

(Reprinted with amendments adopted on May 26, 2005)

SECOND REPRINT

A.B. 222

ASSEMBLY BILL NO. 222—ASSEMBLYMEN CONKLIN, PARNELL, GIUNCHIGLIANI, SMITH, MANENDO, ALLEN, ANDERSON, ANGLE, BUCKLEY, CARPENTER, CHRISTENSEN, CLABORN, DENIS, GANSERT, GERHARDT, GOICOECHEA, GRADY, HARDY, HETRICK, HOGAN, HOLCOMB, HORNE, KIRKPATRICK, KOIVISTO, LESLIE, MABEY, MARVEL, MCCLAIN, MCCLEARY, MORTENSON, MUNFORD, OCEGUERA, OHRENSCHALL, PARKS, PERKINS, PIERCE, SEALE, SHERER, SIBLEY AND WEBER

MARCH 17, 2005

JOINT SPONSORS: SENATORS HORSFORD, CARE, HARDY, TOWNSEND, AMODEI, BEERS, CARLTON, CEGAVSKE, COFFIN, HECK, LEE, MCGINNESS, NOLAN, SCHNEIDER, TIFFANY, TITUS, WASHINGTON AND WIENER

Referred to Concurrent Committees on Education
and Ways and Means

SUMMARY—Requires periodic review of school districts to evaluate compliance with certain financial management principles. (BDR 34-10)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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

AN ACT relating to education; providing for the periodic review of school districts to evaluate whether the school districts are carrying out certain financial management principles; requiring the Legislative Auditor to issue a request for proposals for a qualified independent consultant to conduct the reviews; requiring the State Board of Education to select a consultant based upon the recommendations of the Legislative Auditor; requiring the establishment of an oversight committee to oversee the progress of a consultant in conducting the review of a



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school district; requiring the board of trustees of a school district that is not in compliance with the financial management principles to vote on whether to adopt a plan for corrective action recommended by a consultant; providing that certain school districts may receive an exemption from a review under certain circumstances; making an appropriation; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law requires each local government, including each school district, to
2 conduct an annual audit of its financial statements. (NRS 354.624) The Department
3 of Education must review each school district's report of the annual audit.
4 (NRS 387.304)

5 This bill requires, to the extent that money is available, selected school districts
6 to undergo a review of their financial management principles once every 6 years.

7 This bill also requires the Legislative Auditor to recommend to the Legislature
8 on or before February 1 of each odd-numbered year the school districts for review
9 in the next even-numbered year. The Legislature may, by concurrent resolution,
10 accept the recommendations of the Legislative Auditor or select other school
11 districts to review.

12 This bill prescribes the method for selecting a consultant to conduct the review
13 and the process to be used for the review. An oversight committee must be
14 established to assist the consultant and monitor his progress.

15 This bill defines the criteria for the review. The review must be based upon
16 certain management principles in the areas of financial management, facilities
17 management, personnel management, district organization, employee health plans,
18 transportation and alignment with the needs and expectations of the public. The
19 consultant may also review any other area of interest if he determines such a review
20 is warranted.

21 This bill requires the consultant to prepare a preliminary and final report. The
22 final report must be submitted to the board of trustees of the school district, the
23 State Board of Education, the Legislative Auditor and the Legislature. The board of
24 trustees of the school district must also hold a public hearing to discuss the report
25 and must vote on whether to adopt the plan for corrective action if a plan is
26 recommended by the consultant.

27 This bill requires the Legislative Auditor to review the final report and
28 determine whether the school district has successfully implemented corrective
29 action. The Legislature or a standing committee of the Legislature may also review
30 the report and conduct hearings to determine why a school district failed to carry
31 out the financial management principles or implement corrective action.

1 WHEREAS, The school districts in the State of Nevada perform
2 the important function of providing a sound public education to
3 Nevada's school children; and

4 WHEREAS, With this tremendous responsibility of providing a
5 public education, school districts must be ever vigilant in their
6 management and control of money for public schools to ensure that
7 Nevada's school children receive the highest quality of education;
8 and



1 WHEREAS, A periodic review of school districts to determine
2 whether the districts are carrying out the best financial management
3 principles would:

4 1. Encourage the increased efficiency and effectiveness of the
5 school districts and maximize the amount of money expended to
6 improve education in the classroom;

7 2. Increase the public confidence that school districts are using
8 money for public schools efficiently and wisely; and

9 3. Increase parental satisfaction with the performance of school
10 districts; now, therefore,

11
12 THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED
13 IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:
14

15 **Section 1.** Chapter 387 of NRS is hereby amended by adding
16 thereto the provisions set forth as sections 2 to 11, inclusive, of this
17 act.

18 **Sec. 2.** *As used in sections 2 to 11, inclusive, of this act,*
19 *“management principles” means the financial management*
20 *principles set forth in section 6 of this act.*

21 **Sec. 3.** *The provisions of sections 2 to 11, inclusive, of this*
22 *act apply only to the extent that money is made available by the*
23 *Legislature to carry out the provisions of those sections. The*
24 *Legislative Counsel Bureau may accept gifts, grants and other*
25 *sources of money to provide financial assistance in expanding the*
26 *number of school districts selected for reviews pursuant to sections*
27 *2 to 11, inclusive, of this act.*

28 **Sec. 4.** *1. Except as otherwise provided in section 3 of this*
29 *act, each school district must undergo a review pursuant to*
30 *sections 2 to 11, inclusive, of this act every 6 years unless the*
31 *school district is granted an exemption from a review pursuant to*
32 *section 8 or 10 of this act. The reviews must be conducted in even-*
33 *numbered years to ensure compliance with the deadlines set forth*
34 *in sections 2 to 11, inclusive, of this act.*

35 *2. To ensure compliance with subsection 1, the Legislative*
36 *Auditor shall, on or before February 1 of each odd-numbered*
37 *year, submit a written list to the Director of the Legislative*
38 *Counsel Bureau for transmission to the Legislature identifying*
39 *each school district that the Legislative Auditor recommends for*
40 *review in the next even-numbered year. The Legislature may, by*
41 *concurrent resolution, accept the recommendations of the*
42 *Legislative Auditor or revise the recommendations of the*
43 *Legislative Auditor and select each school district to be reviewed*
44 *in the next even-numbered year.*



1 3. *If a concurrent resolution is adopted pursuant to*
2 *subsection 2, the Legislative Auditor shall, on or before*
3 *September 1 after adoption of the resolution, issue a request for*
4 *proposals, in accordance with any applicable procedures of the*
5 *Legislative Counsel Bureau, for a qualified, independent*
6 *consultant to conduct a review of each school district selected for*
7 *a review. A consultant:*

8 (a) *Must be located outside this State and have previous*
9 *experience with auditing school districts or otherwise reviewing*
10 *school districts based upon the management principles;*

11 (b) *Must possess expertise and knowledge about the*
12 *management principles;*

13 (c) *Must be capable of performing the requirements of sections*
14 *2 to 11, inclusive, of this act with integrity, objectivity and*
15 *independence; and*

16 (d) *Must not be regularly engaged with or doing business with*
17 *a school district in this State.*

18 4. *The Legislative Auditor shall ensure that the request for*
19 *proposals includes, without limitation:*

20 (a) *The scope of the review, which must include an evaluation*
21 *and determination of whether the school district is successfully*
22 *carrying out the management principles;*

23 (b) *A requirement that the consultant adhere to a standardized*
24 *format for each review that it conducts, including, without*
25 *limitation, a standard and consistent format for presentation of the*
26 *data, information and results of each review; and*

27 (c) *A requirement that the consultant include on the team that*
28 *will conduct the review at least one person who has experience*
29 *with auditing school districts or otherwise reviewing school*
30 *districts in accordance with the management principles.*

31 5. *The Legislative Auditor shall review the proposals of*
32 *applicants and prepare a list of those applicants that, in the*
33 *determination of the Legislative Auditor, are the most qualified*
34 *and capable of performing the requirements of sections 2 to 11,*
35 *inclusive, of this act, with a ranking provided for each applicant.*
36 *On or before November 15, the Legislative Auditor shall submit*
37 *his list and rankings of qualified applicants to the State Board. On*
38 *or before January 1 of the even-numbered year in which the*
39 *review will be conducted, the State Board shall select a consultant*
40 *from the list submitted by the Legislative Auditor. Upon selection*
41 *by the State Board, the Legislative Counsel Bureau shall prepare a*
42 *written agreement between the Bureau and the consultant in*
43 *accordance with any applicable procedures of the Bureau. The*
44 *consultant shall commence the review of each school district*
45 *selected for a review not later than February 1.*



1 6. *The State Board is responsible for monitoring the*
2 *performance of the consultant and authorizing payments to the*
3 *consultant. Upon authorization of the State Board, the Legislative*
4 *Counsel Bureau shall make the payments to the consultant. The*
5 *oversight committee established pursuant to section 5 of this act*
6 *shall assist the State Board in monitoring the performance of the*
7 *consultant.*

8 7. *If a school district is selected for a review, the board of*
9 *trustees of the school district shall conduct a self-assessment at*
10 *least 60 days before the commencement of the review by the*
11 *consultant. The self-assessment must include a review of the areas*
12 *prescribed in subsection 2 of section 6 of this act based upon the*
13 *management principles. The results of the self-assessment must be*
14 *submitted to the Department for transmission to the consultant not*
15 *later than the date on which the review is commenced. The*
16 *consultant shall use the self-assessment in the review of the school*
17 *district.*

18 **Sec. 5. 1.** *If a school district is selected for a review, an*
19 *oversight committee must be established to assist the consultant in*
20 *the process of the review for that school district. Each oversight*
21 *committee must consist of:*

22 (a) *One member of the general public, appointed by the*
23 *Speaker of the Assembly;*

24 (b) *One member of the general public, appointed by the*
25 *Majority Leader of the Senate;*

26 (c) *One member of the State Board, appointed by the President*
27 *of the State Board;*

28 (d) *One member of the board of trustees of the school district,*
29 *appointed by the president of that board;*

30 (e) *One member of a parent-teacher association located within*
31 *the school district who has at least one child enrolled in a public*
32 *school within the district, appointed by the Governor;*

33 (f) *One representative of:*

34 (1) *The Nevada State Education Association, appointed by*
35 *the President of that Association; or*

36 (2) *At the discretion of the President of the Nevada State*
37 *Education Association, one representative of a recognized*
38 *employee organization representing licensed educational*
39 *personnel within the school district, appointed by a designated*
40 *representative of that employee organization; and*

41 (g) *One school administrator who is employed by the school*
42 *district to provide administrative service at an individual school*
43 *and not to provide service at the district level, appointed by the*
44 *President of the Nevada Association of School Administrators.*



1 2. *An oversight committee established pursuant to subsection*
2 *I shall monitor the progress of the consultant in conducting the*
3 *review in accordance with sections 2 to 11, inclusive, of this act,*
4 *including, without limitation, requesting periodic reports from the*
5 *consultant on the status of the evaluation.*

6 **Sec. 6. 1.** *Each school district selected for a review must be*
7 *evaluated to determine whether the school district is successfully*
8 *carrying out the following financial management principles:*

9 (i) *Establishes and carries out policies, procedures and*
10 *internal controls to process business transactions efficiently;*

11 (b) *Uses cost-efficient measures to assess operations on a*
12 *regular basis;*

13 (c) *Carries out measures to improve services and reduce costs;*

14 (d) *Maximizes the efficiency of money expended for public*
15 *schools and ensures that resources are safeguarded;*

16 (e) *Structures its organization and staff in a manner that*
17 *provides efficiency and excellence in the delivery of a public*
18 *education;*

19 (f) *Establishes benchmarks for productivity and performance;*

20 (g) *Makes financial planning and budgeting decisions in a*
21 *manner that is linked to the priorities of the school district,*
22 *including, without limitation, the performance of pupils;*

23 (h) *Uses options for financing debt in a manner that provides*
24 *for maximum efficiency;*

25 (i) *Invests proceeds from bonds and operating resources to*
26 *earn an appropriate and comparable rate of return; and*

27 (j) *Uses debt management and investment policies in a manner*
28 *that is representative of current market and risk profiles.*

29 2. *Each school district selected for a review must be evaluated*
30 *based upon the management principles set forth in subsection 1 in*
31 *each of the following areas:*

32 (a) *Financial management;*

33 (b) *Facilities management, including, without limitation, the*
34 *plan for funding the rebuilding of older schools and the programs*
35 *of preventative maintenance;*

36 (c) *Personnel management;*

37 (d) *District organization, including, without limitation, an*
38 *evaluation of the efficiency and cost-effectiveness of the*
39 *management structure of the school district to identify possible*
40 *measures for cost-savings;*

41 (e) *Employee health plans and health plans for retired*
42 *employees;*

43 (f) *Transportation, including, without limitation, an evaluation*
44 *of whether the school district ensures the safe and efficient*
45 *transportation of pupils;*



1 (g) Alignment with the needs and expectations of the public,
2 including, without limitation, surveys of the residents of the
3 community;

4 (h) Effective delivery of educational services and programs;
5 and

6 (i) Any other area that, in the professional judgment and
7 expertise of the consultant, warrants a review based upon the
8 management principles.

9 3. In addition to the areas required to be reviewed pursuant to
10 subsection 2, if a particular school within a school district that is
11 selected for a review receives a sum of money for the purpose of
12 providing education to pupils and the specific use of that money is
13 otherwise within the sole discretion of the school, the consultant
14 may:

15 (a) Review the manner by which decisions were made
16 concerning the use of that money;

17 (b) Review the use of that money by the school; and

18 (c) Track the expenditures made with that money.

19 ↪ The consultant shall limit the scope of his review pursuant to
20 this subsection to that particular sum of money and is not
21 authorized to review all accounts and funds at a particular school.

22 **Sec. 7. 1.** A consultant selected to perform a review of a
23 school district shall:

24 (a) Consider the results and recommendations of other audits,
25 if any, conducted by or on behalf of the school district in the
26 immediately preceding 6 years;

27 (b) Hold at least one public meeting in the county in which the
28 school district is located to explain the process of the review and to
29 obtain information from school administrators, teachers, parents
30 and guardians, pupils, members of the business community and
31 other residents of the school district concerning the operation and
32 management of the school district; and

33 (c) Supervise and oversee his employees and other persons
34 enlisted by the consultant to assist with the review.

35 2. The Department shall provide technical support and
36 expertise to the consultant during the review to ensure that the
37 objectives of the review and the requirements of sections 2 to 11,
38 inclusive, of this act are met.

39 3. Upon the request of the consultant, the Department, the
40 board of trustees of the school district, the superintendent of
41 schools of the school district and the employees of the school
42 district shall make available to the consultant all books, accounts,
43 claims, reports, vouchers, records and other information,
44 confidential or otherwise, necessary for the consultant to carry out
45 his review.



1 **4. The consultant shall:**

2 **(a) Maintain the confidentiality of all information, records and**
3 **data obtained for the purpose of carrying out the provisions of**
4 **sections 2 to 11, inclusive, of this act;**

5 **(b) Use such information, records and data only for the**
6 **purpose of carrying out the provisions of sections 2 to 11,**
7 **inclusive, of this act and for no other purposes;**

8 **(c) Require his employees and other persons enlisted by the**
9 **consultant to assist with the review to comply with the**
10 **confidentiality requirements of this subsection; and**

11 **(d) Keep or cause to be kept a complete file of copies of all**
12 **reports of reviews conducted pursuant to sections 2 to 11,**
13 **inclusive, of this act.**

14 **5. All working papers from a review conducted pursuant to**
15 **sections 2 to 11, inclusive, of this act are confidential and may be**
16 **destroyed by the consultant 8 years after the final written report of**
17 **the review is issued, except that the consultant:**

18 **(a) Shall release such working papers when subpoenaed by a**
19 **court;**

20 **(b) Shall make such working papers available to the**
21 **Legislative Auditor upon his request; and**

22 **(c) May make such working papers available for inspection by**
23 **an authorized representative of any other governmental entity for**
24 **a matter officially before him.**

25 **Sec. 8. 1. The consultant shall complete the review of a**
26 **school district within 6 months after the date on which the review**
27 **is commenced. The consultant shall prepare a final written report**
28 **of the review that:**

29 **(a) Is documented by sufficient, competent and relevant**
30 **evidence to provide a reasonable basis for the findings and**
31 **conclusions of the consultant.**

32 **(b) If the consultant determines that the school district is not**
33 **successfully carrying out the management principles in one or**
34 **more of the areas set forth in subsection 2 of section 6 of this act,**
35 **includes a plan for corrective action for the school district to carry**
36 **out successfully the management principles in each area within**
37 **2 years. The plan must:**

38 **(1) Be logically connected to and substantiated by the**
39 **results of the review;**

40 **(2) Be specific and detailed; and**

41 **(3) Identify methods for the school district to reduce its**
42 **costs and expenses.**

43 **(c) Includes the written response of the school district**
44 **prepared pursuant to subsection 2.**



1 2. The consultant shall furnish a copy of the preliminary
2 report of the review to the superintendent of schools of the school
3 district and discuss the report with the superintendent. Within 30
4 days after receipt of the preliminary report, the superintendent
5 shall, in consultation with the board of trustees of the school
6 district, prepare a written response to the preliminary report that
7 includes a statement of explanation or rebuttal of any findings
8 contained in the preliminary report. The consultant shall include
9 the written response of the school district in his final written
10 report submitted pursuant to subsection 1.

11 3. The final written report of the consultant must be
12 submitted to the board of trustees of the school district, the State
13 Board, the Legislative Auditor and the Director of the Legislative
14 Counsel Bureau for transmission to the Legislature within 60 days
15 after the review is complete.

16 4. If the consultant determines that a school district is
17 successfully carrying out the management principles for each of
18 the areas set forth in subsection 2 of section 6 of this act, the
19 school district is exempt from its next 6-year review unless the
20 Legislature subsequently determines that the conditions or
21 circumstances occurring within the school district warrant
22 another review pursuant to sections 2 to 11, inclusive, of this act.
23 If a school district is exempt pursuant to this subsection, the
24 exemption is valid for only one review and the school district must
25 undergo a review at least once every 12 years.

26 5. The preliminary report and the final report must be made
27 available to the general public.

28 **Sec. 9.** 1. Upon receipt of a final written report pursuant to
29 section 8 of this act, the board of trustees of the school district
30 shall hold a public meeting to review the findings and
31 recommendations of the consultant. The consultant or his
32 designee must be present at the meeting and available for
33 discussion and questions.

34 2. Except as otherwise provided in subsection 3, not later
35 than 90 days after the issuance of the final written report, the
36 board of trustees of the school district shall vote on whether to
37 adopt the plan for corrective action if such a plan is recommended
38 by the consultant. The superintendent of schools of the school
39 district shall provide written notice of the outcome of the vote to
40 the State Board, the Legislative Auditor and the Director of the
41 Legislative Counsel Bureau for transmission to the Legislature.
42 The board of trustees of a school district may vote to reverse a
43 decision not to adopt a plan for corrective action if sufficient time
44 remains, as determined by the board of trustees, to carry out the



1 *management principles within 2 years after the issuance of the*
2 *final report.*

3 3. *If the board of trustees of a school district does not vote on*
4 *whether to adopt a plan for corrective action within 90 days after*
5 *the issuance of the final written report, the:*

6 (a) *Superintendent of schools of the school district shall*
7 *provide written notice to the State Board, the Legislative Auditor*
8 *and the Director of the Legislative Counsel Bureau for*
9 *transmission to the Legislature;*

10 (b) *Department may assess the situation and contact the*
11 *members of the board of trustees to urge the board to take a vote;*
12 *and*

13 (c) *State Board may allow an additional 30 days for the board*
14 *of trustees to vote on the plan.*

15 4. *If the board of trustees of the school district does not vote*
16 *on a plan for corrective action or if the board of trustees votes not*
17 *to adopt a plan for corrective action, the members of the board of*
18 *trustees may be required to appear and present testimony before*
19 *the Legislature or a standing committee of the Legislature to*
20 *examine any justification of the failure of the board of trustees to*
21 *vote on the plan or to adopt the plan, as applicable.*

22 **Sec. 10. 1.** *If the board of trustees of a school district*
23 *adopts a plan for corrective action, the board of trustees of the*
24 *school district shall prepare, on or before February 1:*

25 (a) *A written progress report for submission, in the even-*
26 *numbered year after the plan is adopted, to the State Board, the*
27 *Legislative Committee on Education and the Legislative Auditor.*

28 (b) *A final written report for submission, in the odd-numbered*
29 *year after the plan is adopted, to the State Board, the Legislative*
30 *Auditor and the Director of the Legislative Counsel Bureau for*
31 *transmission to the Legislature.*

32 2. *The written progress report and the final written report*
33 *must indicate the extent to which the plan has been carried out,*
34 *the extent to which the plan has not been carried out and the*
35 *reasons for any failure to carry out the plan.*

36 3. *Upon receipt of the final written report of the school*
37 *district, the Legislative Auditor shall:*

38 (a) *Review the report and the plan for corrective action;*

39 (b) *Determine whether the school district successfully carried*
40 *out the plan for corrective action and complies with the*
41 *management principles for each of the areas set forth in*
42 *subsection 2 of section 6 of this act; and*

43 (c) *Submit a written report of his determination to the*
44 *Legislature, including a recommendation whether the school*



1 *district should be granted an exemption from its next 6-year*
2 *review.*

3 *4. The Legislature or a standing committee of the Legislature*
4 *may:*

5 *(a) Review the reports submitted pursuant to this section and*
6 *the written determination of the Legislative Auditor; and*

7 *(b) Conduct hearings to examine any justification for the*
8 *failure of a school district to carry out successfully the*
9 *management principles or to fully carry out the plan for corrective*
10 *action.*

11 *5. The Legislature may, by concurrent resolution, determine*
12 *that the school district complies with the management principles*
13 *and grant an exemption to the school district from its next 6-year*
14 *review. If a school district is exempt pursuant to this subsection,*
15 *the exemption is valid for only one review and the school district*
16 *must undergo a review at least once every 12 years.*

17 **Sec. 11. 1.** *If a school district is granted an exemption*
18 *pursuant to section 8 or 10 of this act, the board of trustees of the*
19 *school district shall provide written notice for each year that the*
20 *exemption applies which includes:*

21 *(a) A determination of whether the school district continues to*
22 *carry out the management principles; and*

23 *(b) Any changes in the policies or operations of the school*
24 *district or any other situation occurring in the school district that*
25 *do not conform to the management principles.*

26 **2.** *The written notice must be submitted on or before*
27 *January 1 to:*

28 *(a) In even-numbered years, the State Board, the Legislative*
29 *Committee on Education and the Legislative Auditor.*

30 *(b) In odd-numbered years, the State Board, the Legislative*
31 *Auditor and the Director of the Legislative Counsel Bureau for*
32 *transmission to the Legislature*

33 **Sec. 12. 1.** *There is hereby appropriated from the State*
34 *General Fund to the Legislative Counsel Bureau the sum of*
35 *\$300,000 for reviews of certain school districts in accordance with*
36 *sections 2 to 11, inclusive, of this act.*

37 **2.** *Notwithstanding the provisions of section 4 of this act to the*
38 *contrary, the Legislative Auditor shall issue a request for proposals*
39 *for reviews of school districts selected by the Legislative Auditor*
40 *after consultation with the Legislative Commission.*

41 **3.** *Each school district selected by the Legislative Auditor, in*
42 *consultation with the Legislative Commission, pursuant to*
43 *subsection 2 must undergo a review in accordance with sections 2 to*
44 *11, inclusive, of this act during the 2005-2006 interim.*



1 4. After the initial reviews, the provisions of section 4 of this
2 act regarding the selection of school districts for review apply.

3 5. Any remaining balance of the appropriation made by
4 subsection 1 must not be committed for expenditure after June 30,
5 2007, and must be reverted to the State General Fund on or before
6 September 21, 2007.

7 **Sec. 13.** This act becomes effective upon passage and
8 approval.

