding contract remains intact. This position is supported by Nevada Revised Statutes (NRS) 104.2204(1), which provides that a contract may be formed “in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract.”

This standard legal mechanism formalizes the continuous terms under which both parties actively operated, ensuring the District’s legal and financial protections remain uninterrupted. Additionally, to ensure clarity on the matter, the District will incorporate language into future agreements, outlining operating processes during interim periods between formal renewals and amendments.

Conversely, the District distinguishes these short-term administrative alignments from long-expired agreements where performance has ceased, terms have fundamentally shifted, or a material lapse in time has occurred without active progress toward renewal.

The District concurs that allowing agreements to languish beyond their intended lifecycles without formal re-evaluation is not best practice. Accordingly, the District’s enhanced controls will mandate that any agreement classified as long-expired, or lacking a valid interim funding mechanism (such as an active purchase order or demonstrable mutual performance), shall be closed, and a new procurement process will be initiated if triggered by a new requirement.

Recommendation #6: *Develop written policies and procedures that formalize current district processes for joining outside entity agreements and solicitations and ensure those processes remain consistent with applicable legal requirements and best practices.*

Response: CCSD accepts this recommendation. The District is pleased that the audit recognized our active compliance and due diligence protocols regarding the review of joinder contracts under NRS 332. To solidify these operational workflows, the Purchasing Department will formally codify its existing practices into a written administrative policy. This formalization will institutionalize our current practices and provide clear, long-term guidance for staff.

Recommendation #7: *Ensure disbursement policy and procedures align with actual system controls and processes.*

Response: CCSD accepts this recommendation. Accounts Payable Disbursement Policies and Procedures are aligned with actual system controls and operational processes. Current disbursement processes have strong controls to help prevent fraud, duplicate payments, and segregate duties for payment authorization

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The policy documents the various disbursement methods utilized by CCSD, including purchase orders, employee reimbursements, non-purchase order payments, facilities work orders, and refund requests. It further describes the associated approval processes, SAP system controls, goods receipt requirements, payment authorization thresholds, duplicate invoice prevention controls, vendor validation procedures, and ACH payment controls currently in place.

While the current policy substantially aligns with current best practices, additionally, Accounts Payable continues to perform periodic review of policies and procedures to identify opportunities for clarification, enhance procedural descriptions where appropriate, and ensure the policy continues to reflect any future system enhancements or process improvements.

Recommendation #8: *Strengthen controls to ensure contract payments align with contract terms, that contract amendments are formally executed, and purchase orders contain the proper information needed for an effective review of payments to take place.*

Response: CCSD accepts this recommendation. The District acknowledges that the ancillary expenses totaling $3,800 for Vegas PBS on-air talent lacked the requisite detail within the supporting purchase order to facilitate a comprehensive fiscal review. CCSD will reinforce its internal procurement control procedures to ensure that all purchase orders contain sufficient documentation to support transparent payment oversight.

Recommendation #9: *Establish formal policies and procedures that outline the purchasing process for services under NRS 388.429, that are procured prior to Board of Trustees' approval and the issuance of a purchase order.*

Response: CCSD accepts this recommendation. While certain student services required by law under NRS 388.429 demand immediate deployment to ensure statutory compliance and protect student welfare, the District recognizes that these obligations must still be properly encumbered in alignment with CCSD Regulation 3312.

Recommendation #10: *Strengthen controls over procurement card purchases to ensure compliance with district policy, including regular training and review of purchases.*

Response: CCSD accepts this recommendation. The Purchasing Card Policy and Procedures Manual establishes comprehensive controls over purchasing card transactions. Mandatory training is required for all cardholders and administrators prior to card use and when responsibilities are assigned. Cardholders are responsible for reviewing transactions, attaching receipts, and coding transactions in PaymentNet, while administrators are required to review and approve all transactions monthly.

Accounting performs periodic audits of procurement card activity and periodically requests supporting documentation for questionable transactions. Additionally, the manual includes a "Tips for a Clean Purchasing Card Audit" guide and a detailed list of unauthorized transactions to assist sites in maintaining compliance.

As an industry best practice, Accounting continues to provide ongoing training, targeted compliance communications, and periodic transaction reviews to identify trends, reinforce policy requirements, and address recurring non-compliance issues.

Recommendation #11: *Develop policies and procedures to ensure that purchases made with general funds do not include theme park and show tickets.*

Response: CCSD accepts this recommendation. The Purchasing Card Policy and Procedures Manual limits purchases to instructional and work-related goods that benefit the school or department and become District

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property. Unauthorized purchases include items that do not meet the instructional or work-related purpose requirements.

Theme park admissions, entertainment tickets, and show tickets generally do not meet the definition of instructional or work-related goods and therefore are not allowable expenditures from general funds unless specifically authorized through approved educational programs, grants, or other authorized funding sources.

As an enhancement and industry best practice, Accounting can expand the list of unauthorized purchases and utilize merchant category code (MCC) restrictions where feasible to further prevent entertainment-related transactions.

Recommendation #12: *Strengthen controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties.*

Response: CCSD accepts this recommendation. The current Procurement Card Program requires designation of both cardholders and administrators. The school principal or department administrator delegates cardholder responsibilities and may assign an approving administrator responsible for transaction review and approval.

Access to the procurement card platform, PaymentNet, is role-based, separating transaction processing responsibilities from approval responsibilities. Administrator and cardholder changes are required to be reported to Accounting through the PaymentNet User ID Request form process.

As a best practice, Accounting will continue periodic reviews of PaymentNet user assignments to identify locations with missing approvers, inactive users, or segregation-of-duty concerns and work with sites to maintain appropriate oversight.

Recommendation #13: *Strengthen controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card.*

Response: CCSD accepts this recommendation. This recommendation has already been addressed through existing policy requirements. The Purchasing Card Policy and Procedures Manual requires all District employees authorized to use a purchasing card to sign a District Employee Agreement before card access is granted. The agreements must be retained by the school or department for five years, including after an employee transfers or separates from the location.

As a best practice, periodic site reviews and electronic tracking of agreement completion can further strengthen compliance.

Recommendation #14: *Strengthen controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card.*

Response: CCSD accepts this recommendation and will continue to reinforce consistent implementation of existing controls and evaluate opportunities to further enhance their effectiveness. Judgmental sampling is intended to focus on higher-risk transactions and, as a result, is inherently more likely to identify exceptions. Despite this approach, the review demonstrated that CCSD has established controls designed to mitigate these risks. The Purchasing Card Policy and Procedures Manual requires a separate Purchasing Card Log (CCF-377) for each purchasing card. All transactions, including in-person, telephone, internet, and mail purchases, must be documented on the log. Supporting documentation and receipts must be attached and retained for five years.

Cardholders are responsible for maintaining the logs, and administrators are responsible for reviewing supporting documentation during monthly transaction approval.

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Recommendation #15: *Strengthen controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained.*

Response: CCSD accepts this recommendation. Recognizing that judgmental sampling is inherently biased toward higher-risk transactions, CCSD acknowledges the value of the observations identified during the review. The results also demonstrated that key controls are in place. CCSD will focus on improving implementation fidelity and strengthening existing control activities to support continued compliance. Monthly reconciliation requirements are already established within the Purchasing Card Program. Cardholders must review transactions, attach receipts, verify budget coding, and reconcile transactions within PaymentNet by the established monthly deadline. Administrators must independently review and approve those transactions.

Training is mandatory for both cardholders and administrators. The manual also outlines progressive consequences for failure to complete reconciliations and approvals, including notification memorandums and suspension of purchasing card privileges for repeated non-compliance.

Industry best practices support the District's existing reconciliation framework through ongoing training, monitoring of overdue approvals, and periodic refresher training.

Recommendation #16: *Strengthen controls that ensure procurement cards are properly secured onsite.*

Response: CCSD accepts this recommendation. It is worth noting that the sampling methodology was intentionally designed to select higher-risk transactions, which increases the likelihood of identifying exceptions. Even within this context, the audit demonstrated that existing controls are generally operating as intended. CCSD will continue to promote consistent execution of these controls while implementing enhancements where practical. Current policy requires procurement cards to be stored in a safe or other secure location when not in use. The manual prohibits photocopying purchasing cards or distributing card information among employees. Procurement cards must be checked out and returned through the Purchasing Card Log process, creating accountability for each use.

Additionally, card usage is restricted to authorized District employees who have signed a District Employee Agreement. These controls align with industry best practices for safeguarding payment cards and minimizing the risk of unauthorized use.

Recommendation #17: *Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position.*

Response: CCSD accepts this recommendation. The Purchasing Card Policy and Procedures Manual requires all administrator and cardholder changes to be reported to Accounting through the PaymentNet User ID Request Form.

Accounting will work with Human Resources and Information Technology to automate notifications related to employee transfers and separations to ensure the timely removal of procurement card and PaymentNet access.

Recommendation #18: *Design controls to strengthen existing policies regarding declined transactions and ensure proper monitoring and processes to address repeated non-compliance.*

Response: CCSD accepts this recommendation. Declined transactions are generally the result of existing preventive controls functioning as designed. Declined transactions do not result in a completed purchase or financial expenditure; they do not create a direct financial risk to CCSD. The Procurement Card Program currently utilizes transaction limits, merchant category code restrictions, and approval controls to prevent unauthorized purchases. The manual also establishes progressive disciplinary actions for repeated policy

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violations, including written notifications, escalation to leadership, and suspension of purchasing card privileges.

Accounting monitors the decline report to identify and address recurring issues, training opportunities, and spend patterns that may require additional corrective action or adjustments to existing merchant category code restrictions.

Recommendation #19: *Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years.*

Response: CCSD accepts this recommendation. Accounting currently provides annual procurement card spend to Purchasing upon request. To strengthen controls, Accounting and Purchasing will collaborate to perform quarterly spend to summarize total purchases by vendors across all schools and departments, allowing the District to identify vendors whose cumulative annual expenditures exceed established procurement thresholds.

Recommendation #20: *Seek out business accounts to generate cost savings from large vendors.*

Response: CCSD accepts this recommendation. The District Procurement Card Program already encourages the use of centralized purchasing solutions and strategic vendor relationships where practical. The implementation of the District's centralized Amazon Business Account is one example of leveraging a business account structure to improve purchasing oversight, streamline procurement processes, and take advantage of available business pricing and reporting capabilities.

CCSD recognizes that establishing business accounts with frequently utilized vendors may provide opportunities for additional cost savings through volume discounts, tax-exempt purchasing efficiencies, rebates, negotiated pricing, and enhanced spend analytics.

CCSD's centralized procurement processes already provide significant purchasing leverage through existing contracts and cooperative purchasing agreements. CCSD views this recommendation as an ongoing continuous improvement initiative rather than a control deficiency.

Clark County School District's Response to Audit Recommendations

	Recommendations	Accepted	Rejected
1.	Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority	X	
2.	Revise policies and procedures to align contract term lengths with best practices, ensuring procurements are competitively bid timely	X	
3.	Develop controls to ensure noncompetitive procurements contain the necessary documentation to justify and approve noncompetitive solicitations to meet the intent of district policy	X	
4.	Design controls to ensure all professional services for engineering and architectural work is procured based on the Board of Trustees' approved lists to ensure appropriate licensure requirements and to align with district standards	X	
5.	Develop additional controls to enhance monitoring of contract expiration dates, ensure amendments and renewals are processed in a timely manner, and prevent expired or terminated contracts from being utilized	X	
6.	Develop written policies and procedures that formalize current district processes for joining outside entity agreements and solicitations and ensure those processes remain consistent with applicable legal requirements and best practices	X	
7.	Ensure disbursement policy and procedures align with actual system controls and processes	X	
8.	Strengthen controls to ensure contract payments align with contract terms, that contract amendments are formally executed, and purchase orders contain the proper information needed for an effective review of payments to take place	X	
9.	Establish formal policies and procedures that outline the purchasing process for services under NRS 388.429, that are procured prior to Board of Trustees' approval and the issuance of a purchase order	X	
10.	Strengthen controls over procurement card purchases to ensure compliance with district policy, including regular training and review of purchases	X	
11.	Develop policies and procedures to ensure that purchases made with general funds do not include theme park and show tickets	X	

12.	Strengthen controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties	X	
13.	Strengthen controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card	X	
14.	Strengthen controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card	X	
15.	Strengthen controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained	X	
16.	Strengthen controls that ensure procurement cards are properly secured onsite	X	
17.	Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position	X	
18.	Design controls to strengthen existing policies regarding declined transactions and ensure proper monitoring and processes to address repeated noncompliance	X	
19.	Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years	X	
20.	Seek out business accounts to generate cost savings from large vendors	X	
	TOTALS	20	

Appendix G

Auditor's Comments on CCSD's Response

Clark County School District (CCSD), in its response on page 79, accepted all 20 recommendations. However, we found portions of the accompanying narrative to be misleading or contain some inaccuracies. Because of this, we have provided our comments on these issues to demonstrate why we believe our findings, conclusions, and recommendations, as stated in the report, are accurate and appropriate.

1. CCSD in its response to Recommendation No. 5 acknowledged that it needs to strengthen control measures, ensuring the timely processing of contract renewals and amendments. However, the district also stated that brief gaps may occasionally occur between formal expiration of a written agreement and the final execution of a renewal or amendment. Furthermore, the district does not consider the contractual relationship terminated within these short-term periods. The district also provides that NRS 104.2204(1) allows for a purchase order to stand in place of an expired agreement where both parties continuously perform according to established terms.

   Legislative Auditor's Comments

   Based on our testing, we consider the district's statement that there are only minor gaps or short-term interim periods between a contract expiring and renewal to be misleading. For the 15 expired contracts mentioned on page 21, the average length of time before they were renewed or amended was over 11 months, with one contract being expired for nearly 2 years before renewal. In addition, NRS 104.2204(1) addresses contracts for goods only and does not address services and other types of procurements provided within this report. This includes eight service contracts we tested that expired prior to renewal.

   While the district asserts the use of purchase orders during periods when contracts have expired is permissible under NRS 104.2204(1), in our opinion that reliance is not fully supported by statutes or the circumstances identified during the audit. NRS 104.2204 is part of Nevada's Uniform Commercial Code and expressly governs the formation of contracts for the sale of goods, not service contracts. In addition, it only provides the means in which a contract for the sale of goods can be recognized by both parties. As such, the statute does not clearly authorize the continued procurement of services through purchase orders after a written contract has expired, nor does it address the public procurement requirements established under NRS 332. Allowing contracts to remain expired for more than 11 months while continuing to procure goods or services through purchase orders weakens key contractual protections, including clearly defined terms, performance expectations, pricing, insurance, indemnification, and other provisions designed to protect the State's interests. Accordingly, the audit continues to conclude that contracts should be renewed or otherwise executed before expiration to ensure compliance with sound procurement practices and maintain appropriate contractual safeguards.

2. CCSD in its response to Recommendation No. 7 states that Accounts Payable Disbursement Policies and Procedures are aligned with actual system controls and operational processes.

   Legislative Auditor's Comments

   During the scope of our audit and as stated on page 24, we found that for 41% of $25 million in contract payments tested, the district accounting system did not align with written procedures for payment approvals. We realize CCSD may have modified its policies and procedures or system controls since our audit period to correct this misalignment.

3. CCSD in its response to Recommendation No. 10 states that they accept this recommendation and describe controls to support procurement card purchasing processes.

   Legislative Auditor's Comments

   We recognize the district has some controls in place in the form of policies and procedures that address inappropriate procurement card purchases. Furthermore, we recognize the district may have improved its controls following our audit period. However, as noted on page 43, the district lacked controls to ensure these policies and procedures were followed, allowing for 111 deficiencies to be identified on page 42 and another 12 deficiencies on page 49 that were taken from a random sample of procurement card transactions.

   The district also states that it performs mandated training as part of its controls. However, in meeting with procurement card holders and approvers at several departments and schools across the district, we were informed of gaps, deficiencies, and inconsistencies with the training. In addition, training was only mandated for procurement card holders and approvers and not procurement card users.

4. CCSD in its response to Recommendation No. 12 mentions that the procurement card platform is role-based, separating transaction processing responsibilities from approval responsibilities and that accounting will continue periodic reviews of user assignments.

Legislative Auditor's Comments

We recognize the district's procurement card platform is role-based; however, we found the same person could be assigned both roles and switch between them, as we identified during the course of the audit period. For other exceptions identified in the audit report, it was unclear who was performing the secondary role, or if it was the same person, since only one person was listed.

We also recognize CCSD may have improved controls since our audit was performed, stating that accounting will continue periodic reviews of PaymentNet user assignments to identify locations with segregation of duty concerns. However, it was accounting management that informed us during multiple discussions that a lack of segregation of duties was intentional and an acceptable practice as noted on page 46.

5. CCSD in its response to Recommendation No. 13 states that it accepted the recommendation to strengthen controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card. The district also states this recommendation has already been addressed through existing policy requirements.

Legislative Auditor's Comments

We recognize the district had policies and procedures that address procurement card holder and approver user agreements; however, auditors disagree that this recommendation has been addressed through policy. Considering that 27% of procurement card holders tested did not have a signed user agreement, as noted on page 47, existing policy requirements are not an adequate control. Consequently, our recommendation provided on page 56 addresses the need for controls to be strengthened.

6. CCSD in its response to Recommendation No. 14 states that judgmental sampling is intended to focus on higher-risk transactions and, as a result, is inherently more likely to identify exceptions. The district further states that despite this approach, the audit demonstrated that CCSD has established controls designed to mitigate these risks.

Legislative Auditor's Comments

Our audit sample of procurement card logs was based on a stratified judgmental sample of site locations (15 schools, 11 departments), with the highest procurement card spend and number of transactions as noted on page 74. The sample was not selected to focus on higher-risk transactions to identify more exceptions as suggested by CCSD.

We also disagree that CCSD had established adequate controls designed to mitigate risks associated with procurement card logs. On pages 47 and 48, the audit report shows 38% of procurement card logs tested at CCSD were missing or incomplete. Therefore, controls need to be strengthened over procurement card logs and we provide Recommendation No. 14 to address this condition.

7. CCSD in its response to Recommendation No. 15 states that judgmental sampling is inherently biased toward higher-risk transactions.

   Legislative Auditor's Comments

   The district is mistaken in its representation that we used judgmental sampling for the condition associated with this recommendation. For our testing of monthly reconciliations, we selected a random sample of 26 monthly reconciliations, as stated on page 75, which differed from those of our judgmental sample of transactions to test for inappropriate purchases on pages 72 and 73. In addition, both samples showed instances of inappropriate purchases and noncompliance with policy as noted on pages 42, 44, 48, and 49.

8. CCSD in its response to Recommendation No. 16 again states that the sampling methodology was intentionally designed to select higher-risk transactions, which increases the likelihood of identifying exceptions. The district also states that even within this context, the audit demonstrated that existing controls are generally operating as intended. In addition, CCSD highlights its procurement card logs and signed procurement card user agreements as the controls in place to minimize risk and to create accountability.

   Legislative Auditor's Comments

   Our sample selected for procurement cards being secured onsite was based on a stratified judgmental sample of 26 procurement card site locations (15 schools, 11 departments), with the highest procurement card spend and number of transactions, as noted on page 74. The sample was not selected to focus on higher-risk transactions to identify more exceptions as suggested by CCSD. In addition, site locations with the highest number of transactions and procurement card spend would not bias the sample of determining whether or not procurement cards were properly secured onsite.

   We disagree with CCSD's representation that the audit demonstrated existing controls are generally operating as intended. As stated on pages 49 and 50, 29% of procurement cards tested were left unsecured onsite which is why we recommended controls be strengthened.

9. CCSD in its response to Recommendation No. 18 mentions that accounting monitors the procurement card declined report to identify and address recurring issues, training opportunities, and spend patterns that may require additional corrective action or adjustments to existing merchant category code restrictions.

Legislative Auditor's Comments

We recognize the online payment system control for identifying and blocking certain purchases. However, as stated on pages 51 and 52, during our testing the declined purchases reports were not regularly reviewed to detect habitual users attempting inappropriate purchases. In addition, there were no district procedures requiring schools or departments to review and monitor declined transactions regularly during our audit period.

In conclusion, some of the policies, procedures, and controls cited as current in CCSD's response to the audit report either were not in effect during the audit period or may have been implemented after the conditions identified by the audit occurred. Therefore, some of these controls referenced by CCSD do not necessarily support the district's conclusions regarding the effectiveness of controls during the period under review. Additionally, the district states the audit demonstrated that established controls mitigated risks and were generally operating as intended. We do not agree with this general characterization. The number and pervasiveness of the conditions identified in our testing areas indicate existing controls were not operating effectively to prevent or detect noncompliance on a consistent basis. Therefore, we provided various recommendations to develop or strengthen controls. Accordingly, we continue to believe the recommendations are necessary to strengthen internal controls and improve the consistent implementation and effectiveness of policies, procedures, and training.

Appendix H

Response From Washoe County School District

Washoe County School District
425 East Ninth Street * P.O. Box 30425 * Reno, NV 89520-3425
Phone (775) 348-0200 * Fax (775) 348-0304 * www.washoeschools.net

Board of Trustees: Adam Mayberry, President * Alex Woodley, Vice President * Christine Hull, Clerk
Diane Nicolet * JJ Phoenix * Beth Smith * Colleen Westlake * Joe Ernst, Superintendent

July 10, 2026

Mr. Daniel Crossman, Legislative Auditor
Nevada Legislative Counsel Bureau, Audit Division
401 S. Carson St.
Carson City, NV 98701

Subject: Washoe County School District's Response to Performance Audit Report of Compliance with Procurement Standards

Dear Mr. Crossman:

Thank you for the opportunity to respond to the Legislative Counsel Bureau's performance audit report on *Compliance with Procurement Standards*. Washoe County School District (WCSD) appreciates the thorough work of the Legislative Counsel Bureau (LCB), which took several years to complete. We appreciate that the intent of this audit was to identify improvements to District procurement and payment processes and the fact that there were a number of areas identified that need to be addressed. In all but one case, we agree with LCB's recommendations.

Please accept this letter as our formal response, including an overview of actions taken or planned to be taken to address the audit recommendations. Should you require any additional information or clarification to these responses, please do not hesitate to contact District personnel.

RECOMMENDATIONS AND RESPONSES

1. Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority.

   Washoe County School District accepts the audit recommendation.

   It should be noted that Nevada Revised Statute (NRS) 332.115 does not define professional services. In contrast, WCSD's Administrative Regulation 3323 does provide a definition of professional service as "work performed by an independent contractor, either of a consultative nature or associated with specialized expertise in the service sector, rather than a manufactured product, to augment the District's professional capabilities or serve in an advisory capacity. Examples of professional services include, but are not limited to, architectural services, engineering services, investment management services, banking services, training and development and consulting services." Further, even though NRS exempts professional services from a competitive solicitation, Administrative Regulation 3323 states that while professional services are "are exempt from the bidding requirements under NRS 332, the District desires to employ a competitive process for these services when required and whenever practicable and beneficial to do so." The regulation then requires a quote or competitive selection process, with certain exceptions, for services greater than $10,000. Thus, WCSD's regulations go above and beyond what the law requires by requiring solicitations for professional services with certain exceptions such as sole source.

We would acknowledge that the regulation could provide a better distinction between professional services and other services, which are not exempt from competitive selections or bidding. WCSD will update its current policies and/or regulations to distinguish professional services from other services with the continued intention of requiring competitive solicitations for professional services not meeting those requirements at statutory thresholds, as well as requiring solicitations for other (i.e., non-professional) services. WCSD continues to intend to go above and beyond what the law requires by conducting solicitations for professional services when deemed in the best interest of WCSD.

2. Design controls for records retention that allows for improved accessibility of contractual documentation when accessing records.

   Washoe County School District accepts the audit recommendation.

   Unfortunately, WCSD's current ERP system, BusinessPLUS, does not have an effective contract management tool, so we have used a spreadsheet to track contracts. Since this is a "live" document that is updated daily, we were unable to provide contract information for a date in the past since the document changes daily.

   WCSD is currently implementing a new ERP system, Oracle, that is expected to go live in Fiscal Year 2027-28 (FY28) that will have a contract management tool to store and retrieve contract information. In the interim, we will begin saving our contract spreadsheet at least annually.

3. Revise policies and procedures to align contract term lengths with district policy and best practices, ensuring procurements are competitively solicited timely.

   Washoe County School District accepts this audit recommendation. We believe our current regulations meet this requirement.

   WCSD's practice is generally to consider four-year terms for contracts but to allow up to a five-year term, as well as providing narrow exceptions that would have longer terms. The Legislative Counsel Bureau has indicated that best practices from the Nevada State Administrative Manual, the National Association of State Procurement Officials, and the American Bar Association generally recommend contract terms of 3 to 5 years. Therefore, based on that explanation, current regulations allowing 4-5 year terms are acceptable. We understand that LCB identified one contract that had an indefinite term. Therefore, we will modify wording in our policies and/or regulations to clarify this is not acceptable.

4. Develop controls to ensure non-competitive procurements contain the necessary documentation to justify and approve non-competitive solicitations to meet the intent of district policy and statutory document retention requirements.

   Washoe County School District accepts the audit recommendation.

WCSD will modify the funding request form used by our Financial Review Committee (FRC) to include a requirement that the requestor provide information as to why waiving a solicitation would align with statute and the soon-to-be modified policies and/or regulations which define professional services.

5. Revise policies and procedures to ensure that the decision to waive competitive solicitation is performed by purchasing as the subject matter experts and Board-approved authorized representative.

   Washoe County School District rejects this audit recommendation.

   For many years, the District has used a committee called the Financial Review Committee (FRC), comprised of the Deputy Superintendent, Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Human Resources Officer (CHRO) and a Chief Academic Officer, to review various types of requests including requests for waivers of competitive solicitations for professional services. One of the advantages of such a committee over a sole, narrow review by the Purchasing Director is that the committee can and does bring multiple perspectives and disciplines to reviewing such requests as opposed to just a procurement perspective of one person. In addition, the decision by an executive group to approve or reject such requests fosters greater buy-in from departments when requests are denied, resulting in very few appeals. Lastly, the CFO supervises the Purchasing Director and in fact has contract authority for contracts up to $100,000, which qualifies that position to be considered the Board-approved authorized representative. The CFO also frequently consults with the Purchasing Director on purchasing matters, including purchasing-related FRC requests.

6. Revise policies and procedures to ensure contracts the district joins have been properly solicited in alignment with state competitive solicitation standards and the district's contracts align with the terms and scope of the initial agreement.

   Washoe County School District accepts the audit recommendation.

   WCSD will add language to existing policies and/or regulations to indicate that all joinders utilized by WCSD must have been competitively solicited and that District contracts, when utilized in addition to the joinder contract, will not substantially change the scope of the initial joinder agreement although minor changes may be made. WCSD has already established a practice to document confirmation that joinders we are using were competitively solicited.

7. Modify contracting policies and procedures to require the use of formal contract agreements, including those classified as non-competitive or joinder, to ensure that all agreements include defined terms, deliverables, and appropriate protection clauses.

   Washoe County School District accepts the audit recommendation.

   WCSD utilizes several standardized District-composed contract templates but also executes many vendor-specific contracts. WCSD has a Board Policy and an Administrative Regulation that addresses a thorough process for reviewing and approving vendor-specific contracts, which includes being reviewed and approved by Purchasing and the Office of the General Counsel. In these cases, WCSD Administrative Regulation 3322 currently addresses specific terms and conditions that should be present in contracts including term, termination, compensation, scope of services, governing law, and student privacy protections.

WCSD will create a new contract template for joinder agreements to ensure that the contractor accepts the joining of the contract by WCSD and to document that all terms and conditions of the contract are in effect.

To be clear, WCSD believes it is appropriate to issue purchase orders for procurements of goods; therefore, WCSD does not have contracts for every single procurement it makes. WCSD agrees to have contracts in place whenever appropriate for the type of procurement being made.

8. Develop controls to ensure staff follow established receiving procedures for entering goods receipts only after deliverables or services are verified, consistent with the terms of the purchasing agreement.

   Washoe County School District accepts the audit recommendation with modifications.

   WCSD will provide additional training and update receiving procedures to strengthen compliance and controls to ensure that receipts are entered into the system only after the receipt and verification of goods, services, or contractual deliverables. The Business Office will send out an annual FAQ sheet that clearly shows the receiving process for the school site or department.

   WCSD will work to reduce the number of prepayments prior to receipt; however, there are several instances where vendors such as major software providers and venue rentals require prepayments. In these few cases, WCSD may have no choice but to accept these terms for continued business operations.

9. Develop controls that prevent payments from being processed when they exceed the purchase order amount.

   Washoe County School District accepts this audit recommendation.

   Our current ERP system, BusinessPLUS, does not have the functionality to prevent users from receiving goods or processing payments that exceed the amount authorized on a purchase order. We are confident that this issue will be resolved with the implementation of the Oracle ERP system in FY28, as Oracle has been configured with strict controls that prohibit over-receiving and overpayments on purchase orders.

   In addition, WCSD Business Office leadership provided direction and training to Accounts Payables Department on April 30, 2024, emphasizing that overpayments are not permitted and need to be returned to the school site or department. Accounts Payable staff are required to verify and double-check all payments before processing to ensure they do not exceed the authorized purchase order amount. As a result, even prior to implementation of a new ERP system, payments should no longer exceed the value of the purchase order.

10. Reinforce buyer training to ensure purchasing is consulted whenever pricing or awarded vendor issues arise.

    Washoe County School District accepts the audit recommendation.

    WCSD will modify a regulation that indicates Purchasing should be consulted whenever pricing or awarded vendor issues arise. During this audit, this only occurred in 1 out of 55 circumstances. In FY23, due to tariffs and inflationary pressures, WCSD experienced numerous price increases that resulted in bidders being unwilling to hold their prices. In these cases, WCSD will go to the second low bidder if that bidder is willing to hold their original bid price.

11. Strengthen controls over purchase orders to ensure the verification of invoice pricing against the contracted price terms prior to payment authorization.

    Washoe County School District accepts the audit recommendation with modification.

    WCSD concurs with the importance of verifying invoices and pricing to the terms and conditions of the contract prior to payment authorization. Processes were implemented in 2024 to require managers in departments and schools to approve invoices over $10,000 for services. It is appropriate for the manager who originally requested the services and manages the vendor relationship to ensure a vendor is only invoicing for services rendered in compliance with the contract payment terms. Once a manager approves a service invoice, the department or school will receive on the purchase order so that Accounts Payable can pay only for services rendered.

12. Develop controls over procurement card purchases to ensure compliance with district policy, including regular training and thorough review of purchases.

    Washoe County School District accepts the audit recommendation.

    WCSD will develop and implement a recurring training program for all procurement card (P-Card) holders and approvers. Under this training, all individuals with P-Card responsibilities will continue to be required to complete initial training and participate in refresher training on a bi-annual basis thereafter. The training will reinforce purchasing card policies, approval responsibilities, documentation requirements, and compliance expectations to help ensure consistent adherence to established procedures and internal controls.

    In January 2026, the District enhanced its Commerce Bank P-Card approval process by requiring all cardholders to submit supporting receipts for every purchasing card transaction. Consequently, a cardholder's credit limit will not be reset until all required receipts have been uploaded and the designated P-Card approver has reviewed and approved the transactions. This added control helps ensure timely reconciliation, proper documentation, and compliance with District purchasing policies.

With the implementation of Oracle's P-Card module, the District expects further improvements to oversight and accountability. The system provides a more robust audit trail, enhanced monitoring capabilities for P-Card auditors, and greater visibility into card transactions. Additionally, consolidating procurement activities within a single system will streamline processes and enable the District to provide more consistent and effective training, improving user understanding and compliance across all departments.

13. Develop policies and procedures that require the tracking of procurement card holders and approvers, including assigned site locations and card numbers.

    Washoe County School District accepts this audit recommendation.

    Procedures and policies will be developed and implemented to require maintenance of a centralized inventory of P-Card holders and approvers, including assigned site/department locations. The inventory will be regularly reviewed and updated to ensure accuracy, accountability and oversight for procurement card activity.

    As part of the WCSD Oracle implementation in FY28, all Purchasing Cards (P-Cards), including department-issued cards, will be assigned to an individual employee and linked directly to that employee's Oracle account. This change will strengthen accountability and ownership by ensuring that all card activity is associated with a specific user.

    Additionally, when an employee transfers to another position or separates from the District, the assigned P-Card will be deactivated and reissued. A new card will then be issued and associated with the replacement employee. This process will improve internal controls, enhance auditability, and reduce the risk of unauthorized card usage.

14. Develop controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties

    Washoe County School District accepts this audit recommendation.

    WCSD will enhance training for P-Card holders to reinforce the importance of segregation of duties and compliance with internal control requirements. The District will also ensure that each site has both an assigned P-Card holder and an approver, with roles and responsibilities clearly documented.

    As part of the Oracle implementation, all P-Cards including department cards will be assigned to and associated with an individual employee's Oracle account. These assignments will automatically be updated and maintained in the ERP's HCM module to ensure accuracy of the P-Card roster.

15. Develop controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card.

    Washoe County School District accepts the audit recommendation.

WCSD will implement controls to ensure that all assigned P-Card holders and approvers have a current, signed user agreement on file for each procurement card assigned to them. The user agreement will acknowledge the individual's responsibilities, authorized use requirements, documentation standards, and compliance with applicable procurement card policies and procedures. These agreements will be signed and documented at the employee's Pcard Training and when a new P-Card is issued to the department.

With the planned Oracle implementation in FY28, the District will reissue all P-Cards, including employee-assigned and department cards, to ensure they are properly associated with the new ERP system employee IDs. As part of this process, all cardholders will be required to review and sign (or re-sign) the P-Card Agreement, acknowledging their responsibilities and compliance requirements.

16. Develop controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card.

Washoe County School District accepts the audit recommendation.

This is a current process for WCSD, but management will reinforce the requirement that P-Card logs should be maintained at all site locations for each P-Card. School and department supervisors will be responsible for ensuring these logs are completed timely and accurately. The Business Office will establish a procedure for auditing P-Card logs on a regular basis.

17. Develop controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained.

Washoe County School District accepts the audit recommendation.

WCSD has implemented controls to ensure that monthly reconciliations of P-Card transactions are completed in a timely manner and in accordance with established policies and procedures. Effective January 2026, WCSD strengthened its procurement card controls by requiring receipts for every procurement card transaction rather than having receipts being combined in a single document. This requirement supports the reconciliation process by ensuring that all transactions are properly supported, reviewed, and validated before the P-Card credit limit is reset.

The District will continue to provide training for all new card holders and will work on creating a bi-annual training for all card holders and approvers to ensure employees are aware of District P-Card policies and procedures.

18. Develop controls that ensure procurement cards are properly secured onsite.

Washoe County School District accepts the audit recommendation.

WCSD will provide training to reinforce the importance of properly securing P-Cards. Cardholders will be required to store their P-Cards in a secure location when not in use, and supervisors will be responsible for monitoring and enforcing compliance with card security requirements. This will be outlined in the P-Card Agreement, which cardholders must review and sign upon issuance of their card. In addition, card security requirements will be documented on the department card log to reinforce this requirement.

19. Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position.

Washoe County School District accepts the audit recommendation.

WCSD will implement controls to ensure procurement cards and associated procurement card system access are promptly deactivated when an employee transfers, terminates, or no longer requires procurement card privileges. Procedures will be established to enhance coordination of notifications between the Office of Human Resources, supervisors, and the Accounts Payable Department to ensure timely card suspension or cancellation and removal of related system access.

As part of the WCSD Oracle Implementation in FY28, all P-Cards, even department cards, will be assigned to an employee and will need to be reissued upon the employee transferring or terminating from the district.

20. Modify policies and procedures regarding declined transactions to ensure proper monitoring and address repeated non-compliance.

Washoe County School District accepts this recommendation.

WCSD will enhance monitoring procedures to identify and address potential non-compliant procurement card activity, including reviewing for split transactions and conducting periodic audits of procurement card purchases to identify transactions involving unapproved vendors or non-business-related goods and services. Appropriate follow-up and corrective action will be taken when instances of non-compliance are identified resulting in suspension of P-Card privileges.

However, WCSD notes that the majority of declined procurement card transactions are the result of established credit limit restrictions and system controls, rather than attempts to process non-compliant purchases. As a result, declined transaction activity alone is not necessarily an indicator of policy violations. Indeed, most declined transactions are due to the credit limit.

21. Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years.

Washoe County School District accepts the audit recommendation.

WCSD will implement controls to monitor annual procurement card purchases to ensure expenditures with individual vendors are tracked and reviewed against applicable statutory procurement thresholds. The Assistant Controller of Operations will run monthly procurement card expenditure reports to monitor cumulative spending by vendor and identify vendors that are approaching established competitive solicitation thresholds.

When spending approaches or is projected to exceed the applicable threshold, the Assistant Controller of Operations will notify the Purchasing Department to allow for timely review and implementation of appropriate competitive procurement procedures for future purchases.

22. Seek out business accounts to generate cost savings from large vendors.

Washoe County School District accepts the audit recommendation with modification.

There was only one vendor that LCB identified for this situation. WCSD has made multiple attempts to establish one business account with this vendor, but there are operational issues associated with this concept, and WCSD does not currently have the resources to manage this. However, WCSD will continue having discussions with this vendor and endeavor to ultimately establish one business account with this vendor if possible. During discussions with the vendor, it was determined that maintaining a current roster of both employees at each school/department and their associated responsibilities would be a time-intensive and administratively burdensome process. The District would need to evaluate whether the potential cost savings, control on purchases and potential rebate revenue generated through the program would justify the additional staff effort required to maintain and monitor these records. Furthermore, the vendor's profit-sharing model is based on spending growth rather than a fixed spending target, making it more difficult to accurately assess the financial benefits of participation in the long run with the vendor.

WCSD recognizes that establishing one or more business accounts could create operational efficiencies and provide additional purchasing benefits. However, the District has determined that pursuing this initiative will be more effective after the Oracle ERP implementation in FY28, when procurement processes and account management can be fully integrated and supported within the new system.

23. Enhance policies and procedures to ensure food purchases are justified and supporting documentation, such as attendees and justification for working meals, is retained to ensure accountability and compliance with district policy.

Washoe County School District accepts the audit recommendation.

WCSD will enhance its policies and procedures related to food purchases to ensure that all expenditures are properly justified, documented, and compliant with District requirements. P-Card holders and approvers will be required to maintain supporting documentation for all food purchases, including the business purpose of the expenditure, a list of attendees, and justification for working meals or other allowable food-related expenses. WCSD would note that many meal purchases are related to meetings of the Board of Trustees that cross over the lunch and/or dinner hour.

CONCLUSION

Thank you for the opportunity to meet and discuss the audit findings. As noted, with only a few exceptions, WCSD has accepted LCB's recommendations and will begin the necessary work necessary to properly address the findings. Attached is the completed checklist of recommendations for your final report.

Sincerely,

Tiffany McMaster

Tiffany McMaster,
Superintendent

Attachment

Washoe County School District's Response to Audit Recommendations

	Recommendations	Accepted	Rejected
1.	Strengthen policies and procedures to ensure competitive solicitations for services, including professional services, is a priority	X	
2.	Design controls for records retention that allows for improved accessibility of contractual documentation when accessing records	X	
3.	Revise policies and procedures to align contract term lengths with district policy and best practices, ensuring procurements are competitively solicited timely	X	
4.	Develop controls to ensure noncompetitive procurements contain the necessary documentation to justify and approve noncompetitive solicitations to meet the intent of district policy and statutory document retention requirements	X	
5.	Revise policies and procedures to ensure that the decision to waive competitive solicitation is performed by purchasing as the subject-matter experts and Board-approved authorized representative		X
6.	Revise policies and procedures to ensure contracts the district joins have been properly solicited in alignment with state competitive solicitation standards and the district's contracts align with the terms and scope of the initial agreement	X	
7.	Modify contracting policies and procedures to require the use of formal contract agreements, including those classified as noncompetitive or joinder, to ensure that all agreements include defined terms, deliverables, and appropriate protection clauses	X	
8.	Develop controls to ensure staff follow established receiving procedures for entering goods receipts only after deliverables or services are verified, consistent with the terms of the purchasing agreement	X	
9.	Develop controls that prevent payments from being processed when they exceed the purchase order amount	X	
10.	Reinforce buyer training to ensure purchasing is consulted whenever pricing or awarded vendor issues arise	X	
11.	Strengthen controls over purchase orders to ensure the verification of invoice pricing against the contracted price terms prior to payment authorization	X	

12.	Develop controls over procurement card purchases to ensure compliance with district policy, including regular training and thorough review of purchases	X	
13.	Develop policies and procedures that require the tracking of procurement card holders and approvers, including assigned site locations and card numbers	X	
14.	Develop controls to ensure all site locations have an assigned procurement card approver and holder to ensure proper segregation of procurement card duties	X	
15.	Develop controls to ensure all assigned procurement card holders and approvers have a signed user agreement for each assigned card	X	
16.	Develop controls to ensure procurement card logs are implemented onsite, complete, and kept up to date for each assigned card	X	
17.	Develop controls to ensure monthly reconciliations of procurement card transactions are performed and individuals performing them are properly trained	X	
18.	Develop controls that ensure procurement cards are properly secured onsite	X	
19.	Design controls to ensure procurement cards and procurement card access is deactivated timely when an employee transfers or terminates their position	X	
20.	Modify policies and procedures regarding declined transactions to ensure proper monitoring and address repeated noncompliance	X	
21.	Develop controls that ensure annual procurement card purchases are tracked to ensure purchases made to single vendors, in excess of statutory limits, are identified and competitively solicited for future years	X	
22.	Seek out business accounts to generate cost savings from large vendors	X	
23.	Enhance policies and procedures to ensure food purchases are justified and supporting documentation, such as attendees and justification for working meals, is retained to ensure accountability and compliance with district policy	X	
	TOTALS	22	1

Appendix I

Auditor's Comments on WCSD's Response

Washoe County School District (WCSD), in its response beginning on page 93, rejected Recommendation No. 5 to revise policies and procedures to ensure that the decision to waive competitive solicitation is performed by purchasing as the subject-matter experts and Board-approved authorized representative. In addition, we disagree with a statement regarding Recommendation No. 23 because it misrepresents responsibility for departmental food purchases. Because of this, we have provided our comments to demonstrate why we believe our findings, conclusions, and recommendations, as stated in the report, are accurate and appropriate.

1. In its response to Recommendation No. 5, WCSD cited the use of a committee that brings multiple perspectives and disciplines, fosters greater buy-in from departments, and includes the CFO who supervises the Purchasing Director.

   Legislative Auditor's Comments

   While we agree that the Financial Review Committee plays an important role and provides multiple perspectives and disciplines that aid in budgetary and fiscal decision making, the committee's approval does not replace or eliminate the need for final procurement method authorization from the Purchasing Director. The following information provides the reasoning behind our recommendation:

   Purchasing Authority: As explained in the report, on pages 17 and 18, state law requires the local government's governing body or authorized representative to determine when competitive solicitation is not appropriate. WCSD's Board, through Board Policy 3320, established its Purchasing Department as its authorized representative by making it responsible for conducting competitive solicitations and exercising procurement decision-making authority, including the approval of solicitation waivers. Additionally, board policy requires district leadership to consult the Purchasing Department if competitive solicitation should be performed. While the Chief Financial Officer may possess authority to execute contracts on behalf of the district, contract signature authority is distinct from procurement decision-making authority. The authority to bind the district contractually does not inherently include the authority to determine procurement methods or approve exceptions to competitive solicitation requirements.

District Policy Precedence: As discussed at the bottom of page 17, there is a lack of alignment between board policy and the district's administrative regulations. Board policy establishes the governance framework directing how procurement authority is delegated throughout the district. Because Board Policy 3320 assigns procurement responsibilities to the Purchasing Department, an administrative regulation that transfers solicitation waiver authority to the Financial Review Committee is inconsistent with board policy and therefore does not appropriately implement the Board's direction. Board Policy 9070 requires administrative regulations to be consistent with board policy and specifies that any portion of an administrative regulation that conflicts with board policy is not valid. Administrative regulations are developed by the Superintendent and intended to operationalize board policy—not reassign authorities established by the Board. Assigning waiver authority exclusively to the Financial Review Committee instead of the Purchasing Department is inconsistent with both the statutory framework and the Board's expressed intent that procurement decisions reside with purchasing professionals. Furthermore, using this practice for professional services is inconsistent with the district's practices for other waivers to competitive solicitation, such as sole source procurements, that must be approved by its Purchasing Department.

Proper Segregation of Duties: The Financial Review Committee consists of executive management responsible for overseeing district operations and budgets. As a result, committee members may approve procurement exceptions that originate from their departments or areas of responsibility, reducing the independence needed for a control activity. In addition, excluding the Purchasing Director from solicitation waiver decisions removes the independent procurement review intended to ensure compliance with procurement laws, board policy, and sound purchasing practices.

2. WCSD in its response to Recommendation No. 23 states that they accept this recommendation. However, they note that many of the meal purchases are related to meetings of the Board of Trustees that cross over the lunch and/or dinner hour.

   <u>Legislative Auditor's Comments</u>

   We disagree with the implication that many of the meal purchases identified on pages 54 and 55 of the audit report were attributable to the Board or made for board meetings. Our review found in fiscal year 2023, the Board accounted for only 7% of the department procurement card food purchases cited in Exhibit 17. The remaining department-level food purchases were made by departments other than the Board. Additionally, district administrative procedure AP-P006, states that efforts should be made to conduct required meetings during non-meal times, reinforcing that food purchases should be limited.

In conclusion, we do not question the district's ability to use noncompetitive procurements when appropriate. Rather, we recommend that decisions to waive competitive solicitation remain with the Purchasing Department - the entity designated by state law and board policy as the district's procurement authority - and that those decisions be supported by sufficient documentation and appropriate internal controls. Transferring this authority to the Financial Review Committee conflicts with board policy, diminishes procurement independence, and does not adequately address the control deficiencies identified during the audit. We also believe implementation of Recommendation No. 23 will strengthen policies and procedures, thereby promoting accountability and compliance related to food purchases on purchasing cards.

Appendix J

Response From State Public Charter School Authority

Joe Lombardo
Governor

STATE OF NEVADA

Melissa Mackedon
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY

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Carson City, Nevada 89706-7972
(775) 531-3384 · Fax (775) 684-9060

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July 17, 2026

Daniel L. Crossman
Legislative Auditor
Nevada Legislative Counsel Bureau – Audit Division
401 S. Carson Street
Carson City, NV 89701-4747

RE: Compliance with Procurement Standards Performance Audit

Dear Mr. Crossman:

Thank you for the opportunity to respond to the audit report "Compliance with Procurement Standards", performed by the Nevada Legislative Counsel Bureau (LCB) Audit Division pursuant to NRS 218G.600 *et seq.* The Nevada State Public Charter School Authority (SPCSA) appreciates the time and attention the LCB devoted to reviewing compliance with statutory requirements relating to the compliance and procurement standards.

The SPCSA appreciates the audit's acknowledgement that the Authority has established practices and procedures to ensure that contracts entered into through "joinder agreements" have been properly solicited in accordance with Nevada procurement requirements and appropriately align with the agency's operational needs. The SPCSA also appreciates the opportunity to provide additional context regarding Educational Management Organizations (EMOs), as these entities play an important role within Nevada's charter school sector.

Nevada law permits charter school governing bodies to contract with Educational Management Organizations to provide centralized operational and administrative services. These services commonly include financial management, human resources, legal and governance compliance, information technology, payroll, business operations, and other specialized functions. For many charter schools, maintaining full-time staff with expertise in these highly specialized areas is neither financially feasible nor operationally practical.

Like many states, Nevada faces a limited supply of qualified professionals with expertise in school finance, human resources, governance compliance, and other specialized operational functions. The Legislature recently recognized these challenges by authorizing Education

Service Centers during the 2025 Legislative Session, allowing school districts, particularly rural districts, to pool fiscal and human resources to access expertise that would otherwise be difficult or cost-prohibitive to obtain. While the Education Service Center and EMOs operate under different statutory frameworks, both models reflect a common policy objective: enabling schools to access specialized operational expertise through shared services rather than requiring every school to independently employ full-time specialists.

Ultimately, the decision to contract with an EMO rests with each charter school's governing body. Under Nevada law, governing boards retain responsibility for the academic, financial, and organizational performance of their schools regardless of whether operational services are contracted to an outside organization. The SPCSA has observed governing boards exercising this authority, including instances in which boards have terminated or declined to renew management agreements when they determined the relationship was no longer serving the best interests of the school or its students.

The SPCSA also recognizes that for-profit management organizations warrant additional oversight and transparency given their stewardship of public funds. Nevada's statutory framework provides additional requirements governing contracts between charter schools and EMOs, including contract provisions, financial reporting, and public transparency. The SPCSA supports these requirements and remains committed to ensuring they are consistently implemented and strengthened over time.

With respect to the audit findings, the SPCSA is encouraged that the audit found that approximately 90% of the contract provisions reviewed during both the 2022-2023 and 2023-2024 school years contained the required provisions and did not include inappropriate provisions. While this reflects substantial compliance among the contracts reviewed, the SPCSA agrees that improvements can and should be made to further strengthen consistency across all EMO agreements.

The SPCSA generally agrees with and accepts the recommendations contained in the report and appreciates the collaborative nature of the audit process. The recommendations provide an opportunity to further strengthen the Authority's oversight, guidance, and internal controls while continuing to support high-quality governance practices among sponsored charter schools. The SPCSA's response to each recommendation, including the status of corrective actions already underway or planned for implementation, is provided below.

Recommendation 1: Develop controls to ensure adequate monitoring of contract renewals and amendments that guarantees contracts do not operate outside terms.
The SPCSA agrees that the services from one contractor identified in the audit report remained in use after the original contract expiration and acknowledges that improvements to processes are appropriate to ensure contracts are renewed or replaced before expiration.

The SPCSA acknowledges that this recommendation describes an area for improvement and has already initiated action to update the agency's internal controls manual.

Recommendation 2: Develop policies and procedures to ensure contract provisions between charter schools and their EMOs include proper legal review and comply with state laws, contract provisions, and best practices.
The SPCSA accepts this recommendation and has begun expanding its legal capacity by converting an Administrative Assistant IV position to a Legal Secretary position, seeking IFC approval to contract with Of Counsel, and will be requesting an additional senior attorney position for the next biennium. These changes will increase staff capacity to annually review all EMO contracts and work with schools to ensure contracts are brought into compliance.

Recommendation 3: Develop controls that require charter schools to submit accurate and complete EMO Financial Reports, including accurate EMO contracting information and payments made to the EMOs and affiliated vendors to carry out the operations of the schools.
The SPCSA accepts this recommendation and has begun implementation for FY2026. Staff conducted a comprehensive review of the current report and made significant revisions to align with statutory requirements and improve clarity for both schools and staff reviewing submitted reports. Additionally, if discrepancies are identified during the review process, SPCSA staff will work with schools to resolve them and ensure accurate reports are submitted.

Recommendation 4: Develop controls to ensure all assigned procurement card approvers and card holders have a signed user agreement.
The SPCSA accepts this recommendation and has initiated action to update the agency's internal controls manual.

Recommendation 5: Develop controls to ensure monthly reconciliations of procurement card transactions are performed to SPCSA standards, including proper review and approvals.
The SPCSA accepts this recommendation and has initiated action to update the agency's internal controls manual.

Per NRS 218G.620, within 60 days of notification by the Legislative Commission or the Audit Subcommittee of the final written report of the audit, the SPCSA will provide to the Legislative Auditor a detailed plan outlining any specific actions, updates, and timelines for addressing the recommendations.

Sincerely,

Melissa Mackedon
Executive Director, Nevada State Public Charter School Authority

State Public Charter School Authority's Response to Audit Recommendations

	Recommendations	Accepted	Rejected
1.	Develop controls to ensure adequate monitoring of contract renewals and amendments that guarantees contracts do not operate outside terms	X	
2.	Develop policies and procedures to ensure contract provisions between charter schools and their EMOs include proper legal review and comply with state laws, contract provisions, and best practices	X	
3.	Develop controls that require charter schools to submit accurate and complete EMO Financial Reports, including accurate EMO contracting information and payments made to the EMOs and affiliated vendors to carry out the operations of the schools	X	
4.	Develop controls to ensure all assigned procurement card approvers and card holders have a signed user agreement	X	
5.	Develop controls to ensure monthly reconciliations of procurement card transactions are performed to SPCSA standards, including proper review and approvals	X	
	TOTALS	5	