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We have completed an audit of the Programs for Innovation and the Prevention of Remediation as required by NRS 385.3789(4). 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, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the Nevada Department of Education's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Nevada Department of Education, the Commission on Educational Excellence, and to the Clark, Elko, Lyon, Washoe, and White Pine County School Districts, for their assistance during the audit.

Respectfully presented,

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

Paul V. Townsend, CPA  
Legislative Auditor

September 14, 2010  
Carson City, Nevada

STATE OF NEVADA  
PROGRAMS FOR INNOVATION  
AND THE PREVENTION OF REMEDIATION

AUDIT REPORT

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# **EXECUTIVE SUMMARY**

## **PROGRAMS FOR INNOVATION AND THE PREVENTION OF REMEDIATION**

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### **Background**

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Senate Bill 404 of the 2005 Legislative Session created the Commission on Educational Excellence (Commission) and the Account for Programs for Innovation and the Prevention of Remediation (Account). The Commission consists of nine members serving two-year terms, eight of which are appointed by the Governor with the remaining member being the Superintendent of Public Instruction. The Commission is responsible for activities related to increasing student achievement including: establishing grant requirements, reviewing and approving grant fund requests, and allocating money from the Account to the various schools and consortiums of schools. The Nevada Department of Education (NDE) provides administrative support, equipment, and office space to the Commission.

The 2007 Legislature appropriated \$79.3 million to the Account. Of this amount, \$73.6 million was awarded to schools and consortiums of schools. In fiscal years 2008 and 2009, schools and consortiums of schools spent \$38.4 million of these funds.

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### **Purpose**

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This audit is required by NRS 385.3789(4). The purpose of this audit was to determine whether program expenditures at selected schools and consortiums of schools with funding from the Account for Programs for Innovation and the Prevention of Remediation were in compliance with laws, Commission and NDE policies and procedures, and grant awards. We also determined whether grant allocations were distributed, administered, and reported in accordance with laws, Commission and NDE policies and procedures, and the terms of the grant awards.

## EXECUTIVE SUMMARY

### PROGRAMS FOR INNOVATION AND THE PREVENTION OF REMEDIATION

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This audit included grant expenditures funded from the Account at the Clark, Elko, Lyon, Washoe, and White Pine County School Districts, and at selected schools within those districts. It also included a review of grant administration activities at the Commission on Educational Excellence and NDE. Our audit covered grants allocated for the periods ended June 30, 2008 and 2009.

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## Results in Brief

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Although administration of the Account for Programs for Innovation and the Prevention of Remediation has improved, additional efforts can be made to provide greater assurance that funding is allocated and controlled as the Legislature intended. Our review of funding allocations revealed some lower scoring grantees received more of the amount requested than grantees with significantly higher scores. In addition, NDE made adjustments to the amount of funding available for some grants without Commission approval. Furthermore, the Commission lacked adequate procedures to ensure an Account reconciliation was completed and all unused funds were reverted to the State General Fund. Even with improvements to oversight processes, amendments were not always approved by the Commission when they should have been, required annual financial reports did not include all required supplementary schedules, and expenditures were not always approved by the Commission. While additional strengthening of controls is needed, we identified fewer errors and weaknesses than our prior audit of fiscal years 2006 and 2007 funds indicating the Commission has improved its oversight of the Account.

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## Principal Findings

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- Grants with higher application scores did not always receive more funding, compared to amounts requested, than grants receiving lower scores. For

## EXECUTIVE SUMMARY

### PROGRAMS FOR INNOVATION AND THE PREVENTION OF REMEDIATION

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example, two Clark County School District elementary schools requested approximately the same amount of funding (\$104,000). The higher scoring grant of 70 received 92% of requested funding (\$95,387), while the lower scoring grant of 53 received 100% of requested funding (\$104,475). While some review teams' awards of funding correlated with application scores, other teams' awards had weak or no apparent relationship. These inconsistencies occurred because Commission procedures and guidelines regarding funding allocations were not sufficient to ensure the highest quality applications received appropriate funding. (page 13)

- The Commission did not always approve necessary changes to grant allocations. NDE reduced all Commission approved consortium grants by 50% in November 2007, without proper approval from the Commission. The reduction in funding to consortium grants resulted in some grants not being implemented. In addition, revised grant budgets approved by NDE did not always comply with Commission approvals. Of 47 revised grant budgets included in our sample, 6 (13%) did not remove or reduce funding as detailed by the Commission. (page 20)
- Grant amendments were not always approved by the proper authority. Of 26 grant budget amendments included in our sample, 9 (35%) received NDE approval when they should have been reviewed and approved by the Commission. (page 22)
- Of 59 amendments included in our sample, 22 (37%) included incomplete or partial documentation. Amendment forms developed by NDE were not adequate to ensure sufficient information was requested and provided. (page 22)
- NDE did not conduct a complete reconciliation of the Account at the conclusion of the grant cycle. Of 16

## EXECUTIVE SUMMARY

### PROGRAMS FOR INNOVATION AND THE PREVENTION OF REMEDIATION

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school districts receiving funds, 6 (38%) had significant variances between amounts distributed, expended, and reverted. This included about \$77,000 that should have been reverted to the State General Fund. In addition, other districts may have reverted more than they should have. The Commission lacks controls to ensure the Account is properly reconciled at the conclusion of the grant cycle. (page 23)

- About 71% of annual financial reports were not submitted by established deadlines. In addition, 13% were not accurate. Because grant periods established by the Commission did not allow for grant activities occurring through the end of the school year, some schools districts used estimates for reporting expenditures. (page 25)
- Adequate controls are not in place to ensure supplemental financial and items of value schedules are submitted with annual financial reports. Out of 48 reports included in our sample, 4 (8%) did not include the required supplemental financial schedule. In addition, six (86%) of seven items of value inventory lists were not submitted as required. (page 27)
- Expenditures made by schools and consortiums of schools were not always authorized by the Commission. Our testing of expenditures found nearly 7% of expenditures tested, totaling over \$51,000 were for items and services that were not properly reviewed or approved by the Commission. (page 28)
- The Department of Education did not distribute funding in accordance with statute for fiscal years 2008 and 2009. Even though statute requires the full distribution of funds by August 15, not all amounts were distributed by this date. (page 29)

## EXECUTIVE SUMMARY

### PROGRAMS FOR INNOVATION AND THE PREVENTION OF REMEDIATION

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## Recommendations

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This audit report contains five recommendations to help ensure the allocation and expenditure of funds from the Account are in compliance with laws, policies and procedures, and the terms of the grant awards. Specifically, the Commission should revise policies, procedures, and controls to provide reasonable assurance that grant funds are consistently allocated based on rubric score. In addition, controls can be strengthened to ensure changes to allocated funding are properly approved by the Commission. Further, the Commission needs to develop policies and procedures for the completion of a comprehensive reconciliation of the Account that incorporates actual grant expenditures at the conclusion of each grant cycle. Finally, the Commission needs to continue to monitor implementation of recommendations noted in our prior audit report. (page 38)

## Agency Response

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The Department, in response to the audit report, accepted the five recommendations. (page 37)

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## Introduction

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### Background

Senate Bill (S.B.) 404 of the 2005 Legislative Session created the Commission on Educational Excellence (Commission). The Commission consists of nine members serving two-year terms, eight of which are appointed by the Governor with the remaining member being the Superintendent of Public Instruction as an ex officio voting member. Appointments are specified and include:

- Three teachers, two elementary and one secondary, who have been successful in school improvement efforts.
- Two principals, one elementary and one secondary, who have been successful in school improvement efforts.
- Two school district administrators, one from a district whose county has a population in excess of 100,000, and one from a district whose county has a population less than 100,000.
- One parent or legal guardian of a pupil enrolled in a public school in this State.

The Commission is responsible for activities related to increasing student achievement. Specifically, some of the Commission's responsibilities include: establishing a program of educational excellence for pupils in grades kindergarten through sixth; identifying programs, practices, and strategies that have proven effective in improving the academic achievement and proficiency of pupils; developing a concise application for Nevada's schools and consortiums of schools to apply for grants of money; determining the amount of money that is available to grant Nevada's public schools; and allocating money to public schools.

In order for the Commission to allocate public schools money, S.B. 404 also created the Account for Programs for Innovation and the Prevention of Remediation (Account). Money in the Account may only be used for Commission approved grants to public schools and consortiums of public schools. These grants are to be used for innovative programs or programs designed to improve the achievement of pupils.



The Nevada Department of Education (NDE) provides administrative support, equipment, and office space to the Commission. Personnel within NDE assist the Commission in the administration of the Account.

Senate Bill 185 of the 2007 Legislative Session made changes to the Account and grant eligibility. For instance, S.B. 185 eliminated the eligibility of school districts to apply for funding from the Account and allowed consortiums of schools to request funding for applicable programs. A consortium of public schools is an association of two or more elementary or secondary schools who submit a grant application pooling their resources to address common needs. In addition, S.B. 185 required the Commission to establish guidelines for the review, evaluation, and approval of grant application requests. Guidelines were to include requirements that money not be allocated from the Account for a grant until the entire Commission reviewed and approved the application. Further, S.B. 185 required the Legislative Auditor to audit biennially the programs funded through the Account. The Legislative Auditor issued a report on funding allocated for fiscal years 2006 and 2007 on November 5, 2009.

Assembly Bill 627 of the 2007 Legislative Session appropriated \$79.3 million to be used for grants to schools and consortiums of schools. The Commission required schools and consortiums of schools to complete grant applications for fiscal year 2008 and 2009 funding. Grant applications included a grant budget request which detailed the programs to be implemented. Grant budgets specified program costs by categorizing expenditures into the following areas: salaries, benefits, professional services, travel, supplies, and equipment.

The Commission reviewed grant applications and budgets and awarded allocations of Account funding to schools and consortiums of schools. The Commission awarded grant allocations which stipulated the total funding a school or consortium of schools could expend. Additionally, the Commission detailed how allocated funds to schools and consortiums of schools were to be spent by approving or denying specific programs and grant budget categories and subcategories.

Schools and consortiums of schools were allowed to revise original grant budgets, approved by the Commission, through the use of budget amendments. Typically, budget amendments added or removed programs to be implemented and

moved grant funding between budget categories and subcategories, but, did not change the total allocation received by the school or consortium of schools.

Grant applications for funding appropriated during the 2007 Legislative Session were required to be submitted by June 15, 2007 and August 3, 2007, for fiscal years 2008 and 2009. Over 560 grant applications were received requesting various programs be funded from the Account. The Commission fully funded some grant requests, partially funded others, and did not fund some requests based on criteria specified in NRS 385. The Commission allocated funding for more than 440 public schools and consortiums of public schools to be used throughout the grant period. Exhibit 1 shows the number of applications received and funded by the Commission for each school district.

**Exhibit 1**

**Grant Applications  
Fiscal Years 2008 and 2009**

<b>District</b>	<b>Received</b>	<b>Funded</b>
Carson City	13	10
Churchill	9	8
Clark	304	234
Douglas	14	10
Elko	22	16
Esmeralda	4	3
Eureka	4	3
Humboldt	12	9
Lander	8	5
Lincoln	9	9
Lyon	20	18
Mineral	3	1
Nye	24	16
Pershing	3	3
Storey	5	1
Washoe	97	85
White Pine	11	10
Charter Schools	1	1
<b>Totals</b>	<b>563</b>	<b>442</b>

Source: Department of Education.

Of the \$79.3 million appropriated, districts spent \$38.4 million for items such as personnel and benefits, professional services, travel, supplies, dues and fees, and

equipment. Exhibit 2 shows the amount allocated by district and Exhibit 3 shows the amount expended by district and grant type for fiscal years 2008 and 2009. Additionally, Appendix B shows further detail regarding grant awards and expenditures for each district, school, and consortium of schools selected for testing.

**Exhibit 2**

**Grant Allocations  
Elementary, Secondary, and Consortium by District  
Fiscal Years 2008 and 2009**

<b>District</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Consortium</b>	<b>Total</b>	<b>Percent of Total</b>
Carson City	\$ 644,086	\$ 481,031	\$ 696,259	\$ 1,821,376	2.48%
Churchill	339,185	164,903	-	504,088	0.69%
Clark	23,638,000	8,557,398	6,704,243	38,899,641	52.86%
Douglas	420,871	257,114	306,128	984,113	1.34%
Elko	1,054,332	866,897	678,645	2,599,874	3.53%
Esmeralda	67,625	-	-	67,625	0.09%
Eureka	11,845	5,150	26,780	43,775	0.06%
Humboldt	437,257	45,220	187,477	669,954	0.91%
Lander	8,240	323,599	260,450	592,289	0.80%
Lincoln	80,896	221,218	104,010	406,124	0.55%
Lyon	1,500,528	1,768,914	691,304	3,960,746	5.38%
Mineral	-	-	104,524	104,524	0.14%
Nye	913,075	596,399	-	1,509,474	2.05%
Pershing	120,854	45,357	356,213	522,424	0.71%
Storey	-	30,150	-	30,150	0.04%
Washoe	8,491,341	3,738,794	6,775,608	19,005,743	25.83%
White Pine	489,596	583,467	586,468	1,659,531	2.26%
Charter Schools	60,358	36,622	111,768	208,748	0.28%
<b>Totals</b>	<b>\$ 38,278,089</b>	<b>\$ 17,722,233</b>	<b>\$ 17,589,877</b>	<b>\$ 73,590,199</b>	<b>100.00%</b>

Source: Department of Education grant database.

**Exhibit 3**

**Grant Amounts Expended and Unexpended  
Elementary, Secondary, and Consortium by District  
Fiscal Years 2008 and 2009**

<b>District</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Consortium</b>	<b>Total</b>	<b>Unexpended</b>	<b>Percent Unexpended</b>
Carson City	\$ 306,533	\$ 219,994	\$ 387,629	\$ 914,156	\$ 907,220	49.81%
Churchill	165,381	76,207	-	241,588	262,500	52.07%
Clark	10,470,308	3,184,623	561,741	14,216,672	24,682,969	63.45%
Douglas	420,068	240,750	306,128	966,946	17,167	1.74%
Elko	658,319	553,018	558,247	1,769,584	830,290	31.94%
Esmeralda	67,625	-	-	67,625	-	0.00%
Eureka	4,353	2,427	6,695	13,475	30,300	69.22%
Humboldt	416,358	24,409	124,992	565,759	104,195	15.55%
Lander	8,240	217,161	239,327	464,728	127,561	21.54%
Lincoln	72,975	164,814	26,760	264,549	141,575	34.86%
Lyon	1,334,481	1,318,767	396,793	3,050,041	910,705	22.99%
Mineral	-	-	-	-	104,524	100.00%
Nye	577,251	325,628	-	902,879	606,595	40.19%
Pershing	70,876	45,357	314,901	431,134	91,290	17.47%
Storey	-	29,272	-	29,272	878	2.91%
Washoe	6,876,414	2,504,879	3,952,963	13,334,256	5,671,487	29.84%
White Pine	469,301	439,929	175,657	1,084,887	574,644	34.63%
Charter Schools	22,758	9,504	61,250	93,512	115,236	55.20%
<b>Totals</b>	<b>\$21,941,241</b>	<b>\$9,356,739</b>	<b>\$7,113,083</b>	<b>\$38,411,063</b>	<b>\$35,179,136</b>	<b>47.80%</b>

Source: Department of Education grant database.

During fiscal years 2008 and 2009, some districts opted to use allocated Account funding to meet mandatory budget reductions. As a result, nearly half of allocated funding for these two fiscal years remained unexpended. Over \$31 million in Account funds were used to address budget reductions for fiscal years 2008 and 2009. Exhibit 4 shows the amount of budget reductions from the Account, by district for fiscal years 2008 and 2009.

**Account Budget Reductions  
By District  
Fiscal Years 2008 and 2009**

District	Fiscal Year		Total	Percent of Total
	2008	2009		
Carson City	\$ -	\$ 548,095	\$ 548,095	30.09%
Churchill	-	231,845	231,845	45.99%
Clark	6,443,612	16,361,279	22,804,891	58.62%
Douglas	-	-	-	0.00%
Elko	-	599,095	599,095	23.04%
Esmeralda	-	-	-	0.00%
Eureka	-	-	-	0.00%
Humboldt	3,665	96,620	100,285	14.97%
Lander	52,301	85,924	138,225	23.34%
Lincoln	54,500	107,599	162,099	39.91%
Lyon	-	489,000	489,000	12.35%
Mineral	-	62,271	62,271	59.58%
Nye	-	162,916	162,916	10.79%
Pershing	-	65,939	65,939	12.62%
Storey	-	-	-	0.00%
Washoe	2,825,135	2,831,941	5,657,076	29.77%
White Pine	79,759	112,562	192,321	11.59%
Charter Schools	9,555	99,162	108,717	52.08%
<b>Totals</b>	<b>\$9,468,527</b>	<b>\$ 21,854,248</b>	<b>\$ 31,322,775</b>	<b>42.56%</b>

Source: Department of Education budget reduction worksheets.

**Scope and Objectives**

This audit is required by NRS 385.3789(4) and was made pursuant to the provisions of NRS 218G.010 to 218G.350. 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, programs, activities, and functions.

This audit included grant expenditures funded from the Account for Programs for Innovation and the Prevention of Remediation at Clark, Elko, Lyon, Washoe, and White Pine County School Districts, and at selected schools within those districts. It also included a review of grant administration activities at the Commission and NDE. Our

audit covered grants allocated for the periods ended June 30, 2008 and 2009. The objectives of our audit were to determine whether:

- Program expenditures were in compliance with laws, Commission and NDE policies and procedures, and the terms of the grant awards.
- Grant allocations were awarded, distributed, administered, and reported in accordance with laws, Commission and NDE policies and procedures, and the terms of the grant awards.

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## **Findings and Recommendations**

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Although administration of the Account for Programs for Innovation and the Prevention of Remediation (Account) has improved, additional efforts can be made to provide greater assurance that funding is allocated and controlled as the Legislature intended. Our review of funding allocations revealed some lower scoring grantees received more of the amount requested than grantees with significantly higher scores. In addition, the Nevada Department of Education (NDE) made adjustments to the amount of funding available for some grants without Commission on Educational Excellence (Commission) approval. Furthermore, the Commission lacked adequate procedures to ensure an Account reconciliation was completed and all unused funds were reverted to the State General Fund. Even with improvements to oversight processes, amendments were not always approved by the Commission when they should have been, required annual financial reports did not include all required supplementary schedules, and expenditures were not always approved by the Commission. While additional strengthening of controls is needed, we identified fewer errors and weaknesses than our prior audit of fiscal years 2006 and 2007 funds indicating the Commission has improved its oversight of the Account.

### **Commission Grant Allocation Process Needs Improvement**

Although the Commission adopted guidelines for reviewing and awarding grant funding, additional revisions are needed. We found awards did not always correlate to the application score received. Some grants receiving higher scores received less funding in relation to the amount requested than other grants that scored lower. In addition, while some grant application review teams appeared to fund applications based on score, other review teams did not seem to consider the application score as significantly when determining the amount of funding to award. In response to changes in statute, the Commission made slight changes to the allocation and grant review process from our prior audit; however, further changes are necessary to ensure funding is awarded to the best applications.

## **Application Scores Do Not Always Correlate With Award Amounts**

Grants scoring higher on the Commission's application review rubric<sup>1</sup> did not always receive more funding, compared to amounts requested, than grants receiving lower scores. Our analysis of final Commission allocations found correlation between scores given and funding received varied. This can undermine the competitive grant process and rewards inferior applications, while penalizing those schools following Commission application guidelines. Furthermore, innovative programs may be under or unfunded affecting student achievement and education.

### **Commission Allocation Guidelines**

In June 2007, Commissioners, NDE, and school district personnel reviewed and scored each grant application for elementary and secondary grants. These teams were responsible for determining the allocation of funding for each grant based on the following criteria:

- Quality of the application.
- Reasonableness of request.
- Points earned from the grant budget and executive summary.
- Applications with scores less than 30 cannot receive funding.
- Applications that receive scores less than 80 should not be fully funded.
- Well written applications with scores exceeding 80 should also be judged based on the reasonableness of the request.

Each grant could obtain a maximum score of 100. Rubrics designated a maximum of 70 points to the sufficiency of the executive summary, 24 points toward the completeness and accuracy of the budget, and 6 points for Title 1 eligible, but unserved schools.

### **Awards Not Consistent with Rubric Scores**

Our analysis of grant scores and funding found inconsistent correlation between the two. For instance, several grants that received lower levels of funding received higher scores. Two Clark County School District elementary schools requested approximately the same amount of funding (\$104,000). The higher scoring grant of 70

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<sup>1</sup> A rubric is a scoring tool for subjective assessments. Rubrics allow for standardized evaluation according to specified criteria, making evaluations simpler and more transparent.



received 92% of requested funding (\$95,387), while the lower scoring grant of 53 received 100% of requested funding (\$104,475). Furthermore, we found grants of similar request and score received different levels of funding. For example, two schools requested approximately \$470,000 in funding for the grant cycle. Both schools received scores of 67, yet one received 89% of requested funding, or about \$420,000, while the other was awarded 41%, or about \$193,000. Exhibit 5 illustrates some of the inconsistent grant awards identified through our analysis.

**Exhibit 5**

**Inconsistent Awards  
By Grant Type**

<b>Grant Type</b>	<b>Score</b>	<b>Percentage of Requested Funding Awarded</b>	<b>Requested</b>	<b>Awarded</b>
Elementary	66.25	12%	\$680,167	\$ 84,810
Elementary	79.50	25%	\$730,271	\$183,000
Elementary	83.50	45%	\$183,817	\$ 81,939
Elementary	65.75	47%	\$714,339	\$333,907
Elementary	82.75	53%	\$158,765	\$ 83,717
Elementary	58.75	78%	\$207,178	\$161,264
Elementary	31.00	79%	\$112,515	\$ 88,864
Secondary	83.50	54%	\$208,303	\$112,752
Secondary	79.50	67%	\$ 50,449	\$ 33,990
Secondary	42.00	87%	\$ 51,902	\$ 45,220
Secondary	67.00	100%	\$ 50,238	\$ 50,238
Secondary	54.00	100%	\$148,288	\$148,288
Secondary	84.50	100%	\$210,847	\$210,847
Consortium	60.00	6%	\$340,519	\$ 19,468
Consortium	65.00	78%	\$345,450	\$268,909

Source: Department of Education grant database.

Inconsistencies in funding allocations occurred because the Commission did not have a process whereby applications were organized based on application score prior to determining funding allocations. Furthermore, funding decisions were subjective and made by teams with one Commissioner, rather than the entire Commission. This can inject personal bias into the grant allocation process and illustrates the disparity that can occur among reviewers.

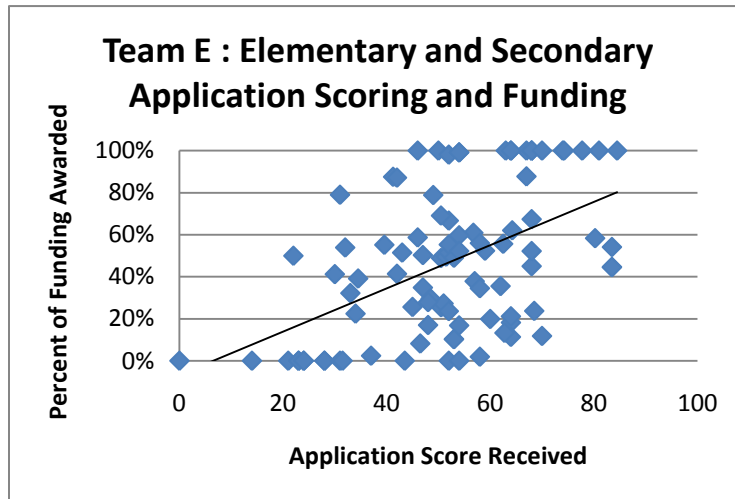
### Review Teams Not Consistent in Awarding Funds

The amount of funding received by schools varied by review team even though some teams seemed to award funding based on rubric score. Furthermore, certain review teams had a weak relationship, or no apparent relationship between rubric score and amounts awarded. This resulted in schools with similar scores receiving more or less funding depending upon the review team assigned. When review teams are not consistent in ensuring schools receive adequate consideration, the competitive process is undermined.

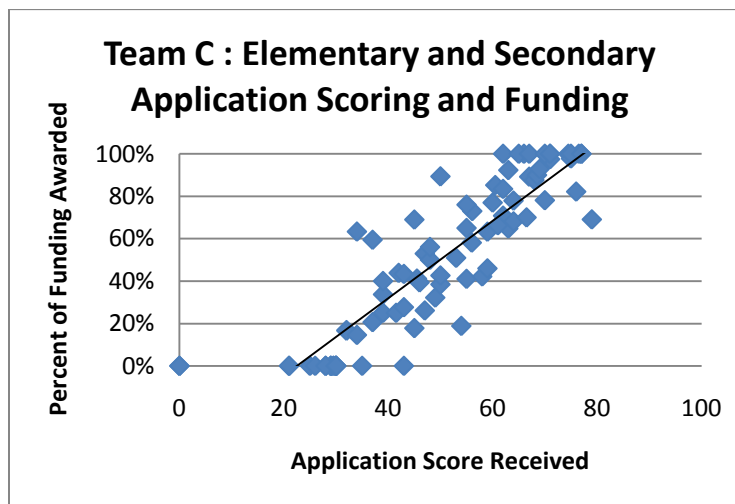
Rubrics are designed to identify those grants that most closely meet the purpose of the Account. Therefore, scores should provide a valid basis for Account allocations. Some review teams more closely correlated funding allocations to scores than other teams. Our analysis for two teams, shown in Exhibit 6, show the data points for each elementary or secondary school grant based on the score received and the percentage of funding awarded by the review team. As shown with Team C, the data points for each grant congregate toward the trend line<sup>2</sup>, which is steeper than Team E's, indicating the grants receiving higher scores were generally awarded more of the funding requested than lower scoring grants. Conversely, the data points for schools reviewed by Team E show little correlation between score and funding awarded as many grants with scores less than 50 received more than 50% of the amount requested while schools scoring higher than 50 points received less than 50% of the amount requested.

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<sup>2</sup> A trend line is a straight or curved line that indicates a general pattern, direction, or trend with a series of data points.



Source: Department of Education grant database.



Source: Department of Education grant database.

Three of the six review teams seemed to correlate the rubric score to the amount of funding received; but, as shown in Exhibit 7 on page 18, the final amount of funds a school received compared to similar requests largely depended on the review team. For example, Teams A and C were relatively consistent in awarding funding based on application score. However, Team A had the highest average application score but awarded the lowest percent of requested funding. Conversely, Team C had the third highest average score and awarded the highest percent of requested funding. Schools

assigned to review Team C received, on average, \$30,000 more than those assigned to Team A even though they requested less and scored lower.

**Exhibit 7**

**Average Application Score and Percentage Funded  
By Review Team – Elementary Schools**

<b>Team</b>	<b>Average Score</b>	<b>Score Rank</b>	<b>Average Percent Funded</b>	<b>Funded Rank</b>	<b>Average Requested</b>	<b>Average Awarded</b>
A	56.36	1	35%	6	\$455,510	\$142,115
B	52.79	2	39%	3	\$402,503	\$121,461
C	50.62	3	48%	1	\$397,387	\$172,599
D	50.29	4	37%	5	\$337,860	\$103,222
E	49.90	5	42%	2	\$246,718	\$ 88,512
F	47.09	6	39%	3	\$345,913	\$ 98,046

Source: Department of Education grant database.

While the Commission had some procedures and guidelines in place regarding funding allocations, they were not sufficient to ensure consistency in the level of grant awards between review teams. The Commission needs to strengthen controls to provide greater assurance that grant scoring and funding is consistent, and reviewed and approved by the entire Commission.

**Improvement in Allocation Process Needed**

Although the Commission implemented some procedural changes, which improved the consistency between amounts funded and application scores, more can be done to provide greater assurance of consistency in grant awards. Concerns raised during the 2007 Legislative Session resulted in changes to statute regarding the grant application review and approval process. As a result, S.B. 185 of the 2007 Legislative Session required the Commission to establish guidelines for the review, evaluation, and approval of grant applications. To ensure consistency in the review process, S.B. 185 specified money must not be allocated from the Account until the entire membership of the Commission had reviewed and approved the application for the grant. Due to these statutory revisions, the Commission modified its review and allocation process resulting in more collaboration between Commissioners during the allocation process.

The Commission met in June and August 2007 to review, approve, and fund grant applications. The June session included 492 elementary and secondary school

grants. During this review, six teams consisting of one Commissioner and two other NDE or school district staff reviewed grant applications and awarded funding over a four day period. Review teams were responsible for scoring applications based on the application rubric and determining allocations for each grant. If a grant was funded at less than 50% a second review from a team consisting of three Commissioners occurred. Even though a second review occurred for these grants, no changes were made to grant allocations determined by the first review team for the grants included in our sample.

In August 2007, consortium grant applications were reviewed and modifications were made to the Commission's process to address S.B. 185. Sixty-eight consortium grants were reviewed at this time. After teams reviewed, scored, and made funding recommendations for applications, the entire Commission determined if the funding level was appropriate.

Although the August review revealed more consistency between application score and percentage of requested funds awarded, we still identified several examples where awards did not correlate with application score. For example, two grants requesting approximately \$340,000 received application scores of 60 and 65. The grant receiving the score of 60 was awarded only \$19,468 (6%) of the requested funding, while the grant receiving the score of 65 was awarded \$268,909 (78%) of the requested funding.

While the change in the Commission's process improved consistency in the review and awarding of Account funding, more can be done to ensure grants are funded based on the merits of the application. Due to the volume of grants likely to be received at the onset of the next grant cycle, the Commission needs to enhance policies, procedures, and controls to help ensure funding is awarded consistently and to the most deserving applications.

### **Commission Approval Necessary for Changes to Grant Allocations**

Adjustments to grant allocations were not always reviewed and approved by the Commission. We found NDE modified consortium allocations and revised grant budgets were approved by NDE even though reductions were not appropriate. Further,

amendments were not always approved by the Commission when they should have been. As a result, some programs were unable to be implemented and purchases were made for items the Commission reduced or rejected. This occurred because the Commission and NDE have not established sufficient policies, procedures, and controls regarding these activities.

### **NDE Modified Funding for Certain Grants**

The Commission did not always approve reductions to grant allocations. Consortium grants, awarded in August 2007, were reduced by 50% in November 2007 because less money was reverted from the prior grant cycle. The reduction executed by NDE through award letters, was not reviewed or approved by the Commission. Furthermore, NDE restored some funding for consortium grants to certain districts but not others, in spring 2008, creating inequity between districts. Due to reduced funding, some school districts did not implement consortium grants for fiscal year 2008 because the reduction in funding was too significant to continue grant activities.

Senate Bill 185, passed during the 2007 Legislative Session, made certain changes to the administration of the Account including changes regarding the eligibility of schools to apply for grant funds. The replacement of school districts with consortiums of schools resulted in the Commission awarding consortium grant funding in August 2007. Commission allocations were made based on an estimate of funds expected to be returned to the Account after the fiscal years 2006 and 2007 grant cycle. When reversions to the Account fell short of projections, NDE determined that Commission allocations for fiscal year 2008 exceeded the amount of funds available for distribution.

NDE prepared and sent award notification letters 2 ½ months after Commission allocations were determined and reduced approved allocations by half because sufficient funds were not available to distribute all allocated amounts. NDE restored some funding to certain school districts in the spring of 2008 when a few school districts requested more of the approved funding related to their consortium grants be available for use.

The reduction of available funding resulted in many of the school districts suspending implementation of their consortium grants or ultimately using these grants to

meet mandatory budget reductions because reductions were too severe to implement programs. Further, inequity between districts occurred when some districts had some funding restored and others did not.

Even though NDE is the administrator of the Account, the Commission has statutory authority to determine grant allocations. Therefore, changes to approved grant allocations should be reviewed and approved by the entire Commission to ensure changes are appropriate and equitable.

### **Revised Grant Budgets Not Proper**

Revised grant budgets did not always comply with Commission directives, which resulted in the expenditure of Account funds that were not approved. About 13% (6 of 47) of the revised budgets in our sample did not remove or reduce funding as detailed by the Commission. NDE approved revised budgets, which resulted in schools and consortiums of schools viewing these items as being properly approved.

NRS 385.3785 establishes the Commission as the authority to determine how money from the Account is to be allocated. The Commission approved grant budgets by category and subcategory which defined how the allocated funding should be used. When allocation requests were not fully funded, the Commission usually specified programs or categories to reduce or eliminate. Schools and consortiums of schools were required to revise the budgets submitted with original allocation requests when the Commission reduced or denied certain programs for funding. The Commission relied on NDE to review revised budgets and ensure reductions were made as specified.

Some of the expenditures reviewed and noted later in our report were for items that were reduced by the Commission but included in revised budgets. For instance, one school in Clark County School District was instructed to reduce the number of positions and the associated cost of support staff. However, the school did not reduce its budget as specified by the Commission and later added more funding for support staff through a budget amendment. The school spent \$45,000 more than was approved by the Commission for support staff.

While NDE is the administrator of the Account, NRS 387.3785 specifies that the Commission has the authority to allocate grant funds. Further, a legal opinion received from Legislative Counsel during our audit of the fiscal years 2006 and 2007 grant cycle

specifies that NDE is responsible for the distribution of funds, but the Commission is responsible for the allocation of funding. Changes to Commission allocations resulted from insufficient procedures and controls regarding the review and approval of allocation changes.

### **Grant Budget Amendments Approved by NDE**

While the Commission has established policies for grant budget amendment approval authority, some amendments were approved by NDE when Commission approval was required. In addition, budget amendment documentation was not always sufficient for NDE to easily determine the level of approval required. State law assigns responsibility to the Commission for determining how Account funding may be expended. Therefore, additional controls are necessary to ensure the proper authority approves amendments.

Of the 26 amendments requiring Commission approval, 9 (35%) received NDE approval. Policies state approval is required whenever a transfer of funds between object codes and/or sub-object codes increases or decreases the object or sub-object code by 10%. Furthermore, any changes must be aligned with the original grant; if they are not, the school or consortium of schools must provide documentation regarding the direction taken. These policies ensure the Commission determines the use of Account funding; however, sufficient controls had not been established to ensure amendments received approval from the proper authority.

Additionally, amendment documentation provided by districts is not sufficient to easily determine the appropriate level of approval. Of the 59 amendments included in our sample, 22 (37%) included incomplete or partial information. Amendment forms, developed by NDE, were not adequate to ensure sufficient information was provided. Forms did not require schools and consortiums of schools to calculate monetary changes, submit narratives, or notify the Commission if requested items had been previously denied. While some schools and consortiums of schools provided this information on a supplementary schedule, it was not always detailed enough to determine the request. Further, forms should provide enough information for the Commission to easily review the appropriateness of each request. This should include such information as:



- The monetary changes to categories and/or subcategories being reduced or increased.
- Original budget amounts for categories as allocated by the Commission.
- Sufficient narrative regarding why amounts were not used as previously allocated, what will be purchased with increased allocations, and how that aligns with the original grant request.
- Whether items being requested were previously denied by the Commission.

The Commission and NDE have not fully developed policies, procedures, and controls over the amendment process for Account funding. Although the Commission adopted amendment policies in October 2007, additional procedures are needed to ensure the proper authority reviews and approves budget amendments and districts submit adequate documentation to allow NDE staff to more easily review and understand the request.

### **Controls Over Reversions and Grant Reporting Can Be Improved**

NDE did not conduct a complete reconciliation of the Account at the conclusion of the fiscal years 2008 and 2009 grant cycle. In addition, NDE did not ensure that all required annual financial reports were submitted at the close of the grant cycle and included necessary supporting documentation. As a result, all unused funds have not been returned to the State General Fund as required by Assembly Bill (A.B.) 530 of the 2009 Legislative Session. These problems occurred because the Commission and NDE have not established adequate processes to ensure Account funding is properly returned and grantees file annual financial reports timely and completely.

#### **Reconciliation of Account Funds Not Timely or Complete**

NDE did not perform a timely or complete reconciliation of Account funds at the conclusion of the grant cycle ended June 30, 2009. Of the 16 school districts receiving Account funds, 6 (38%) had significant variances between amounts distributed, reported as grant expenditures, and reverted to the Account as unused. Because NDE had not performed a complete reconciliation of Account funds, it was not aware of most of the variances until we brought them to their attention.

While NDE performed some procedures regarding the tracking of disbursements and reversions, they were not sufficient to ensure all grant funding was properly accounted for and the requirements of A.B. 530 of the 2009 Legislative Session were met. For instance, NDE did not account for actual grant expenditures in its analysis resulting in about \$77,000 remaining outstanding from Eureka and Clark County School Districts as of June 2010. Assembly Bill 530 required all unexpended Account funding to be reverted to the State General Fund prior to September 18, 2009. Exhibit 8 shows four districts with variances identified in our reconciliation of the Account and amounts resolved through communications with the districts involved.

**Exhibit 8**

**Reconciliation Variances  
By District**

	<b>Clark</b>	<b>Eureka</b>	<b>Pershing</b>	<b>Storey</b>
<b>Elementary and Secondary</b>				
Distributed	\$15,783,503	\$ 8,498	\$ 116,233	\$30,150
Expended	\$13,654,931	\$ 6,780	\$ 116,233	\$24,675
<b>Consortium</b>				
Distributed	\$ 561,741	\$ 6,695	\$ 250,820	\$ -
Expended	\$ 561,741	\$ 6,695	\$ 87,940	\$ -
<b>Total Distributed</b>	<b>\$16,345,244</b>	<b>\$15,193</b>	<b>\$ 367,053</b>	<b>\$30,150</b>
<b>Total Expended</b>	<b>\$14,216,672</b>	<b>\$13,475</b>	<b>\$ 204,173</b>	<b>\$24,675</b>
Reverted	\$ 2,052,842	\$ -	\$ -	\$ 878
Original Variance	\$ 75,730	\$ 1,718	\$ 162,880	\$ 4,597
Additional Expenses Reported	\$ -	\$ -	\$(226,962)	\$(4,597)
<b>Net Variance</b>	<b>\$ 75,730</b>	<b>\$ 1,718</b>	<b>\$( 64,082)</b>	<b>\$ -</b>

Source: Auditor testing from grant distribution documentation, amounts reported on annual financial reports, and reversions shown in IFS.

Furthermore, because a reconciliation was not performed, NDE was unaware that all annual financial reports had not been received at the conclusion of the grant cycle until we brought it to their attention in December 2009. After preparing its reports for fiscal year 2009, Pershing County School District realized it had not received the total of its allocated funding. As a result, Pershing County School District is requesting a stale claim from fiscal year 2010 to cover the \$64,000 in grant allocations spent but never received. A comprehensive reconciliation of the Account prior to the close of the fiscal year would have identified these variances.

In addition to those school districts with outstanding reversions, our reconciliation for two districts showed more funding may have been reverted than necessary. Based on NDE and school district documentation, Lander and Lincoln County School Districts show approximately \$75,000 more in grant funding may have been returned than should have been. We requested NDE provide information regarding these variances during our audit. However, the analyses completed by NDE personnel was incomplete and it did not provide sufficient explanation regarding the noted variances. Therefore, we could not adequately determine whether these school districts reverted more funding than necessary.

NDE's current process for reconciling the Account failed to account for budget reductions and actual grant expenditures. Further, fiscal staff and program staff did not collaborate and share necessary information to ensure a reconciliation was adequately performed and all funds properly returned. Enhancements to the current process should identify and resolve these variances at the conclusion of future grant cycles.

#### **Annual Financial Reports Not Always Timely, Accurate, or Complete**

Commission policies require each grantee to submit annual financial reports with certain supporting documentation after the close of each fiscal year. However, many of the reports were untimely, inaccurate, and not properly supported if they were submitted. Further strengthening of controls can help ensure annual financial reports provide timely and meaningful information regarding grant activities and functions.

#### **Annual Financial Reports Not Always Timely or Submitted**

In order to account for all grant expenditures, some schools and consortiums of schools did not submit reports by established deadlines. Additionally, we found some annual financial reports were not submitted at the conclusion of the grant cycle. Untimely reports occurred because grant periods and reporting deadlines established by the Commission do not account for grant activities occurring through the end of the school year. Furthermore, NDE does not have controls to account for and ensure all required reports are submitted.

Of the 48 reports included in our sample, about 34 (71%) did not substantially meet reporting deadlines. Some reports were submitted several months after the July

31 reporting deadline. Exhibit 9 provides a breakdown by district on the timeliness of reports for grants included in our sample.

**Exhibit 9**

**Timeliness of Annual Financial Reports  
By District for 2008 and 2009**

<b>District</b>	<b>Reports</b>	<b>Substantially Met Commission Deadline</b>	<b>1-2 Months Late</b>	<b>5-6 Months Late</b>	<b>Total Late Reports</b>
Clark	19	0	15	4	19
Elko	6	3	3	0	3
Lyon	8	4	4	0	4
Washoe	11	5	6	0	6
White Pine	4	2	2	0	2
<b>Totals</b>	<b>48</b>	<b>14</b>	<b>30</b>	<b>4</b>	<b>34</b>

Source: Annual grant financial reports from NDE files and auditor testing.

Although the grant period and subsequent reporting deadlines were established to coincide with the state’s fiscal year end, this is not required by statute. Legislative Counsel specified that funding is not limited to falling within a single biennium. Therefore, the Commission can establish grant periods to coincide with the school year and modify reporting periods accordingly.

Furthermore, during our reconciliation of the Account, we found some annual financial reports had not been submitted. For instance, Clark and Pershing County School Districts had not submitted annual financial reports for fiscal year 2009 until we brought it to NDE’s attention. Ensuring reports are submitted is important because they provide insight into the actual use of funds and are used to verify reversions to the Account are proper.

**Annual Financial Reports Not Accurate**

Annual financial reports, when submitted by districts, were not always accurate. Out of the 48 annual financial reports included in our sample, 6 (13%) were not accurate. Each of the inaccurate reports were from Clark County School District. In each instance, the amount reported understated actual costs incurred by the district.

Districts reported that grant periods and reporting deadlines established by the Commission do not allow for all expenditure activities occurring through the end of the school year. For some districts, this results in the use of estimates regarding activities

occurring after June 30 and ultimately inaccurate annual financial reports when expenditures are lower or higher than estimates used.

Revising grant periods to coincide with the end of the normal school year may help schools and consortiums of schools provide accurate reports. In addition, revising reporting deadlines will reduce the need for making estimates. Therefore, schools and consortiums of schools will be better able to prepare accurate and timely reports and return the proper amount of funds to the Account.

#### Lack of Controls for Submittal of Supplemental Schedules

Schools and consortiums of schools did not always submit the required supplemental financial and items of value schedules in accordance with Commission guidelines and policies. Out of 48 annual financial reports, 4 (8%) did not include the required supplemental financial schedule. Supplemental financial schedules document expenditures were actually incurred and assist in verifying annual financial reports are accurate. The supplemental schedule is a critical control for verifying Account funds are being used as intended and to determine if districts are returning the appropriate amount of unused funds at the conclusion of the grant cycle.

In addition, out of the seven annual financial reports included in our sample that should have submitted an items of value inventory list, six (86%) did not submit the required listing. Supplemental reports are important because they provide information on purchases that are significant to grants. Most equipment purchases are for several thousand dollars and represent a large portion of the overall grant expenditures. Without the reports being submitted, the Commission lacks assurance that equipment is accounted for and maintained by the grantee.

Policies, procedures, and controls over annual financial reports are essential to provide reasonable assurance that reports are reflective of all grant activities. By not ensuring the required supplemental schedules are included with annual financial reports, the accuracy of reports and whether items of value are safeguarded cannot be assured.

## **Controls Over Expenditures Can Continue to Be Strengthened**

The Commission on Educational Excellence can strengthen controls over expenditures to ensure grant funding is used as approved. Schools and consortiums of schools did not always expend funds in compliance with the terms of grant awards. Our testing of expenditures found nearly 7% of expenditures tested, totaling over \$51,000 were for items and services that were not reviewed or approved by the Commission. These expenditures were either never approved, or were made after an amendment was approved by NDE when Commission approval was required. These errors occurred because the Commission and NDE have not established adequate policies, procedures, and controls to ensure funding is being used by schools and consortiums of schools as approved.

Schools and consortiums of schools submitted requests for funding from the Account, which detailed the manner in which the school or consortium of schools intended to use the funds. Grant budgets, submitted with allocation requests, specified the categories schools and consortiums of schools intended to expend funds from and included: salaries, benefits, professional services, property services, travel, supplies, dues and fees, and equipment. The Commission fully funded some allocation requests, partially funded others, and did not provide funding in some cases. In certain instances, when partially funding a grantee request, the Commission specified items, programs, or categories to eliminate or reduce from the original grant budget request.

Our review of expenditure transactions found 32 of 421 were for items or services that were initially rejected or never presented to the Commission for approval. Exhibit 10 shows the number of unapproved expenditures found by district.

**Expenditures Not Approved By Commission  
Districts Reviewed**

<b>District</b>	<b>Number Tested</b>	<b>Number Not Approved</b>	<b>Amount</b>
Clark	204	15	\$35,248
Elko	37	0	0
Lyon	60	7	3,633
Washoe	90	10	12,150
White Pine	30	0	0
<b>Totals</b>	<b>421</b>	<b>32</b>	<b>\$51,031</b>

Source: Auditor testing from grant expenditures and grant budgets.

Note: If the Commission rejected items on the original budget request, we considered the subsequent purchase of those items to be an unapproved expenditure. Furthermore, even though some of the expenditures were approved by the Commission through the budget amendment process, none of the amendment documentation we reviewed specified the budget changes being requested including items once rejected by the Commission. As a result, the Commission was not provided adequate information to evaluate the merits of the amendment including the rejected items.

Expenditures were made without Commission approval because adequate policies, procedures, and controls over expenditures have not been established. Specifically, the Commission should continue to develop policies requiring schools and consortiums of schools to expend funds in accordance with approved grant budgets. Policies should include actions that may be taken by the Commission regarding noncompliance. Finally, based on Commission adopted policies and procedures, NDE needs to continue to develop controls that provide reasonable assurance that expenditures and revised budgets are in accordance with Commission approvals.

**Funding Distributions Not Timely**

NDE did not distribute funding timely in fiscal years 2008 and 2009 as required by statute. Even though statute requires the full distribution of funds by August 15, not all amounts were distributed, and some funds were received by school districts months after the deadline. Timely distributions are necessary to ensure grantees are able to proceed with program activities in order to achieve expected results.

The Commission allocated funding in June and August 2007, for use in fiscal years 2008 and 2009. NDE required grantees to request allocated funds be distributed

to them as needed throughout the grant period. Therefore, districts received periodic distributions throughout fiscal years 2008 and 2009.

NDE used the same procedures for distributing funds from the Account as other state grants. However, NRS 385.3785 states the Commission is responsible for making allocations of money from the Account. These allocations must be distributed by August 15 of each year. Legislative Counsel provided a legal opinion as part of our audit of the fiscal years 2006 and 2007 grant cycle that specified all money allocated by the Commission was to be distributed by August 15 of each year. This issue was also reported in our 2009 audit of the Account. At that time, NDE expressed a desire to request a change in the current law.

Grant distributions must be made timely so programs can be implemented for the current school year. Therefore, the Commission needs to develop policies to ensure funding is distributed to schools and school districts in compliance with statute. Further, distributions need to be made to ensure districts do not use other district funds for Account program expenditures.

## **Recommendations**

1. Revise policies, procedures, and controls to provide reasonable assurance that grant funds are consistently allocated based on rubric scores.
2. Ensure the entire Commission determines the allocations of funding for all grants.
3. Strengthen policies, procedures, and controls to ensure changes to Commission allocated funding, except those allowed through the amendment process, are reviewed and approved by the Commission in accordance with State law.
4. Develop policies and procedures to complete a comprehensive reconciliation of the Account at the conclusion of the grant cycle that incorporates actual grant expenditures and other items as necessary. Policies and procedures



should include follow up by staff to ensure districts return all funds due.

5. Continue to monitor implementation of recommendations noted in our prior report including:

- Developing controls to ensure revised grant budgets include only items approved by the Commission during the grant awarding process.
- Developing controls over the proper approval of budget amendments.
- Requiring schools and consortiums of schools to provide sufficient information to easily identify the proper authority needed for budget amendment approval.
- Revising budget amendment forms to easily determine amendment changes and the proper authority needed for approval.
- Consideration for revising grant periods and reporting deadlines to allow for a more accurate accounting and reporting of grant activities.
- Strengthening controls to ensure annual financial reports are timely and accurate.
- Developing, monitoring, and reviewing controls to ensure annual financial reports include all required supplemental schedules.
- Developing controls to provide reasonable assurance that Account funds are used as approved by the Commission.
- Distributing all grant funding by August 15<sup>th</sup> of each year.

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# Appendices

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## Appendix A Audit Methodology

To gain an understanding of the Account for Programs for Innovation and the Prevention of Remediation, we interviewed Department of Education management and staff. We reviewed applicable laws, regulations, policies, and procedures significant to the administration of the Account. We reviewed the Account's financial information, reports, budgets, legislative committee minutes, and other information related to the Account's origin and administration. Furthermore, we documented and assessed Commission and NDE policies and controls related to grant allocations, expenditures, amendments, reporting, distributions, and items of value.

To accomplish our objectives, we obtained information on each application requesting funding for fiscal years 2008 and 2009. We obtained Commission guidelines for reviewing, scoring, and awarding grant applications. We analyzed data regarding grant allocations based on elementary, secondary, or consortiums of schools, rubric score, review team, and amount of funding requested.

To determine whether grant allocations were distributed, administered, and monitored properly, we reviewed a total of 30 grants from 5 of the school districts awarded Account funding. Of the 30 grants included in our sample, we judgmentally selected 14 based on grant size. We randomly selected the remaining 16 grants. See Appendix B for more information regarding those schools selected for testing.

To evaluate the controls over allocated funds, we selected 15 expenditures from each grant or all expenditures for the grant if it had less than 15. Five expenditures were judgmentally selected based on size, transaction date, and type of purchase. In addition, we randomly selected 10 expenditures from each grant and verified purchases were approved by the Commission, were mathematically correct, coded correctly, sales tax was not paid, and district policies were followed. We also compared expenditures to original grant requests, revised budgets, and amendments to determine if expenditure transactions were made in accordance with Commission allocations. Furthermore, we

compared dates expenditures were made against the dates amendments were requested and approved.

To determine if grant budget amendments were completed in compliance with Commission policies and procedures, we reviewed amendments for each of the grants included in our sample. We identified whether amendments were properly approved through a review of Commission meeting minutes. Also, we calculated the changes being requested through each amendment. For each category and subcategory increase of \$5,000 or more, we compared expenditure transaction reports, identifying and totaling all purchases made prior to the request and approval of each amendment. In addition, we reviewed budget amendment documentation to determine its adequacy.

To evaluate the accuracy and timeliness of annual financial reports, we documented NDE and district procedures for completing annual financial reports. We determined if reports were accurate by comparing annual financial reports to expenditure transaction reports received from each district. We also reviewed the timeliness of reports by comparing the date the report was received and reviewed by NDE.

Furthermore, we reviewed the disbursement dates for each district receiving allocations from the Account. We compared the dates of distribution with the requirements of state law.

We also determined the accuracy of the amount of funding reverted by each grant included in our sample. In addition, we determined whether all unused funding was reverted by each district receiving a distribution of funding.

Our audit work was conducted from April 2009 to June 2010. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Superintendent of Public Instruction. On August 31, 2010, we met with

Department of Education officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix C, which begins on page 37.

Contributors to this report included:

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**Appendix B**  
**Grant Awards and Expenditures for**  
**Schools and School Districts in Sample**  
**Fiscal Years 2008 and 2009**

*Clark County School District (CCSD)*

Test Grants	FY08	FY09	Total	FY08	FY09	Total	Amount
	Allocated	Allocated	Allocated	Expended	Expended	Expended	Unexpended
Brinley Middle School	\$ 73,512	\$ 65,032	\$ 138,544	\$ 48,117	\$ -	\$ 48,117	\$ 90,427
Cortney Middle School	143,346	143,346	286,692	49,524	-	49,524	237,168
Dailey Elementary School	275,788	275,624	551,412	229,768	-	229,768	321,644
Dearing Elementary School	46,027	47,685	93,712	41,039	-	41,039	52,673
Decker Elementary School	454,650	410,883	865,533	349,852	-	349,852	515,681
Detwiler Elementary School	290,026	199,036	489,062	210,975	12,710	223,685	265,377
Garehime Elementary School	40,323	37,037	77,360	28,167	-	28,167	49,193
Garrett Middle School	20,757	20,757	41,514	16,064	-	16,064	25,450
Goynes Elementary School	366,404	100,537	466,941	324,615	6,522	331,137	135,804
Mc Call Elementary School	167,631	166,445	334,076	154,545	-	154,545	179,531
Molasky Middle School	32,084	19,722	51,806	29,488	-	29,488	22,318
Roundy Elementary School	188,541	145,366	333,907	62,945	3,943	66,888	267,019
Squires Elementary School	237,339	146,647	383,986	160,119	16,667	176,786	207,200
Tate Elementary School	77,434	-	77,434	61,928	-	61,928	15,506
FAST Consortium	509,733	509,733	1,019,466	117,608	-	117,608	901,858
Total of Test Schools	\$ 2,923,595	\$ 2,287,850	\$ 5,211,445	\$ 1,884,754	\$ 39,842	\$ 1,924,596	\$ 3,286,849
All Other CCSD Schools	19,622,177	14,066,019	33,688,196	12,224,946	67,130	12,292,076	21,396,120
Total for all CCSD Schools	\$ 22,545,772	\$ 16,353,869	\$ 38,899,641	\$ 14,109,700	\$ 106,972	\$ 14,216,672	\$ 24,682,969

*Elko County School District (ECSD)*

Test Grants	FY08	FY09	Total	FY08	FY09	Total	Amount
	Allocated	Allocated	Allocated	Expended	Expended	Expended	Unexpended
Spring Creek High School	\$ 104,910	\$ 106,393	\$ 211,303	\$ 81,399	\$ 82,233	\$ 163,632	\$ 47,671
Spring Creek Middle School	31,050	24,084	55,134	5,691	12,810	18,501	36,633
Elko Consortium	262,684	262,684	525,368	131,342	339,279	470,621	54,747
Total of Test Scholls	\$ 398,644	\$ 393,161	\$ 791,805	\$ 218,432	\$ 434,322	\$ 652,754	\$ 139,051
All Other ECSD Schools	936,593	871,476	1,808,069	818,800	298,030	1,116,830	691,239
Total for all ECSD Schools	\$ 1,335,237	\$ 1,264,637	\$ 2,599,874	\$ 1,037,232	\$ 732,352	\$ 1,769,584	\$ 830,290

*Lyon County School District (LCSD)*

Test Grants	FY08	FY09	Total	FY08	FY09	Total	Amount
	Allocated	Allocated	Allocated	Expended	Expended	Expended	Unexpended
Dayton Elementary School	\$ 134,107	\$ 135,326	\$ 269,433	\$ 134,107	\$ 134,771	\$ 268,878	\$ 555
Fernley Elementary School	159,001	159,001	318,002	146,381	87,721	234,102	83,900
Silver Stage Middle School	114,071	64,818	178,889	114,071	64,056	178,127	762
Smith Valley High School	40,969	40,969	81,938	6,851	56,318	63,169	18,769
Total of Test Schools	\$ 448,148	\$ 400,114	\$ 848,262	\$ 401,410	\$ 342,866	\$ 744,276	\$ 103,986
All Other LCSD Schools	1,660,332	1,452,152	3,112,484	1,187,568	1,118,197	2,305,765	806,719
Total for all LCSD Schools	\$ 2,108,480	\$ 1,852,266	\$ 3,960,746	\$ 1,588,978	\$ 1,461,063	\$ 3,050,041	\$ 910,705

Source: Department of Education grant database.

**Appendix B**  
**Grant Awards and Expenditures for**  
**Schools and School Districts in Sample**  
**Fiscal Years 2008 and 2009**  
(continued)

*Washoe County School District (WCSD)*

Test Grants	FY08	FY09	Total	FY08	FY09	Total	Amount
	Allocated	Allocated	Allocated	Expended	Expended	Expended	Unexpended
Bennett Elementary School	\$ 167,851	\$ 167,851	\$ 335,702	\$ 91,943	\$ 133,323	\$ 225,266	\$ 110,436
Lemmon Valley Elementary School	194,838	178,152	372,990	162,134	171,468	333,602	39,388
Silver Lake Elementary School	186,230	186,230	372,460	148,823	173,451	322,274	50,186
Taylor Elementary School	96,446	96,446	192,892	39,075	84,838	123,913	68,979
Sparks Middle School	42,004	40,763	82,767	37,005	27,349	64,354	18,413
Dropout Prevention Consortium	754,584	754,584	1,509,168	-	864,518	864,518	644,650
Total of Test Schools	\$ 1,441,953	\$ 1,424,026	\$ 2,865,979	\$ 478,980	\$ 1,454,947	\$ 1,933,927	\$ 932,052
All Other WCSD Schools	8,434,762	7,705,002	16,139,764	4,035,766	7,364,563	11,400,329	4,739,435
Total for all WCSD Schools	\$ 9,876,715	\$ 9,129,028	\$ 19,005,743	\$ 4,514,746	\$ 8,819,510	\$ 13,334,256	\$ 5,671,487

*White Pine County High School (WPSD)*

Test Grants	FY08	FY09	Total	FY08	FY09	Total	Amount
	Allocated	Allocated	Allocated	Expended	Expended	Expended	Unexpended
Norman Elementary School	\$ 193,916	\$ 191,800	\$ 385,716	\$ 179,398	\$ 202,052	\$ 381,450	\$ 4,266
White Pine County High School	135,760	135,759	271,519	135,759	79,045	214,804	56,715
Total of Test Schools	\$ 329,676	\$ 327,559	\$ 657,235	\$ 315,157	\$ 281,097	\$ 596,254	\$ 60,981
All Other WPSD Schools	569,049	433,247	1,002,296	219,700	268,933	488,633	513,663
Total for all WPSD Schools	\$ 898,725	\$ 760,806	\$ 1,659,531	\$ 534,857	\$ 550,030	\$ 1,084,887	\$ 574,644

Grand Total for Test Schools	\$ 5,542,016	\$ 4,832,710	\$ 10,374,726	\$ 3,298,733	\$ 2,553,074	\$ 5,851,807	\$ 4,522,919
Grand Total for Five Districts Tested	\$ 36,764,929	\$ 29,360,606	\$ 66,125,535	\$ 21,785,513	\$ 11,669,927	\$ 33,455,440	\$ 32,670,095

Source: Department of Education grant database.

**Appendix C**  
**Response From the Department of Education**

**KEITH W. RHEAULT**  
*Superintendent of  
Public Instruction*

**GLORIA P. DOPF**  
*Deputy Superintendent  
Instructional, Research and  
Evaluative Services*

**JAMES R. WELLS**  
*Deputy Superintendent  
Administrative and  
Fiscal Services*

**STATE OF NEVADA**



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September 10, 2010

Paul V. Townsend, Legislative Auditor  
Sedway Office Building  
401 S. Carson Street  
Carson City, Nevada 89701

Dear Mr. Townsend:

I have had the opportunity to review the Legislative Counsel Bureau (LCB) Preliminary Audit Report completed for the "Programs for Innovation and the Prevention of Remediation". Attached is the Department of Education's response to the five audit recommendations provided in the Preliminary Audit Report.

As indicated in the attached response, the Nevada Department of Education accepts all five Audit Recommendations. The Department, working in conjunction with the Commission on Educational Excellence, will develop a corrective action plan for the recommendations once the report has been presented to the Audit Subcommittee of the Legislative Commission.

The Department of Education appreciates the work of the Legislative Audit staff and the time committed in formulating the audit recommendations. Please contact me if you have any questions or need clarification to the response.

Sincerely,

A handwritten signature in blue ink that reads "Keith W. Rheault".

Keith W. Rheault, Superintendent of Public Instruction  
Nevada Department of Education

## Department of Education Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Revise policies, procedures, and controls to provide reasonable assurance that grant funds are consistently allocated based on rubric scores .....	<u>  X  </u>	<u>      </u>
2	Ensure the entire Commission determines the allocations of funding for all grants.....	<u>  X  </u>	<u>      </u>
3	Strengthen policies, procedures, and controls to ensure changes to Commission allocated funding, except those allowed through the amendment process, are reviewed and approved by the Commission in accordance with State law .....	<u>  X  </u>	<u>      </u>
4	Develop policies and procedures to complete a comprehensive reconciliation of the Account at the conclusion of the grant cycle that incorporates actual grant expenditures and other items as necessary. Policies and procedures should include follow up by staff to ensure districts return all funds due .....	<u>  X  </u>	<u>      </u>
5	<p>Continue to monitor implementation of recommendations noted in our prior report including:</p> <ul style="list-style-type: none"> <li>• Developing controls to ensure revised grant budgets include only items approved by the Commission during grant awarding process.</li> <li>• Developing controls over the proper approval of budget amendments.</li> <li>• Requiring schools and consortiums of schools to provide sufficient information to easily identify the proper authority needed for budget amendment approval.</li> <li>• Revising budget amendment forms to easily determine amendment changes and the proper authority needed for approval.</li> <li>• Consideration for revising grant periods and reporting deadlines to allow for a more accurate accounting and reporting of grant activities.</li> <li>• Strengthening controls to ensure annual financial reports are timely and accurate.</li> </ul>		



**Department of Education  
Response to Audit Recommendations  
(continued)**

<u>Recommendation Number</u>	<u>Accepted</u>	<u>Rejected</u>
<ul style="list-style-type: none"> <li>• Developing, monitoring, and reviewing controls to ensure annual financial reports include all required supplemental schedules</li> <li>• Developing controls to provide reasonable assurance that Account funds are used as approved by the Commission.</li> <li>• Distributing all grant funding by August 15th of each year. ....</li> </ul>	<u>    X    </u>	<u>          </u>
TOTALS	<u>    5    </u>	<u>    0    </u>