

Joe Lombardo
Governor
Chairman

Craig Stevenson
Administrator
Division of Internal Audits



STATE OF NEVADA EXECUTIVE BRANCH AUDIT COMMITTEE

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Members
Stavros Anthony
Lieutenant Governor
Francisco V. Aguilar
Secretary of State
Zach Conine
State Treasurer
Andy Matthews
State Controller
Aaron D. Ford
Attorney General
Dina Babsky
Member of the Public

MEETING MINUTES

Date and Time: February 28, 2024, 1:00 PM
Location: Old Assembly Chambers of the Capitol Building
101 N. Carson Street
Carson City, Nevada 89701
Video Conference Location: Governor's Conference Room
1 Harrahs Court
Las Vegas, Nevada 89119

1. Call Meeting to Order/ Roll Call/ Remarks.

Roll call established a quorum was present:

Chair, Governor Lombardo
Lieutenant Governor Anthony
Secretary of State Aguilar
Treasurer Conine
Controller Matthews
Attorney General Ford
Public Member Babsky

- 2. Public Comment.** (The first public comment is limited to comments on items on the agenda. No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The Chair of the Executive Branch Audit Committee will impose a time limit of three minutes. Public comment may be provided in person or via telephone. To provide public comment on an item on the agenda via telephone, dial 775-321-6111 or 702-329-3435. When prompted to provide the meeting ID, please enter 486 812 006#. When the Chair opens the public comment period, dial *5 to request to be unmuted. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-0222.)

No public comment was presented for the committee's information or consideration.

3. Approval of the November 2, 2023 Meeting Minutes. **(For Action)**

Motion: Approve the November 2, 2023 Meeting Minutes
By: Attorney General Ford
2nd: Secretary of State Aguilar
Vote: Passed unanimously

4. Presentation of Audit Reports Pursuant to NRS 353A.085. (Information Only)

- A. (DIA EO 2023-005) Review of Nevada's 17 Public School Districts and the State Public Charter School Authority; Beatriz Mena-Ortiz, Executive Branch Audit Manager.

Executive Branch Audit Manager Beatriz Mena-Ortiz presented the Executive Order audit report to the committee, stating the audit focused on a review of the external, third-party audits prepared on behalf of each school district and each public charter school, and considered the scope of the audits, any findings and corrective action plans, and the extent to which they provide information sufficient to reasonably evaluate the efficiency, effectiveness, and fiscal responsibility of each school district and public charter school. The objective was to assess the sufficiency of existing audit and reporting tools for public school accountability. The audit addressed five different topics for accountability. Each chapter of the report provided analysis of the current state of the education system in Nevada, identified key challenges, and offered specific recommendations for improvement, aimed at enhancing the accountability of public education in the state.

Ms. Mena-Ortiz stated chapter one focused on the current state of public-school accountability in Nevada. Extensive data to assess public school accountability is available, however, efforts to monitor spending and achievement are not coordinated. Executive and Legislative Branch initiatives are underway to enhance accountability of the state's additional \$2.6 billion investment in education. These efforts are siloed without a clear understanding of how results will be evaluated to effect change, or which stakeholders are responsible for implementing the changes required to improve educational outcomes. Stakeholders should agree to focus policy and improvement efforts on critical performance elements, specifically reading and mathematics achievement in the early years of a student's education. Focusing on these critical performance elements in school curriculum, prioritizing funding, and assessing achievement will provide a solid foundation for improving educational outcomes. Both in the short and long terms, NDE and the SPCSA may not be sufficiently staffed to meet the reporting requirements and consolidate the results into better policy. NDE reports the challenge of retaining staff who quickly move on to more lucrative, permanent positions elsewhere.

Ms. Mena-Ortiz continued, stating the audit determined that legislation is needed to provide NDE with more robust intervention tools to support chronically low-performing schools. Statute assigns responsibility for the oversight of PK-12 public education to the Superintendent of Public Instruction. However, limited statutory authority to review, monitor, and establish timelines for underperforming schools to comply with standards is constrained by the lack of an enforcement mechanism to compel non-compliant school districts or schools to adhere to existing statutes and regulations. Ms. Mena-Ortiz then stated the Division of Internal Audits made four recommendations to enhance the effectiveness of audit and reporting tools and improve accountability: recommendation 1 is to consider legislation to establish a single unified statewide system of accountability and support within the PK-12 public education system to recommend data-driven policy solutions. Recommendation 2 is to focus policy and improvement efforts on critical performance elements. Recommendation 3 is to consider legislation to provide the Nevada Department of Education with more robust

intervention tools to support chronically low-performing schools. Lastly, recommendation 4 is to identify and prioritize areas where additional resources would support implementation of accountability, oversight, and technical assistance roles.

Ms. Mena-Ortiz began a recap of chapter two, stating the chapter focused on profile and performance data being used to inform funding decisions and improve accountability of Nevada's additional \$2.6 billion investment in public education. The compiled profile and performance data provided by Nevada's school districts and charter schools revealed that functional spending differs between urban and rural school districts and there are no discernable patterns in spending between instruction and support services in public schools. The audit also examined overall staffing ratios between instruction and support staff, and found they are relatively consistent statewide for school districts, though charter schools had a greater variability in staffing ratios. Ms. Mena-Ortiz explained this variability underscores the importance of tailored approaches to funding and resource allocation to address the unique needs and challenges faced by different types of schools. Student achievement is not necessarily dependent on the amount of money spent, although funding is a component of success. The National Assessment of Education Progress, also known as the Nation's Report Card, provides insight into investments and outcomes. Linking known data to the state's additional \$2.6 billion investment in public schools will help establish a more efficient and effective way of managing expectations and outcomes. Ms. Mena-Ortiz then stated DIA made one recommendation to improve education accountability to use profile and performance data to inform funding decisions.

Ms. Mena-Ortiz continued her presentation with a recap of chapter three, stating the chapter focused on fiscal accountability. The audit determined that fiscal accountability of Nevada's public schools can be improved and streamlined. The audit revealed gaps in compliance with statutory reporting requirements and financial data accuracy limiting transparency of public education funds. Three quarters of school districts did not comply with quarterly expenditure reporting requirements. Five counties reported in the last quarter of calendar year 2022 in response to the audit. Charter schools do not present financial statements in the same format as school districts, limiting comparability. The Charter School Audit Guide needs to be updated to provide a uniform approach to the financial statement formats and related notes. Ms. Mena-Ortiz noted NRS requires NDE to develop a uniform system of budgeting and accounting to report education revenues and expenditures in a consistent manner. However, the audit found that most school districts did not comply with these statutory public reporting requirements, highlighting a need for greater fiscal transparency and accountability. School districts are required to annually revert excess funds to the Education Stabilization Account. The requirement to revert excess funds prevents school districts from amassing large ending fund balances. The transfers to the Education Stabilization Account should be calculated pursuant to statute.

Ms. Mena-Ortiz continued, stating charter schools are not required to revert excess funds to the Education Stabilization Account, but a study of the impacts of requiring charter schools to revert excess funds should be conducted. Furthermore, the current sampling methodology for the statutory pupil count audits results in smaller school districts being held to a higher standard of accountability. A representative, statistically based sample can achieve the same level of enrollment confidence with fewer records being reviewed.

Statistical sampling would also allow for extrapolation of results to the entire population of the audited entity creating a uniform standard for enrollment accountability. As previously noted, the audit found reported financial information did not always reconcile to audited financial statements. Variances between the reported financial information and the audited financial statements can occur due to the timing of report submissions. Statutory reports are due November 1st, while audited financial statements are typically unavailable until December. A bill draft request would be necessary to change the report due date.

Ms. Mena-Ortiz then stated DIA made seven recommendations to improve fiscal accountability. Recommendation 1 is to comply with statute for public reporting requirements. Recommendation 2 is to update statute to expand acceptable public notice platforms. Recommendation 3 is to reconcile financial reports. Recommendation 4 is to study the impact of requiring charter schools to revert excess funds to the Education Stabilization Account as school districts are required to do. Recommendation 5 is to clarify requirements in the Charter School Audit Guide for financial statement preparation. Recommendation 6 is to apply statistical sampling and, if determined allowable and applicable, extrapolation methodologies to the pupil count process, and assess the impact of extrapolation. Lastly, Recommendation 7, is to request a bill draft to change the due date for the submission of the 387 Reports for school districts and charter schools, and the due date for compilation and submission of the 387 Report to the Office of Finance and the Legislative Counsel Bureau.

Ms. Mena-Ortiz then began a recap of chapter four, stating the chapter focused on instructional accountability, which is critical to ensure the effectiveness of education programs, particularly those aimed at early literacy and support for students with disabilities. The audit examined the implementation and outcomes of key programs like Read by Grade 3, emphasizing the importance of adhering to statutory guidelines and evaluating program goals. Despite efforts to improve literacy and support for students with disabilities, challenges remain in achieving desired outcomes, suggesting a need for continued focus on instructional effectiveness, and the development of strategies to enhance student learning. Third grade reading proficiency is the greatest predictor of future academic success. Nevada enacted Read by Grade 3 legislation in 2015, and the program has evolved since, to include more specific retention and monitoring guidelines. Students at or below the 40th percentile on the MAP growth reading assessment are at risk of being retained in the third grade. Ms. Mena-Ortiz explained there are multiple assessments used to evaluate Read by Grade 3 effectiveness. The audit found the Read by Grade 3 program is underperforming statewide. School district Read by Grade 3 scores are lower than the state goal and have declined since the 2018-2019 school year. The audit noted that the COVID-19 Pandemic continues to impact student learning, and underperforming school districts have not made major improvements. Charter school Read by Grade 3 scores are higher than school district scores but have also declined since the 2018-2019 school year. Additionally, the audit found Nevada's Read by Grade 3 goal may not be adequate. A higher goal would align Nevada with other states. Nevada's goal is for 43.3% of third graders to read at grade level in 2025. However, schools are considered successful if they increase their score by 5% annually.

Ms. Mena-Ortiz continued, stating monitoring is required for students performing below grade level and NDE is tasked with reviewing literacy plans to achieve the grade level reading proficiency goal. While literacy specialists are required in each elementary school, teacher shortages impact the ability to meet this requirement. Statute needs to be updated to allow NDE to hire literacy specialists to coordinate Read by Grade 3 efforts and train licensed teachers performing literacy specialist roles in individual schools.

Lastly, the audit also addressed the Nevada Individuals with Disabilities Education Act program, referred to as the IDEA program. The US Department of Education (DOE) has determined the Nevada IDEA program “Needs Assistance” for the last three years. The strategy to improve outcomes using federal technical assistance has not been revised despite the repeated “Needs Assistance” determinations. Failure to improve the program could result in DOE imposing more restrictive measures to include directing the use of state funds to specific areas. Ms. Mena-Ortiz then stated that DIA made five recommendations to improve instructional accountability: recommendation 1, is to adhere to statutory intent for Read by Grade 3 implementation guidelines. Recommendation 2 is to evaluate the adequacy of the Read by Grade 3 goal. Recommendation 3 is to ensure all school districts comply with Read by Grade 3 reporting requirements. Recommendation 4 is to update statute to allow NDE to hire literacy specialists to coordinate Read by Grade 3 efforts and train at school-level. Lastly, recommendation 5, is to revise the strategy for implementing an effective Individuals with Disabilities Education Act program.

Ms. Mena-Ortiz continued her presentation with a recap of chapter five, stating the chapter focused on support services, specifically school food and nutrition outcomes during the COVID-19 pandemic. Expanding participation in the Community Eligibility Provision (CEP) of the National School Lunch Program and School Breakfast Program and improving training and reporting will enhance nutrition outcomes for Nevada students. Federal funds are available to cover some or all the costs of student meals served in Nevada schools that participate in CEP, without the need to collect individual meal applications. Participating in CEP reduces paperwork and costs associated with administering school meals and maximizes federal meal reimbursements. Ms. Mena-Ortiz noted the USDA allows groupings of multiple schools to jointly qualify for CEP. Clark County School District grouped all schools within the district in order to qualify all schools for CEP and reports that the district has a high enough average Identified Student Percentage to receive enough federal reimbursement funds to cover the actual cost of the meals served district-wide. Schools without a high enough Identified Student Percentage, which are students eligible for free meals based on family income, will not qualify for CEP. However, the federal threshold to participate in CEP was lowered from 40% to 25% in October 2023, meaning more Nevada schools are now likely eligible to qualify for CEP. Approximately 25% of public schools in Nevada do not participate in CEP. Access to school meals at no cost to students has been shown to reduce child food insecurity, eliminate social stigma associated with free meals, and benefit families most in need.

Local decision makers should consider all options to address the meal gap that will exist when state-directed ARPA funding for free school meals ends July of this year. Ms. Mena-Ortiz continued stating lastly, the audit noted some instances of school meal standards violations, such as too much sodium or too many calories in meals, indicating a need for

improved training. The audit also noted instances of food temperature and safety violations, such as leaving milk out too long. All violations were promptly remediated, validating the effectiveness of the Nevada Department of Agriculture's administrative reviews of food operations. DIA made two recommendations to improve support services accountability. Recommendation 1 is to expand participation in the Community Eligibility Provision of the National School Lunch Program and School Breakfast Program. Recommendation 2 is to improve support services training and reporting. Ms. Mena-Ortiz concluded her presentation by thanking NDE, SPCSA, and NDA management and staff for their time and input throughout the audit. She introduced NDE Deputy Superintendent Ann Marie Dickson, SPCSA Executive Director Melissa Mackedon, and NDA Director J.J. Goicoechea, then stated DIA would be happy to answer any questions the committee had.

Governor Lombardo thanked Ms. Mena-Ortiz for the presentation and asked whether any committee members had any questions of Ms. Mena-Ortiz and agenda item 4A.

Attorney General Ford responded, thanking the Governor and thanking Ms. Mena-Ortiz for the report. Attorney General Ford recalled he had asked whether this accountability assessment considered a very specific statute made applicable in 2015, then reaffirmed in 2017, at least for Clark County School district. He then specified these were Assembly Bill 394 and Assembly Bill 469 that deal with school organizational teams or breaking the district down into precincts. Attorney General Ford inquired if there was an analysis done as to the efficacy of that particular bill and the compliance and the accountability issues associated with it. He pointed out this is a big and dense report and that he was going to ask the Governor for indulgence, and to bring the report back for further discussion so the committee can spend some more time reviewing it. Attorney General Ford stated he did not recall seeing anything in the report about CCSD's compliance with, or the success of, either of these bills, and wondered if DIA could speak to that.

Administrator Stevenson thanked Attorney General Ford for the question and stated DIA did not address that in this audit report. He further elaborated the SOT and the Clark County School District issue being referred to did not make it into the audit report. Attorney General Ford then asked if there was an explanation as to why not. He stated he found it difficult to understand how an audit looking at accountability would not consider a statute that was specifically designed to increase accountability for Clark County School District. Administrator Stevenson explained this audit was based on the Governor's Executive Order, and it reviewed audits and reports that were submitted on behalf of school districts and the SPCSA, so that was not part of the scope of this audit. Attorney General Ford asked if Administrator Stevenson knew whether the information was requested of CCSD. Administrator Stevenson stated it was not requested.

Treasurer Conine asked if he could start with chapter one and then go from there. Governor Lombardo replied in the affirmative. Treasurer Conine began by stating thank you for the opportunity and thanks for the robustness of the report. He stated he wanted to start with recommendation 1.3, consider legislation to provide the Nevada Department of Education with more robust intervention tools. Reading a page of the report, he indicated he was specifically looking at the federal survey of states that show consistent intervention policies, which is on page 21 of the packet, within our system of government with local school district

control. Treasurer Conine made clear he understands the charter school authority is a different entity, then asked which of these things within the non-charter public school system are we actually going to be able to give, legislatively, power to the Department of Education to do.

Administrator Stevenson thanked Treasurer Conine for the question, then began explaining legislation would need to address what NDE lacks right now, which is the tools and the people to implement this change, and right now local school boards have a significant level of autonomy when it comes to funding decisions. The Superintendent of Public Instruction is limited to what she is able to enforce at the local level. He continued, explaining chapter one really speaks to the lack of that coordinated effort, and it may be that policymakers consider the State Board of Education as the agency that spearheads this, but in either event, NDE essentially needs the tools and the people to be able to effect these changes envisioned in the audit report.

Treasurer Conine acknowledged the need for tools and the resources, then asked whether, from a legal control perspective, the recommendation would be for legislation to remove that control from the local school districts and give it to NDE, or to simply give NDE more resources to be effective if and when the school district asked for them. He stated his question here is, can the state impose these things on the local school boards if, for whatever reason, they do not want the help. Administrator Stevenson responded by stating it will require a legislative change that really is going to be up to policy makers if they want to try to move that authority up to the state level and how they are going to do that. Treasurer Conine thanked Administrator Stevenson and stated he did not have any other questions on chapter one.

Attorney General Ford indicated he wanted to go back to recommendation 1.1, which is the recommendation to consider legislation to establish a single unified statewide system of accountability and support within the PK-12 public education system to recommend data driven policy solutions. He then stated obviously, there will be multiple actors in all of this and he thinks the contention is that it has led to a lack of coordination. He asked DIA how they would contemplate coordination given all the multiple actors that are responsible for public education at the state and local levels. Administrator Stevenson apologized to Attorney General Ford, stating he did not hear the last part of that question. Attorney General Ford then stated he wondered if DIA had any ideas or suggestions on how to coordinate, pursuant to recommendation 1.1, given all the multiple actors that are responsible for public education at the state and local levels. He asked how all of that work would be coordinated into this unified statewide system of accountability.

Administrator Stevenson responded, stating the question would be best answered by the Department of Education. He added the audit envisioned an entity such as the State Board of Education to make that determination. Administrator Stevenson then requested representatives from NDE, SPCSA, and NDA head to the table for public comment. Governor Lombardo asked Administrator Stevenson to have those representatives remain available, indicating there would be several more questions for them.

Attorney General Ford stated an overarching question he would have is the basis of the recommendations. He asked with whom DIA was consulting, adding he was not directing the question to Administrator Stevenson in particular, but others who, as DIA audited, as a performance audit to determine what the recommendations would be, which educators, professionals, or academicians are involved in that discussion process. He continued further, asking who did DIA get these recommendations from or are they all internally driven.

Administrator Stevenson replied, stating the recommendations are internally driven, independent recommendations that DIA made. He added DIA did, however, consult with the stakeholders, NDE, SPCSA, and the Department of Agriculture, to achieve some consensus on the recommendations. DIA believes all of the recommendations are implementable and they are not pie in the sky ideas, but DIA did consult with leadership of those agencies.

Attorney General Ford asked whether he should repeat his question for the agency representatives who were now prepared to answer questions. Megan Peterson, Deputy Superintendent of the Student Investment Division, Department of Education, asked Attorney General Ford if he could please restate the question. Attorney General Ford stated he would, then continued, stating the background is in 1.1, where the suggestion is that a single unified statewide system of accountability is established. He pointed to all the multiple actors responsible for education, then asked Ms. Peterson how she foresees coordinating these multiple actors that are responsible for public education at the state and local levels in order to accomplish this particular recommendation.

Ms. Peterson stated AB 400 provided specific parameters to the Commission on School Funding to evaluate, not only accountability, but linking it to funding within the Pupil Centered Funding Plan. Within the Commission, we have members of not only the school district CFOs, the school district superintendent, charter school representation, but also members of the community who are engaging in these conversations and working with community partners to evaluate what systems we have and how to improve them. She continued, stating we are also currently contracted with WestEd and Augenblick, Palaich and Associates, to do a crosswalk of the existing reporting requirements, accountability frameworks, and to assist us with identifying a streamlined version to implement that should clear and help decongest the room. She finished her response by stating that way we can invest more wisely in providing these intervention tools.

Attorney General Ford thanked Ms. Peterson and acknowledged her quick response. He stated it sounds like she had a template that could be utilized or adjusted in order to accomplish the recommendation, which he thinks is great. Attorney General Ford then mentioned he had read an article in what he believed was the Harvard Business Journal that asked the question why is it tough for big groups to make decisions. He stated the article gave us some strategies on how to do that, but it sounds like you have a template at least under AB 400 that might lend itself to some amendments, so to speak, in order to accomplish this. He finished by stating he appreciated the thoughtful response on that and thanked Ms. Peterson.

Lieutenant Governor Anthony stated he wanted to commend DIA for an outstanding report. He noted it was going to take some time to get through all of the information, before further

pointing out the report is 146 pages with a lot of very critical and specific information. He then added the people that put the report together did a great job. Lieutenant Governor Anthony continued, stating there is a lot of information here to determine policy in the future, which was going to take months and months to look through, which obviously was not going to happen today. Lieutenant Governor Anthony stated his question is who do we send this report to. He acknowledged this was the first reading today here at this committee, then stressed the report needs to be distributed statewide to legislators, school boards, non-profits, and anybody that has any kind of stake in education so that they could look at it, read it, and find out what is important to them. He continued, stating those recipients could then contact the Governor's office, Lieutenant Governor's office, any of the committee members' offices, and legislators to say that this piece of information that the audit committee put together is critical to education and to request that said representatives look into it, whether it be legislation or other means. Lieutenant Governor Anthony then asked DIA who the report is distributed to and whether that distribution level could be increased.

Administrator Stevenson responded, stating pursuant to statute, the report was only distributed to committee members and the stakeholders listed in the audit, such as NDA, SPCSA and NDE, prior to this public meeting. He then acknowledged there have been multiple requests for a copy of the report, specifically from Washoe County School District and Clark County School District, and that everybody that requested a copy will be emailed one after this meeting. He then pointed out that DIA's audit reports are available to the public on DIA's website. Administrator Stevenson finished his response by stating that, in terms of distribution outside of that process, he would be happy to look into getting copies distributed to the sort of overarching number of stakeholders that Lieutenant Governor Anthony had mentioned.

Lieutenant Governor Anthony stressed his belief the distribution effort would be important because people do not look at something that is posted somewhere. He stated people will click on the report if it gets into their email inbox. He continued, requesting Administrator Stevenson put his head together with everybody on his staff, and take a look at who should get the report and send it to them. He pointed out it does not cost anything to send an email, which needs to be done so the recipients can click on it, look at it, and see how important it is. Lieutenant Governor Anthony finished by thanking Administrator Stevenson for doing that.

Controller Matthews stated he had a question, then drew attention to page six of the report. He stated he was going to quote from it, then continued, stating down at the bottom, it says local education leaders are reportedly unsure how they are expected to implement strategies from state initiatives to improve performance. Local leaders are looking to the state for guidance. Controller Matthews then stated he knows there has been talk about sort of some of the long-term steps and some of the efforts to address some of these concerns and he is wondering what is being done in the short-term to provide that needed clarity. He asked what kind of guidance can or will the state provide on that front.

Administrator Stevenson responded, stating NDE reports that it provides technical support to local educational leaders on an ongoing basis. He noted NDE had reported to him they will be hosting a presentation with district superintendents on March 7th, which is intended

to provide some clarity on expectations moving forward, and so that is the route that the Superintendent of Public Instruction is taking on that.

Governor Lombardo asked if there were any other questions on chapter 1, then surmised questions on each chapter were going to be taken individually. He noted he had no questions on chapter 1 before opening the opportunity for questions on chapter 2. He then stated he had a question before stating he found it a little disturbing that the audit says the \$2.6 billion put into the education program for the State of Nevada is a waste of money, for lack of better term. He continued, pointing out it was said the ratio determination is the biggest determinant of success of students on teachers versus students. He asked whether money would be part of the solution to the ratio and whether anybody had an opinion on that. Governor Lombardo finished by stating he did not know if Ms. Peterson or Administrator Stevenson had an opinion on that.

Administrator Stevenson stated he did, then noted he should be careful about how he worded this. He proceeded, explaining the audit found general fund investments in education do not necessarily correlate to higher achievement. That is not to say that more money invested does not necessarily lead to better outcomes. It really has to do with how you invest that money. Administrator Stevenson noted in Nevada, our school districts are outperforming other school districts, and he thinks it would be more fair to summarize this situation as our school districts are doing much more with less. Looking at the results, they are on par with other school districts around the nation. He continued, stating he was not saying that increased funding does not lead to better outcomes, but he is saying that the audit found there is not a very strong correlation of just throwing dollars at a problem and seeing results. DIA found, generally, those dollars are better targeted towards certain things such as literacy specialists, one-on-one instructional support, and things of that nature. An increased investment certainly does affect outcomes, but how that money is invested is much more important. Administrator Stevenson stated the abstract on class size is that a great teacher with 35 kids is more effective than a poor teacher with 20 kids. He then finished his response by stating DIA found quality was the most important factor. Governor Lombardo thanked Administrator Stevenson for the explanation.

Attorney General Ford stated he would be keeping on the same trend of thought, noting it goes back to his earlier question about who was providing input relative to the recommendations, and it also speaks to a question of the methodology and the analysis here. He stated he would wonder how DIA concluded on page 53 that greater expenditures do not mean higher achievement rankings, before pointing out three pages later in the report, DIA argues that graduation rates mostly aligned with investment in education. He stated graduation rates do not mean achievement necessarily from the comprehension perspective, but he sees those as somewhat contradictory. He continued, stating he would wonder how the report juxtaposes these statements, and again going to this notion of the number itself means nothing. Attorney General Ford finished by stating most folks can agree it is the allocation of the money that matters, but he thinks a blanket statement like greater expenditures do not mean higher achievement rankings is a bit misleading, especially as he indicated the contradiction a couple of pages later about graduation rates.

Administrator Stevenson thanked Attorney General Ford for the question, then stated graduation rates do correlate much more closely. He noted there is a big caveat with graduation rates, which is that the graduation rates DIA looked at in other states have different requirements for graduation. He provided an example, stating some states require more credit hours to get a diploma or a certain type of diploma. Administrator Stevenson made clear this was not to undermine the point Attorney General Ford was making and that he was not sure how much more he could speak to that point, before stating DIA did in fact see a closer correlation when it came to graduation rates, as opposed to something like the NAEP scores.

Attorney General Ford stated he guessed it begs the question of how competent our graduates are, if graduation rates do not by themselves demonstrate academic achievement, then we have a problem. He asked Administrator Stevenson if he understood what he was saying, before then stating, on the one hand, DIA is saying it does not show higher achievement, but we have higher graduation rates, and they should be linked, it seems to him almost in a parallel. Administrator Stevenson stated he understood the question, then stated perhaps someone from NDE would have an opinion on it and he could not speak much more to the point. He pointed out that while there is correlation with graduation rates, there is a stronger correlation with certain things like NAEP scores, which was really the extent to which he could answer the question at this time. Administrator Stevenson stated he would be happy to get back to Attorney General Ford with more information, which would include the research DIA did and the comparisons made with other states. He finished by stating DIA just looked at those outcomes and what they were spending.

Attorney General Ford stated he had a different line of questioning. Quoting page 58 of the report, he stated Miami-Dade School District may be a good resource for CCSD in determining how to best direct this portion of Nevada's 2.6 billion investment in education. He then asked how Miami-Dade is picked as comparable to CCSD. Administrator Stevenson explained Miami-Dade and all of the other school districts were picked based on their student population size and they were selected because they had similar demographics.

Attorney General Ford asked if that was an internal selection or whether, for example, it was from CCSD. Elaborating, he asked if CCSD suggested they be compared to Miami-Dade or if the auditing team decided it was the best comparable district. Administrator Stevenson stated that was a decision by the audit team. Attorney General Ford stated that was all he had for now.

Controller Matthews stated he had a couple questions. He indicated he would be kind of staying on this topic because that line from page 60 really jumped off the page for him. Reading from the report, Controller Matthews then stated the audit found no direct correlation between student achievement and funding. He then stated, for him, the obvious question is how can we measure the impact of this additional \$2.6 billion in funding. He asked how we will know whether any change in student achievement in the aftermath of this funding is causal as opposed to merely coincidental if there is no established correlation between student achievement and funding. He then asked how could we know that, absent that established correlation.

Administrator Stevenson thanked Controller Matthews for the question. He then explained, in terms of the causal relationship, it was something much different than a simple comparison, and it would be a deeper dive into that to determine a causal relationship. He continued, stating the overarching idea within chapter one and two of the report is there are some accountability measures in place, and there are certain commissions around the state that look at accountability and look at how funds are being used. Administrator Stevenson conceded there is not a single unified commission or blue-ribbon panel or entity that could identify the results and outcomes based on the money spent or determine what adjustments need to be made to achieve the desired results and outcomes. He finished his response by expressing his belief that what chapter one and two envisioned was that type of committee or commission panel to make that determination.

Controller Matthews stated this gets back to the preceding page on class size and he would quote from the report under the heading class size matters for both teachers and students. Reading from the report, he stated it says there are benefits to having a smaller class size. He then stated he wanted to explore that a little bit, before pointing out there are some benefits that are listed in the report. He surmised the examples of increased personal attention for students and lower workload for teachers are certainly intuitive enough. He then asked if any quantifiable, measurable benefits of smaller class sizes could be established. For instance, a correlation between smaller class sizes and increased student achievement as measured by something in the nature of test scores.

Administrator Stevenson thanked Controller Matthews for the question, then proceeded to explain the audit report considered student teacher ratios, which is a proxy to class size, and DIA does have some data in the report on that. He stated the problem with class size is there is a body of research showing it does not directly correlate. There are some indirect benefits and education leaders have communicated a lot of those sort of intangible benefits of smaller class sizes. Research done in Florida and Minnesota, as an example, shows the outcome of a one student per class reduction was slightly worse in Florida, while it was slightly better in Minnesota, but the improvement was not statistically significant and does not establish a causal relationship. Administrator Stevenson continued, stating when it comes to class size, it is very difficult to establish a direct correlation between smaller class sizes and better outcomes. He believes it is intuitive, but DIA simply does not have the research to support it. Controller Matthews thanked Administrator Stevenson and stated was all he had for now.

Secretary of State Aguilar pointed out DIA's recommendation, based on the statements in report, is that the Governor or the Legislature predefine where the money is being spent, if the Governor or the Legislature is considering allocating additional revenue to the school system. He then asked if DIA was saying that giving the school districts a blank check of \$2.6 billion is not going to move the needle. He continued, asking if that was because they are going to make investments that may not be the priority of the state.

Administrator Stevenson replied, stating he was not sure he understood the question. He stated he believes it will move the needle and it is a matter of what efforts are taken to make sure the needle is moving, and how the outcomes can be measured. He stated he does not think the audit report is saying the \$2.6 billion historic investment in education will not move the needle. He continued, stating he thinks the audit report says we need to make sure we

are targeting the investment towards certain things, such as critical performance elements, which are reading and mathematics. For example, reading proficiency is very closely correlated to future academic success. If you fall behind in 3rd grade reading, then you are going to fall behind in 4th grade reading. When math problems are written out and you do not know how to read, you are going to fall even further behind. Administrator Stevenson asked Secretary of State Aguilar if that answered the question. Secretary of State Aguilar confirmed it did and he was just confused and wanted to make sure he clearly understood what the intent was. Secretary of State Aguilar thanked Administrator Stevenson.

Attorney General Ford stressed to Administrator Stevenson he appreciates the work that has been done and he did not want to sound critical, but he wanted to be clear on the applicability of the report to policy makers. He stated he was looking back at appendix A, which is the scope, methodology and acknowledgements of this audit, then stated he did not see mentions, for example, of regression analysis or qualitative or quantitative assessments. Attorney General Ford pointed out these are interviews and reviews of already done audits, before stating it was a summary of sorts with suggestions that have come, not from extensive communication with educators or people who are academicians in the field. He stated he thinks it is important to talk about that. He continued, stating he is a former educator, PhD in Education, two master's degrees in education, he has taught school, and understanding the importance of class size, for example, is more than intuitive – It is actual – to be sure, it does matter, whatever teacher you have. Attorney General Ford noted he was a good teacher, teacher of the year to be clear, before stating he wants to make it a point to note that as much as there is a body of research that may counter this notion that money does not make a difference, there is more of an amount of opposite research saying otherwise – that funding education does improve academic achievement. He continued, stating if we need to get literacy experts in to come and help with Read by Grade 3, that would be extra money directed toward a particular function or feature. We have to be very careful with blanket statements like we have in the support because they will very well be plucked out of the support, placed in a headline, and utilized in a way that is not intended by DIA's own admission, by the support. I think it is important we note that. He then stated he guessed he had more of a comment than a question, although he had plenty more questions, and he was going to turn the mic back and ask questions a little later. Attorney General Ford finished by stating he thought it was important to note that out loud as you continue to have this conversation.

Treasurer Conine pointed out this audit obviously came about through the Governor's Executive Order, which had a kind of specific scope of things to look at, and DIA was looking at other audits. He asked Administrator Stevenson whether he was aware of other states that have set a better target, and a better rubric for understanding how money can lead to better outcomes. He continued, asking if someone was doing this well. Treasurer Conine stated what is in the report is not the national report card and we do not see a lot of correlations. He then pointed out we are 47th in education, which theoretically means 46 states have figured out something a little bit more than we have. Treasurer Conine finished by asking whether DIA or NDE already knows where to go on this one or whether another audit is needed or another conversation about what our best practices are so that someone could implement them.

Administrator Stevenson responded, stating specifically looking at that may call for another audit. He stated DIA points to the State of Louisiana as an example of a state that was successful in sort of turning around their education through targeted investments, before stating perhaps NDE knows of other states that might be a better example. Treasurer Conine declared Administrator Stevenson may have just bought himself some extra work, but the committee would apologize for that later. Administrator Stevenson replied he was happy to do it.

Governor Lombardo asked if either Administrator Stevenson or Ms. Peterson envisioned the Commission on School Funding and Accountability possibly bringing answers to the questions that Treasurer Conine asked to the table. Ms. Peterson responded, stating this is work the Commission on School Funding is currently evaluating in working with WestEd and Augenblick, Palaich and Associates. She continued, stating they are also working on an impact analysis to determine what effect the investment is having, they are looking at short term deliverables in terms of what teacher retention looked like or similar metrics that might indicate the results of the investment, even if there was not a direct correlation to an improvement in outcomes because of the timing of proficiency exams or other similar indicators. She reiterated this is work the Commission on School Funding is currently undertaking and reviewing.

Governor Lombardo thanked Ms. Peterson and asked if any members had any other questions on chapter two. Controller Matthews stated he had one final question on the chapter, then surmised he may know the answer, but just wants to get some clarity. He pointed to a table on page 27 showing a breakdown on spending on instruction versus support basis in terms of percentage by school district, which he appreciates and considers helpful and valuable. He then stated it sounded like he agreed with DIA's earlier comments that we do not know what impact the new funding of \$2.6 billion is going to have on those ratios, how it may increase support percentages for these counties relative to instruction. He then asked for confirmation that it was premature to have that answer.

Administrator Stevenson replied it would be a little premature to know the answer because it would be based off budget and expenditures at this point in time, but DIA could conduct that analysis once the 387 reports are submitted and use actuals, which would be comparable to what DIA did in the audit report. Controller Matthew stated he thought that would be great to see. He then thanked Administrator Steven and stated was all he had.

Governor Lombardo stated we would move on to chapter 3 and asked whether any members had questions on the chapter. Ms. Babsky stated she had a question regarding recommendation 3.4 on having charter schools revert excess funds. She asked why would charter schools have excess funds if they are paid on per pupil basis, before also asking should not the schools be spending all the funds for the academic year.

Administrator Stevenson stated he took Ms. Babsky's point that charter schools should be spending all that money on pupils, then proceeded to explain that charter schools do not have the same access to bond funding. They are allowed to build a reserve to use for things such as building a new charter school, expanding classroom sizes, or adding a new classroom. He stated that the charter schools can use the reserves to fund these costs. He

continued, stating that the idea is to use today's funding on today's students. It then may be a concern if those balances were starting to grow a little too much or get a little too high, which would indicate that today's dollars are not being spent on today's students. But again, charter schools do not have access to bond funding or an alternative mechanism, and so they really rely on the reserve. Administrator Stevenson continued, stating this was the reason DIA phrased this recommendation as to study the impact of that, and that DIA would want the State Public Charter School Authority involved in that discussion, but the recommendation at this point is simply just to look into this a little bit further. He finished by pointing out that school districts revert excess funds to the Education Stabilization Account, but not charter schools.

Reading recommendation 3.4 in the report, Secretary of State Aguilar stated school districts revert extra funds back because they do receive facilities funding and they receive transportation funding, but charter schools do not receive those types of funding. So sometimes in order to make sure they meet their expectations and their bills and their commitments, they have to build resources and savings into their overall budget. Secretary of State Aguilar then stated just because school districts are required to do it, does not mean charter schools should meet the same level of expectation when the rules are different.

Administrator Stevenson stated he understood Secretary of State Aguilar's point and that they are two different things. He then stated that was why he was taking the opportunity to clarify that – that they do not have the same access to that funding, which is a very valid reason, and that really needs to be part of this study that is conducted. He then stated Secretary of State Aguilar was absolutely right, that the reason for this is not just because school districts have to do it, but because there are other factors involved.

Attorney General Ford stated he did not think he saw a reference to the new law that the Governor signed related to transportation for charter schools, which, as an example, would demonstrate there may be less of a need going forward based on the new law. He then stated he understands there are different requirements, acknowledging Secretary of State Aguilar's point. Continuing, he indicated he had a question beyond that, before stating recommendation 3.1 caught his attention, regarding lack of compliance with statutes for public reporting requirements. He stated as he looks at the chart, 3.2, on page 64, it appears there have only been four counties that have consistently complied with this – Clark, Humboldt, Nye, and Washoe. He pointed out that all others gave DIA a quarterly ending report, which he suspects is because they were told DIA was getting ready to do a report. Attorney General Ford stated he thinks it is important to note that, at least according to page 63 of the report, compliance with the statutory requirement is not monitored. He then asked who is supposed to monitor it, while acknowledging Administrator Stevenson may not know.

Administrator Stevenson thanked Attorney General Ford for the question and stated Attorney General Ford was absolutely right regarding his first point. The districts shown in green on page 64 were just for the last quarter, which was probably the result of DIA asking for their quarterly submissions when the audit was started. Administrator Stevenson then stated in order to answer the second part of Attorney General Ford's question, the Nevada Department of Education is leading the effort to ensure compliance with these requirements. He was told by the Superintendent of Public Instruction that the mechanism in place to

increase compliance is that NDE is reaching out to those counties to say we did not get your quarterly report that was due, and those counties will then submit the report. Attorney General Ford stated he certainly hopes we see a better response going forward.

Pointing out that he was building off Attorney General Ford's question, Governor Lombardo asked if the Department of Education needs a hammer available to them, a negative sanction available, to the non-compliant schools. Administrator Stevenson thanked Governor Lombardo and stated in general, they do need a hammer. He stated they have the authority to sort of do a lot of monitoring and can compel a local board of education to submit a corrective action plan, for example, but they do not have a hammer. He pointed out that some of the intervention tools discussed in chapter one were really what DIA was referring to, before stating the Department of Education should be given the authority to enforce these things, in contrast to currently having no impact if a local board of education fails to adhere to their letter of corrective action.

Attorney General Ford stated he believes it is important for the public to know we are talking about a required report regarding public school expenditures on a quarterly basis and districts are not complying. He pointed out that those that do comply, at least Clark and Washoe, are always in the news. They comply and they get beat up. He continued, stating he believed it was important to note there is no mention of the public-school expenditures from the schools who are not complying at all. He finished by stating he hopes NDE is able to receive some level of what he thinks the governor called a negative sanction to be able to require compliance with this particular statute.

Governor Lombardo asked if there were any further questions on chapter 3. Treasurer Conine indicated he had an extension of what was being discussed, stating we have seen this before: where a district, not just a school district, but an agency will say, hey, I did not know that there was a new law here, or I thought that this law had gone away so I have not been complying with it, and they just sort of say sorry. He pointed out this was dealt with when the school districts were not complying with requirements to provide certain supplies and facilities in the school district. Treasurer Conine asked if NDE needs additional staffing, then asked whose role and responsibility it is at the state level to ensure people are compliant with new laws. He pointed out we just keep finding times they are not complying. He finished by asking whose responsibility is that and how can we try to improve compliance.

Administrator Stevenson thanked Treasurer Conine for the question and stated NDE does need more staffing if they want to accomplish the multiple new regulations. He stated there are some new laws that are impacting them and the monitoring that they are doing, and that DIA does point out in the audit report NDE would need more staffing to accomplish that mission, specifically staff support for the State Board of Education. He finished by stating DIA noted that was important and DIA believes NDE would need additional staffing to accomplish their mission.

Governor Lombardo moved on to chapter 4 and asked if there were any questions on the chapter. Controller Matthews indicated he had a question regarding Read by Grade 3, and pulled out some language from the executive summary page. Reading the executive summary, he stated some students are at risk of being retained in the third grade, although

multiple good cause exemptions may apply that mitigate the risk. He stated he was sort of intrigued by the framing of that because it sort of suggests that the risk is that students may be retained in the third grade. He then stated he would argue the very existence of the program is based on the recognition that the greater risk is students will be promoted out of the third grade without having attained the necessary literacy proficiency. Continuing, he stated just the way this is framed sort of sounds like we are focused more on mitigating the wrong risk. Controller Matthews then asked what some of these good cause exemptions are, before also asking, in other words, under what circumstances might we take a student who has not attained the necessary literacy proficiency level, and nonetheless promote him or her on to the next grade.

Administrator Stevenson thanked Controller Matthews for the question and proceeded to explain good cause exemptions would include a student demonstrating an acceptable level of proficiency in reading on an alternative standardized reading assessment approved by the State Board of Education. There can be a review of the portfolio of a student's work demonstrating proficiency in reading at grade level. Another exemption is if the student is an English language learner and has received not less than two years of instruction in a program that teaches English as a second language, that could be an exemption. He continued, stating there are other exemptions, but he would say the last kind of meaningful one is if the student received remediation in the subject area of reading for two or more years, but they still demonstrated deficiency in reading, they could receive an exemption. If they were previously retained for two years or more, they would be allowed to move forward, which would keep somebody three years older that would be in six or seventh grade from being held back to third grade.

Controller Matthews stated he had a quick follow-up and thanked Administrator Stevenson. He stated most of those examples sounded like alternative steps the student can take in order to demonstrate steps toward proficiency in lieu of the typical path, before then stating he wanted to make sure he understood the last example correctly. Controller Matthews continued, stating it sounded like one of the sets of circumstances under which a student might be promoted would be if the student had been held back previously, regardless of current achievement. He made clear he understood what Administrator Stevenson was saying, pointing out one would not want a 15-year-old in the third grade, before then stating it sounded as though that alone, the fact that the student had been held back multiple times before, could on its own be one of those good cause exemptions to warrant promotion. He asked Administrator Stevenson if that was correct. Administrator Stevenson replied that it was correct. He explained it would have to be for at least two years in that particular example, and the exceptions are really just written into law. He stated he could not speak to why that is a good or a bad exemption, but that is just part of the way the law is written. Controller Matthews thanked Administrator Stevenson.

Governor Lombardo asked if there were other questions in Carson City. Controller Matthews confirmed there were no other questions. Governor Lombardo then asked if there were any questions on chapter 4. Attorney General Ford stated he had a quick question. Reading page 89 of the report, he stated in 2023 Read by Grade 3 was reinstated, then stated it states here that school districts and charter schools are required to establish an effective system of implementation of Read by Grade 3 programs to ensure all elementary schools in

Nevada can read proficiently. He stated it may be beyond the scope of the report, before asking if DIA received any information as to the current status of the preparation, or the status of the system, that they are to be implementing, given its going to be coming into effect again in 2028. Administrator Stevenson asked for clarification on the question, pointing out Attorney General Ford mentioned 2028, which is when the new Read by Grade 3 retention requirements take place. Attorney General Ford agreed that is when it takes place, then stated right now, the districts and charter schools were supposed to be planning to ensure there is a literacy proficiency in elementary schools that can compile Read by Grade 3. He stated he just wondered if there was any mention anywhere in DIA conversations with folks as to status of those plans.

Administrator Stevenson replied there was not and perhaps the Department of Education could speak to that and the Read by Grade 3 program. He stated there are no current retention requirements in place. His understanding is if students are on an IEP, and that is managed, if they were to progress to the next grade, that would be a decision at the school level. He then stated perhaps the Department of Education could speak more to that, before asking Attorney General Ford if that was his question. Attorney General Ford insisted the question just be struck. He stated he believed Administrator Stevenson answered a different question, though he may not have articulated the question well enough. He finished by stating it was fine and he would be following up with folks about this, before thanking Administrator Stevenson. Administrator Stevenson apologized. Attorney General Ford replied it was okay.

Reading recommendation 4.4 from the report, Governor Lombardo stated update the statute to allow NDE to hire literacy specialist to coordinate Read by Grade 3 efforts. He then asked Administrator Stevenson what the statute limitation is now.

Ms. Mena-Ortiz responded, stating that currently in the statute, elementary schools are required to hire literacy specialists in order to work with individual students to determine a plan to get them to read proficiently. What the audit found was that a lot of schools are unable to hire literacy specialists because there are not enough qualified teachers in that specific area. She continued, stating some schools are not filling the position, some schools are filling it with an administrative role, and some schools are hiring the PE teacher to be the literacy specialist. It is up to the principal at every school to determine who is going to be the literacy specialist. She stated DIA's recommendation was guided at having somebody at the state level who would be qualified and have the knowledge of what students need to read proficiently, who would then teach the teachers at the individual schools who are acting in that role, at least until they can be filled with a literacy specialist who has the requirement in that field.

Governor Lombardo asked Ms. Peterson if she understood that recommendation. He stated his understanding of Ms. Mena-Ortiz's explanation is the state is going to be required to hire or identify individuals that could provide training. He then asked Ms. Mena-Ortiz if that was a correct description of what she said. Ms. Mena-Ortiz confirmed it was correct and stated DIA would want to see somebody at the state level who could train the teachers at the school level. Governor Lombardo asked if NDE has that capability or the resources to even hire those folks. He noted the majority of these recommendations fall upon NDE and come with

an increase of resources. We would have to go to the Legislature to adjust the budget associated with NDE and identify these folks, which would be a two-year process at a minimum. He then asked Ms. Peterson if it is a good recommendation in her opinion.

Deputy Superintendent Ann Marie Dickson, over the Student Achievement Division, responded, stating they do not currently have the staff to take that on. She stated their understanding was they would be looking at having staff at NDE that would oversee the hiring of the literacy specialist, which in turn would support those teachers. She then reiterated they do not have adequate support to take it in on with their current staffing and funding. Ms. Dickson finished by stating they currently have three team members for the Read by Grade 3 team and would not be able to undertake that.

Secretary of State Aguilar stated he had a clarifying question, then asked how school districts are held accountable when recommending these responsibilities to Nevada Department of Education. Governor Lombardo responded, stating that is what we are trying to do. He explained the accountability matrix was produced and provided to the districts in agreement with the districts. Now we have to pass legislation to have the hammer per se, or the negative sanctions or measurements to ensure they are abiding by those accountability measures. He finished by stating that is what a lot of this is alluding to. Secretary of State Aguilar asked if the Legislature would make the determination of what that hammer is. Governor Lombardo replied exactly. Secretary of State Aguilar then asked whether it would be the responsibility of the Superintendent or if it is funding. Governor Lombardo replied yes, then speculated that potential actions could be restricted funding, the capability to remove a superintendent, or a consent to where the Department of Education would ultimately run the district. Secretary of State Aguilar stated he understood, then thanked Governor Lombardo. Governor Lombardo asked Administrator Stevenson if he provided Secretary of State Aguilar with an accurate description. Administrator Stevenson confirmed it was. Governor Lombardo pointed out it was a very good question. Attorney General Ford added this has been a longstanding issue. He noted his earlier references to AB 394 and 469, then stated he remembers the back and forth between CCSD and the State Board of Education, and whether or not there was any authority to require CCSD to implement, and it has just been a big fight. He finished by noting that was the State Board – he was not talking about NDE, that was the State Board.

Governor Lombardo moved on to chapter 5. He asked Administrator Stevenson to have J.J. Goicoechea, Director of the Nevada Department of Agriculture, come to the dais, as he was sure there were going to be a couple of questions in reference to that. Administrator Stevenson noted Director Goicoechea was on his way up. Governor Lombardo asked if any members had questions on chapter 5, then acknowledged Treasurer Conine. Treasurer Conine pointed out to Administrator Stevenson one of the things he found most interesting was Clark County had effectively grouped its schools together to make sure each school would be eligible for CEP, while noting some populations and some schools would not be eligible on their own. He asked whether some of the other school districts with big gaps, Washoe for instance, have grouped their schools in the same way. Building on his question, he asked if they could group their schools in the same way, if we know whether they could, and how can we best encourage them to. Treasurer Conine acknowledged there are some counties that really could not group them in such a way to make sure everyone would be

eligible. He then stated he was curious whether, at least in Washoe, that effort had been undertaken.

Administrator Stevenson thanked Treasurer Conine and stated the short answer was efforts have been undertaken in Washoe County, but not on the same scale as Clark County School District. He explained Washoe County's demographics mean there are many more schools that do not have the same identified student percentage, or they have a lower identified student percentage, meaning they would get less reimbursed by the federal government. To Treasurer Conine's question, yes, they can do it. They probably would not be able to do it county-wide and achieve the same results as Clark County because Clark County has been able to fully fund school meals through this program. Administrator Stevenson continued, stating he does not believe Washoe County's ISP would be high enough to fully fund it, but they could certainly do it for a few schools. They could group a few schools together to achieve this benefit, and to provide free meals to those schools. He finished by stating in terms of the guidance, the Department of Agriculture has staff working with schools to qualify them for CEP and come up with ways to expand CEP participation. Treasurer Conine asked whether that is the Federal Department of Agriculture or State Department of Agriculture. Administrator Stevenson replied it is the State Department of Agriculture. Treasurer Conine stated that was great and it is one of the first times he has ever seen CCSD do something that was legitimately really, really clever. He noted it would be really great if there was something that could be learned from that and shared with other school districts.

Governor Lombardo stated 5.1 says expand participation in the community eligibility provision of the national school lunch program. He asked Director Goicoechea how that is done and how is participation expanded. He stated it is almost malpractice for a district or individual school not to apply, then asked Director Goicoechea if he has any thoughts on that. Director Goicoechea thanked Governor Lombardo, then stated it is a matter of communication and is something they have been committed to. He pointed out Brittany Mally was next to him, who was their school nutrition specialist and is now the Deputy Administrator for the Department of Agriculture. He continued, stating as an agency, they are committed to have those conversations with the Washoes, with the Elkos, with the Lincolns. He noted Clark County has done a wonderful job as Treasurer Conine mentioned, then stated they need to get out there and have that education and Brittany's division and her staff are committed to that. They would be happy to have her weigh in if she wants to. Director Goicoechea stated they are getting up to the point in the year where they want to have those schools know what that eligibility looks like. They want the schools enrolled as they get into the early summer months, so they know what they are looking at as they get into the school year.

Governor Lombardo asked if Ms. Mally was going to make a statement. Ms. Mally responded, stating they do provide a lot of support and training. They do an annual certification that is coming up April 1st. She stated they have webinars and trainings already planned to help these charter schools and school districts get as many on CEP for next year as they can. Especially since the ISP went from 40% down to 25 %, as Administrator Stevenson had pointed out. She stated that was new for everybody and they are going to help get as many schools as they can.

Governor Lombardo thanked Ms. Mally, then asked Administrator Stevenson if he could explain the difference between the summer meals, the COVID meals, and the CEP. Administrator Stevenson thanked Governor Lombardo for the question and stated he would do his best. He proceeded to explain CEP is a provision of the national school lunch program and school breakfast program, and there are different requirements to qualify for it. For example, at least 40 % ISP was required until October of last year, which was just changed to 25%. He reiterated that would be a requirement for the CEP. Administrator Stevenson conceded he could not speak to the seamless summer option, while asking if that was the summer meals option Governor Lombardo was referring to. Governor Lombardo confirmed that was correct. Administrator Stevenson indicated NDA could better answer the question, before stating he would be happy to get back to Governor Lombardo with an answer if they could not. Governor Lombardo noted there was still a matter of the difference regarding the meals that were supplied across the board during COVID. Administrator Stevenson replied the COVID meals were paid for using state directed ARPA funds. He stated a portion of our allocation of ARPA funds was directed to funding free school meals. Governor Lombardo asked if it was correct that was intended for during COVID. Administrator Stevenson confirmed it was.

Governor Lombardo asked Director Goicoechea if he had anything to clarify. Ms. Mally responded, stating she could explain the summer meals. There are two different programs offered – the summer food service program and the seamless summer option. The summer food program is through the community, so it can be at parks, libraries, different centers throughout the year, and is open to ages 2 to 18. Nobody has to qualify – it is free for whoever wants to come up and grab a meal. She continued, stating the seamless summer option is more suited for schools in the summer, not so much the community. Those are standard USDA feeding programs offered nationwide. She finished by stating it is a normal program for them and unrelated to COVID.

Governor Lombardo pointed out there has been some discourse across the nation as far as some states participating and some states choosing not to participate, before requesting clarification that Nevada is participating. Ms. Mally surmised Governor Lombardo may be referring to the summer EBT program, which was the pandemic EBT program. She continued, explaining the program is coming up this summer and they have elected to do it. The Department of Welfare and Social Services are the ones spearheading it. The program is basically an EBT card – students qualify by being eligible for free or reduced lunch and they would get \$40 a month for three months over the summer to help cover that meal gap. She finished by stating it is separate and different than the summer food service program and the actual meals.

Governor Lombardo asked if Nevada is participating in the other program. Director Goicoechea stated Nevada is participating and is doing so through the Department of Health and Human Services. He then indicated he was dovetailing on when Governor Lombardo was talking about COVID and the pandemic, before stating they had offered universal free meals and actually had enough money. Director Goicoechea stated they ran that program, which will end in July of 2024. They were frugal with the funds the state allocated to the Department of Agriculture, which managed to extend through 2024, but that is why they are pushing so hard to make sure they can get these school districts enrolled in CEP, to make

sure they do not have a fiscal cliff. He finished by stating the last thing they want is those going without when there is an avenue to make sure that they can have it.

Governor Lombardo thanked Director Goicoechea and asked if there were any other questions on chapter 5. After receiving no response, he stated that would close out 4A. He then asked Administrator Stevenson how often the Audit Committee meets, in reference to Attorney General Ford's question on bringing the audit back. Administrator Stevenson stated the audit committee meets approximately twice per year. The next meeting is scheduled for September, and the following meeting will be June of 2025, which is to avoid the legislative session. Governor Lombardo stated that was a lot of time to digest the report and to have it on the agenda for September.

Attorney General Ford stated it seems to him it would be good to socialize the audit with other folks. He indicated school districts can read the audit and digest it, and public comment would be probably a little more robust next time around. He continued, stating we could get some insight and input on some of these recommendations, which he feels would be more beneficial. Governor Lombardo agreed Attorney General Ford was absolutely correct, before noting the report presentation was information only, not an action item. Directing the question to the DAG, he asked if the report can be adapted or modified. Deputy Attorney General Nicole Ting asked Governor Lombardo if he wanted to modify the report or if he wanted to bring it back as a matter of clarification. Governor Lombardo stated he does not know if it is appropriate to change the language or clarify language and he would rely on the DAG's recommendation.

Attorney General Ford interjected, stating he was not suggesting the report be changed at all at this juncture. He was just suggesting that we have a more robust conversation with the stakeholders, even though we had a robust conversation today. He stated we got this two days ago and no one has really been able to digest it. He finished by stating it can go out as is as far as he is concerned. Governor Lombardo stated the report will go out as is, but like Attorney General Ford said, unless you read the whole report, it has a whole different meaning when only picking certain items. He noted questions are asked publicly here for some clarification and there were some good responses to reference those questions. He then stated the direction he gives is to bring the report back in September after allowing the public to consume it, then rely on the public in some form to provide some questions and/or some clarification.

Attorney General Ford asked Ms. Ting whether that was good, if we could just re-agendize for September and be good with that. Ms. Ting responded, stating she would agree with Governor Lombardo's assessment, since it is just an information, non-action item and we are not adopting it here. She recommended bringing it back with the modifications that Governor Lombardo wants, then adopting it at that time. Governor Lombardo stated he is going to say publicly no modification. He stated that, hopefully, people are able to digest it according to what we asked and what we responded with. Then if questioned further, we can provide individual statements. He finished by stating it will be brought back for further conversation.

Secretary of State Aguilar asked Governor Lombardo if we could go back to tab 4A real quick, on 5.2, the recommendation. Governor Lombardo obliged. Secretary of State Aguilar asked if that includes charters as well. Reading the report, he stated improved student services, training, and reporting. Administrator Stevenson stated that one does include charter schools. Secretary of State Aguilar stated perfect, then thanked Administrator Stevenson.

B. (DIA 24-02) State Public Charter School Authority – Equitable Access to Charter School; Melissa Gardner, Executive Branch Auditor.

Executive Branch Auditor Melissa Gardner presented the audit to the committee, stating the audit found charter school location and transportation options have a significant impact on equitable access. She stated the audit made three observations and two recommendations. The three observations are: first, the SPCSA's charter school application evaluation process promotes equitable access to public charter schools. Second, the SPCSA has taken action to improve diversity of special populations of pupils. Third, no bias was identified in SPCSA staff recommendations to approve or deny new charter school applications based on the proposed location for the years reviewed of 2019 through 2023. She stated these observations highlight current practices and do not require any additional action. Ms. Gardner then stated the two recommendations to help reduce barriers to charter school participation are: first, DIA recommends the SPCSA continue to strategically locate new charter schools near one- and two-star district schools. She explained strategically locating new charter schools near underperforming one- and two-star district schools will improve educational access and align with state priorities. The greatest need for charter schools is in urban and suburban areas with a high concentration of underperforming district schools. Strategic placement is crucial to reduce barriers to charter school participation and support enrollment of disadvantaged pupils.

She continued, stating the new charter school applications the SPCSA recommended for Board approval included proposed charter school locations in underperforming areas. Additionally, a \$100 million revolving loan fund recently approved by the Nevada Infrastructure Bank is expected to facilitate charter school expansion in underserved communities. The SPCSA should continue to strategically locate charter schools near under-performing one- and two-star district schools which will improve charter school participation and align with the Governor's priorities of expanding access to charter schools and improving school choice.

Ms. Gardner stated second, DIA recommends the SPCSA continue to pursue funding options to provide transportation to charter school pupils. A lack of reliable transportation presents some pupils with an insurmountable barrier to attending a charter school of their choice. The Commission on School Funding recommended charter school transportation allocations should be included in the calculation of the Pupil Centered Funding Plan like school districts.

Ms. Gardner explained during the 2023-2025 biennium, limited funding of \$14 million was approved for charter school transportation, but there is no mechanism in place to guarantee funding after the biennium. Furthermore, the limited funding is not sufficient to fund charter

school transportation at the same per pupil cost as Nevada school districts. The SPCSA anticipates demand for funding will exceed the amount appropriated for the biennium. She stated at least 17 other states statutorily mandate transportation be offered to charter school pupils. For example, in Florida, the charter school and the school district are required to make arrangements so that transportation is not a barrier to equal access for all pupils. Also, charter schools are entitled to their proportionate share of transportation funds for eligible students. She continued, stating continued efforts are needed to secure additional funding for charter school transportation. The SPCSA should continue pursuing all available funding options for charter school transportation, including a per-pupil allocation through the Pupil Centered Funding Plan, which aligns with statewide goals for equitable access to charter schools and reduces enrollment barriers for disadvantaged pupils. Ms. Gardner finished her presentation by thanking the SPCSA management and staff for their time and input throughout the audit, then stating the SPCSA's Executive Director, Melissa Mackedon was in attendance and available to answer any questions the committee may have.

Governor Lombardo asked if any committee members had questions. Secretary of State Aguilar asked whether DIA considered litigation against the charter authority and the outcome of that litigation in the analysis DIA did on the no bias of applications. Administrator Stevenson responded, thanking Secretary of State Aguilar for the question. He stated DIA looked at all applications that were submitted, whether they were approved or denied. He then asked Secretary of State Aguilar if he was saying there was some litigation that did not make it to one of those applications. Secretary of State Aguilar stated he knew of one litigation that was conducted that required the SPCA to reconsider an application. Administrator Stevenson stated he would direct that question to Ms. Mackedon, as he does not know the answer. Ms. Mackedon replied, stating that was before her time as the Executive Director. She stated she has limited information about it but would be happy to get the information to Administrator Stevenson, if the specifics are of interest. She elaborated she cannot speak to the specifics. Governor Lombardo asked Secretary of State Aguilar if he wants to receive the information. Secretary of State Aguilar indicated he knows it – he was wondering if it was considered in the audit process.

Governor Lombardo asked if there were any other questions. Secretary of State Aguilar stated he had a question on the second recommendation regarding charter school transportation. He asked whether DIA is also looking at the process for charter transportation operators to get the approvals that they need to help streamline that process. He added that he knows there have been some struggles with DMV, and the operators having access to the documents and approvals they need.

Administrator Stevenson responded, stating he was not aware of that issue. He then stated Ms. Mackedon may have more information on it. Ms. Mackedon stated the issue has certainly been a very recent challenge, as these schools have had to apply for this funding and had to go through an approval process of their board, and then her board. She stated it has been really cumbersome – the schools run into hurdles after being approved and going to spend the money. Ms. Mackedon provided an example of schools being issued exempt plates, then being told to bring the plates back because they are not actually exempt. She finished by emphasizing there have definitely been some hurdles they have identified and

things that need to be cleaned up in statute to mitigate some of those challenges. Secretary of State Aguilar stated perfect, then thanked Ms. Mackedon.

Governor Lombardo asked Ms. Mackedon if she recalls the total amount of money allocated in the biennium for transportation and how much of it has been spent, while acknowledging she may not have the ability to answer the question. Ms. Mackedon responded, stating there was \$14 million in the biennium, so \$7 million each year. She stated right now, \$6 million of has been approved; however, what she really wants to be careful saying, is some of these hurdles, like getting the buses registered, have slowed up the spending of that money. She continued, stating most of these schools intended to start providing these services after Christmas or after the new year, and a lot of these hurdles are slowing the process so much that some of them still are not, despite their best efforts, fully operational. Ms. Mackedon finished by stating they are going to have to do some reallocation of funding towards the end of the fiscal year to clean some of this up.

Governor Lombardo asked Ms. Mackedon if cleaning it up means an increase in the allocation to accommodate all the requests. Ms. Mackedon indicated an increase in the allocation is not needed at this point. She stated they are anticipating a few more and they have recently opened the application up to schools who will be opening in the 2024-2025 school year. She continued, stating they do anticipate receiving applications from all of them, which will mean they have allocated the entire \$7 million or very close to it. She stressed her concern is that it all gets spent since it has been allocated.

Governor Lombardo clarified his concern is whether we under allocated. Ms. Mackedon speculated one of the other challenges is the majority of these applications have been in Clark County, and the reason those schools in Clark County have felt like they could take this risk is because there are third party vendors they could hire to provide these services. Whereas in Ely, or Elko, or even Washoe County without those services, it is very risky for a school to buy a bus and hire an employee to run a transportation program themselves in-house, while it is unknown whether funding is going to continue past this biennium. Which is why it would be one of their priorities to make sure their schools are included, just like a traditional public school in the auxiliary funding as the Commission on School Funding recommended.

Governor Lombardo welcomed Ms. Mackedon aboard, then stated there is an additional question. Secretary of State Aguilar pointed to the recommendation that charter schools be located in proximity to one-star or two-star schools, then asked whether there is an opportunity to allow charter students to use the transportation system of that one-star or two-star school. Ms. Mackedon stated she does not think there is anything prohibiting it; however, it would require an MOU between a school district and a charter school to do it. She stated she does not know whether there has been a lot of appetite for it. To her knowledge, there is nothing to prohibit it, but there has not necessarily been an appetite for it. She surmised this was what Administrator Stevenson was talking about, as with Florida, where she believes it is a requirement. She continued, stating there is an MOU that goes on and the charter school says they are going to pay the school district X amount to transport their students to their school. She finished by stating that is definitely something that would have to happen legislatively.

Secretary of State Aguilar noted if you look at the additional costs for kind of a small group of students to get on a bus, the bus is already running, then you could run a shuttle from the school to the actual charter and alleviate and spread that transportation money wider. Governor Lombardo stated that was easy sitting here at this table. He then indicated to Ms. Mackendon he thinks the overall consensus is for her to bring a bill forward to address that issue. Secretary of State Aguilar added it is more important to make sure the operators have enough – we can streamline the process intergovernmentally.

Governor Lombardo asked if there were any further questions. He stated item 4B would be closed, but prior to moving to 5, he wanted to thank everybody for their participation, including in the Q&A. He stated he also wanted to publicly commend the job that Administrator Stevenson's office did in short order. He knows this had a very short timeline and we are looking forward to providing further clarification come September. Governor Lombardo closed item 4 to move to item 5, Presentation of Special Follow-Up Report, Informational only, then stated it looks like the Nevada Department of Veteran Services, and Martin Schaefer.

5. Presentation of Special Follow-up Report. (Information Only)

- A. (DIA 24-01) Nevada Department of Veterans Services – Northern Nevada State Veterans Home; Martin Schaefer, Executive Branch Auditor.

Executive Branch Auditor Martin Schaefer presented the special follow-up to the committee, stating it was requested by the Governor during the November 2023 committee meeting. Mr. Schaefer stated the audit focused on improving transparency in operations between the Department and the management company of the Northern Nevada State Veterans Home. Six recommendations resulted from the audit. He stated he was pleased to report the Department has made progress implementing the recommendations. One recommendation is fully implemented, and one is no longer applicable. The remaining four have each been partially implemented. Recommendation 1, to validate North Home financial data, is partially implemented. The Department has taken several steps towards enhancing financial transparency with the management company, which include an improved process of exchanging and reviewing supporting documents, monthly receipt of the North Home facility bank statements, and access to the management company's accounting and invoicing systems.

Mr. Schaefer stated while there has been progress towards improving the transparency of financial data, efforts to implement this recommendation are resulting in questionable information coming to the attention of the Department. There have been a number of transactions warranting further follow-up. Among the issues noted by the Department, there have been a number of unsupported transactions to remove funds from petty cash, totaling approximately \$45 thousand. Additionally, the administration of resident trust funds appears to be out of compliance with certain federal regulations. Further, recruitment expenses are being charged to the facility. Given recruitment is listed among the services covered by the management fee, these charges appear noncompliant with the contract. He continued, stating the Department has represented they are working to resolve these issues with the

management company. Recommendation 2, to link the management fee to services provided, is partially implemented. The Department is working to construct a new RFP, in which they intend to include financial, operational, and performance-based metrics that will tie to the management fee. Among the metrics being considered are the ability to meet stated staffing ratios and to retain key personnel, as well as the ability to retain a 5-Star rating.

Mr. Schaefer stated the Department also intends to include liquidated damage provisions for the failure to meet stipulated metrics. Recommendation 3 was to revise the reserve calculation to reflect the true cash needed for operations, which was one of two options offered to revise the reserve calculation. He explained the recommendation has been fully implemented utilizing this option. DIA confirmed the calculation for the \$967 thousand distributed to the Department this past August included adjustments to the reserve to reflect the true cash needed for operations. Per the contract, the next distribution is not yet due until April of this year. The Department has demonstrated they are situated to ensure the calculation will be accurate. Recommendation 4 was to revise the calculation of the reserve to the formula outlined in the RFP, which was the second option offered to revise the reserve calculation. Given the Department has already revised the calculation to reflect true cash needs in accordance with recommendation 3, DIA no longer considers this option applicable.

Mr. Schaefer continued, stating recommendation 5, to present the North Home financial statements on the state's fiscal year basis, is partially implemented. The Department has represented the management company is in contact with the accounting software vendor to determine whether it will be possible to reconfigure the system. In the meantime, the management company is providing the Department with manually compiled fiscal-year financial data in an excel spreadsheet. He explained while this does not meet the intent of the audit recommendation, it should help facilitate transparency with the management company. Recommendation 6, to improve oversight of the management contract, is partially implemented. The Department has made certain personnel changes with the intention of enhancing oversight of North Home operations. He stated these changes include a new Deputy Director of Healthcare Services, as well as an experienced consultant. The individuals at these positions will be working closely with the State Veterans Home Officer, who works on-site at the facility. The Department acknowledges that implementing this recommendation will be an ongoing process that is refined over the life of the contract. Mr. Schaefer thanked the Department of Veterans Services for their assistance in preparing DIA's report. He finished his presentation by stating interim Director Lisa Maciel and Chief Executive Officer Joe Theile were in attendance from the Department, as were President Alan Hash and Regional Vice-President Carl Hugie from Avalon Healthcare Group, and they were available for any questions the committee had.

Governor Lombardo asked if there were any questions from committee members. Treasurer Conine stated he thinks his question would probably be most appropriate for Avalon and asked whether Avalon was at the microphone. Administrator Stevenson indicated they were working their way towards the microphone. Hyrum Kirton, Board Director for Avalon Healthcare, then introduced himself. Treasurer Conine thanked Mr. Kirton. He then thanked Governor Lombardo for bringing the audit back on an expedited basis, stating he appreciates the opportunity to have another bite at this apple. Treasurer Conine recalled his comment

on the situation during the initial audit was that it was awful and amongst the worst things he had ever seen, before then stating unfortunately, in this follow-up recommendation, it somehow got worse. He stated what he is trying to figure out, from an oversight perspective, is whether Avalon does this in other states, not just in the State of Nevada, before then pointing out that Avalon is one of the larger players in the space. Treasurer Conine asked how are we charging the state for things that are not in the contract, how does \$45 thousand go missing, what are we doing here - how does something like this happen, and what changes have you made to take this from partially implemented to no longer a problem.

Mr. Kirton responded, requesting he be allowed to address some of these individually one by one. First is the petty cash discussion. He proceeded to explain that is an ongoing discussion between Avalon Healthcare and NDVS and there have been some unknowns thus far. Avalon is confident all of these amounts are not missing, and in fact, it is as simple as Avalon not charging the state enough. This is not in any context, a situation where Avalon charged the state for something incorrectly; and in the aggregate so far in this audit, Avalon has been due over \$100 thousand it should have charged the state, but did not. Nobody at the Avalon team has any intent to improperly charge the state. All of their staff have tried to move forward in good faith and have done so. Mr. Kirton continued, stating they are not perfect, just like any organization, and small, small mistakes are sometimes made. He would remind the group Avalon has been operating the building for many years. He stated when they opened the building, it was operating at a deficit where the state was not providing funds to properly cash flow the building, and at one time, Avalon had fronted over \$1.8 million to keep the building operating. They have been a good partner for this entire period.

Mr. Kirton continued, stating he would move to the petty cash to get to specifics. When you are talking about \$40 thousand going missing, that is incorrect. Avalon had opened up the facility and had put its petty cash account in its own operating account, as Avalon operates many facilities. He explained the petty cash process was such that the folks in the facility submit an invoice to their accounts payable department to get reimbursement for the cash that is in the petty cash lock box. That is a common practice across the whole industry and many industries. The issue at hand is an Avalon account was used to fund the replacement of the petty cash box. It was Avalon funds, not the facility funds. Over a period of time, they had accrued a balance they had never reimbursed themselves for from the state. That was money due to Avalon. Mr. Kirton emphasized it was a loan given to the state's facility, adding it is really not the state's facility, technically, it is a contracted entity, which Avalon operates. Continuing, he stated this was discovered in April and they did not try and accrue any late payments or anything like that and that it was their mistake. They simply tallied all the invoices submitted to them, of which they had not been reimbursed for, and then processed that reimbursement.

Mr. Kirton then stated he would move to the trust fund issue, before stating they get audited on it every single year by the state and they have had no deficiencies. He attributed that to Avalon following a very common practice across long term care. Mr. Kirton proceeded to explain that the trust fund process is such that they have a vendor that hosts the trust fund account, and they are the largest vendor in the long-term care industry, and they host very large amounts of trust fund accounts across the country. All of the trust fund money is held in this account. Avalon, in an effort to make it so the residents have direct access to the

funds in a very expedited manner, fronts cash out of its own operating entity so the residents have access to that cash. What occurs is that cash is given to the resident when they make the request, and then we submit to get reimbursed. He noted if this process was not done, the residents would have to wait longer to get access to their cash. The cash is then forwarded, but remember, the money has already been given to the patient, so the patient has already withdrawn it. Then we receive those funds to cover Avalon, who is fronting that money on their behalf, and again, we do that to the benefit of the residents. That process has, again, been audited annually and we have had no cited deficiencies. Mr. Kirton continued, acknowledging there has been difficulty getting comprehension and understanding between them and NDVS. He stated they are confident if given enough open communication with NDVS, if they are given enough opportunity to work these issues through and enough of a voice, they will get this reconciled.

He then stated he would move on to the recruitment piece. He explained Avalon is always operating in an innovative manner, and they are always striving to provide the highest and best opportunity for the residents. As such, over the last five years, the health care system has been under a lot of stress, including Avalon. Their management contract contemplates oversight of the recruitment division, which has been discussed with NDVS, and there is a difference of opinion on the language in the current contract as to what it contemplates. He continued, stating they believe the intent of that language is simply what he said – oversight of the recruitment function. The site should be responsible to be following our recommendations on how to properly place ads, pay for those ads, screen the candidates, discuss and talk to the candidates, interview the candidates, process new hire letters, and all those other typical activities that would be followed by the facility. Avalon decided in 2019 it might be more efficient for all of their facilities to move those tactical functions he just described to a centralized function. He stated they removed those functions from the facility, before stating again, this is not the direction of the recruitment function, but actually the tactical items that were being provided by the facility, and we did that in a centralized environment. This was discussed with the NDVS group upon implementation of our contract, and NDVS was aware, and these charges have been ongoing for some time, and they meet every two weeks with NDVS as well as monthly, and this process was a very common process over the last five years. As such, those tactical items were being charged back to all the facilities in an equitable, typical accounting manner. Mr. Kirton finished by stating this process was stopped in March of 2023, and so therefore it was not needed, and those functions are now being completed by personnel within the contracted facility.

Treasurer Conine thanked Mr. Kirton. Governor Lombardo asked if there were any other questions, before then stating he thinks this might be directed to Mr. Schaefer. Reading from the report, he stated in recommendation 1, last paragraph, the information coming to light as a result of implementing this recommendation warrants additional investigation. Governor Lombardo noted it says warrants, before asking if there is additional investigation taking place. Administrator Stevenson responded, stating DIA will be following up on it and will be part of that as DIA does their audit follow-up steps. He pointed to the audit plan, which he would be presenting later, noting DIA is doing an audit of the South Home but will also continue to monitor the North Home as part of that audit, and work with NDVS on these issues. He stated a little bit more time is needed to get to the bottom of this and Avalon and NDVS are working through some of these issues as previously represented. Administrator

Stevenson pointed out DIA typically waits six months to do a follow up audit, but this one was done very quickly, and DIA still needs to get more data. He finished by stating the Division of Internal Audit's role will be to keep on top of this. Governor Lombardo stated as a result of some of these being partially implemented, and some questions we have today, and some questions we are unable to ask today, he would like this agenda item to be come back in September for conclusion. He stated he understands the contract expires in August of 2024, so we should have some answers by then. Administrator Stevenson stated he would get it on the September agenda.

Governor Lombardo asked if anybody else had a question. Controller Matthews stated he did, but if Governor Lombardo preferred, he could hold off until we get back because he did not know if we could get into it today. He noted he would just state what it had to do with, and we can then decide if it is something to circle back on. He pointed to the auditor's comment, recommendation 1, that NDVS does not have access to the corporate parent company's bank statements. He was just curious as to what extent the state would be able to access that. He stated perhaps it is something we do not want to dive into today, but it was a question that sort of jumped out at him. Governor Lombardo requested Controller Matthews hold the question. Controller Matthews obliged.

Governor Lombardo noted there were no further questions. He then asked if Colonel Devine was in the audience in Carson City. Administrator Stevenson asked Governor Lombardo who he was referring to. Governor Lombardo replied, Colonel Devine, Mary Devine, and asked if she made it today. Administrator Stevenson stated she did not. Governor Lombardo noted people were looking at him wondering why he was asking for her. He stated she is the new Director of Veteran Services and he wanted to take the opportunity to introduce her to everybody, but obviously she is not there. He joked that maybe she is not the Director anymore. Governor Lombardo then stated agenda item number 5 would be closed to move to agenda item number 6, Presentation of Annual Follow-up Reports pursuant to NRS 353A.045 and IIA Standard 2500.A1, information only.

6. Presentation of Annual Follow-Up Reports Pursuant to NRS 353A.045 and IIA Standard 2500.A1. (Information Only)

- A. (DIA 22-04) Department of Administration, Purchasing Division – Contract Monitoring; Craig Stevenson, Administrator.

Administrator Stevenson presented the annual follow-up to the committee, stating the audit focused on Post Award Contract Monitoring. He stated he was pleased to report recommendation 1 has been fully implemented. The Purchasing Division has expanded post-award contract management training by offering additional resources and support to state agency staff. This expansion includes supplemental materials to the Contract Management Course and the introduction of topic-specific training sessions. Administrator Stevenson continued, explaining these sessions cover essential areas such as navigating Nevada ePro, crafting scopes of work, and comprehensive guidance on post-award contract management. Looking ahead, there are plans to migrate this training to the Core.NV ERP system upon its deployment.

He stated recommendation 2, to establish oversight of Purchasing-led agency contracts, is partially implemented. The Purchasing Division began reviewing Purchasing-led agency contracts on a sample basis, leading to the discovery of procurement malfeasance, which has been duly reported. However, challenges persist, particularly concerning the lack of statutory authority to enforce corrective actions. He stated DIA recommends the Purchasing Division continue to review contracts on a sample basis for procurement malfeasance, and consider alternative reporting methods, such as presenting a "Heat Sheet" of noncompliant agencies to the State Board of Examiners. Administrator Stevenson finished his presentation by stating Purchasing Administrator Gideon Davis was available to answer any questions the committee may have.

Governor Lombardo asked if there were any questions from committee members on 6A. Treasurer Conine stated he had a real quick one. After acknowledging he should know the answer, he asked whether Purchasing maintains a database of all outstanding state contracts when they expire, their general terms, et cetera, and whether there is a consolidated place for it all. Administrator Davis responded, stating there is a single database for contracts for services, but it is not maintained by the Purchasing Division, it is maintained by the Governor's Finance Office and is called the Contract Entry Tracking System or CETS. Treasurer Conine recognized there may be no one present to answer the question, then asked if that database kicks off alerts, such as hey, this thing is about to expire in six months, or whether it is just a repository of data. Administrator Davis replied that is not a functionality of the current application. Treasurer Conine asked if it will get adjusted within the transition to the ERP. Administrator Davis stated he could not speak completely on behalf of the Governor's Finance Office, but his understanding is their hope is to sunset that system as part of the ERP implementation. Treasurer Conine thanked Administrator Davis.

Governor Lombardo asked Administrator Stevenson if Deputy Chief of Staff Jim Wells was in the room, and if he could provide further clarification. Administrator Stevenson confirmed Deputy Chief of Staff Wells was in the room. Governor Lombardo asked if Deputy Chief of Staff Wells could provide clarification for Treasurer Conine. Administrator Stevenson noted Deputy Chief of Staff Wells was on his way up. Deputy Chief of Staff Wells stated the Contract Entry And Tracking System has limited functionality to produce the BOE agenda. It does not track or notify agencies when their contracts are coming up for renewal. He stated it is hopeful the new system, the Core.NV system, once we migrate it to that, will have that type of functionality to take over, not just the BOE preparation, but a better tracking system for when contracts are coming up for renewal. Treasurer Conine thanked Deputy Chief of Staff Wells, then stated he certainly knows during the transition between, at least elected officials but he assumes also agency heads, sometimes these things are sort of not institutionalized in a way that transitions well. Deputy Chief of Staff Wells stated he agrees. Governor Lombardo moved onto 6B.

B. (DIA 22-05) Department of Corrections – Fiscal Processes.2; Craig Stevenson, Administrator.

Administrator Stevenson presented the annual follow-up to the committee, stating the audit focused on the Department's fiscal processes. All four recommendations are partially

implemented. Regarding recommendation 3, the Department is making strides to improve administrative accountability and minimize the use of state resources. He stated funding from the 2023 Legislature has facilitated a comprehensive staffing study to identify areas for reducing overtime. Additionally, measures are underway to revise standby pay policies and assess vehicle usage compliance. While progress has been made, further analysis of callback versus standby pay is recommended for enhanced administrative oversight. Regarding recommendation 4, the Department has taken action to improve oversight over weapons purchases. Administrator Stevenson stated protocols now involve weapons purchases being managed by designated personnel, with institutional requests subject to the Ordinance Committee's approval. A system-wide tracking of munitions has been completed, and updated administrative regulations are in progress for review and approval, which is anticipated by December 2024.

He continued, stating recommendation 1 is to develop Offenders' Store Fund markup limits and incorporate the methodology into legislatively approved regulations. The Department is taking steps to establish markup limits for the Offenders' Store Fund and integrate them into regulatory frameworks. Other initiatives include offering hygiene items to inmates at cost, and engaging stakeholders to establish consensus on markup methodologies. Plans for operational changes and regulatory updates are in motion, with transparency measures to be presented to the Legislative Commission and the Board of State Prison Commissioners by December 2024. Lastly, the Department made progress implementing recommendation 2, which is to increase oversight of the Prisoners' Personal Property Fund. Continuing, he stated efforts to enhance oversight of this fund are underway, including the establishment of internal controls. New Department leadership acknowledges the need for increased scrutiny and has initiated steps towards fund reconciliation. Full implementation of this recommendation requires the development of internal controls, and a complete reconciliation of the fund, which is anticipated by March 31, 2024. Administrator Stevenson finished his presentation by stating Deputy Director Kristina Shea is available to answer any questions the committee may have.

Governor Lombardo asked if there were any questions. Controller Matthews pointed to page 3, noting the Department identified instances of employees misusing standby pay. He stated he was wondering if we had a dollar figure attached to that misuse or what that aggregate number might have been. Administrator Stevenson thanked Controller Matthews for the question, then stated the dollar figure was in the original audit report. Controller Matthews thanked Administrator Stevenson, then stated he had a quick follow up that was more of a comment. He pointed to the auditor comments in the audit report then, reading from the report, he stated DIA could not differentiate between overtime related to workload and overtime for standby emergencies, then it says NDOC should consider conducting an analysis of callback versus standby pay. Controller Matthews then stated he believes that is a really good idea. He thinks it is something that would be very likely to improve accountability. He finished by stating he appreciates its inclusion in the report and that was all he had. Governor Lombardo closed 6B to move on to 6C, Department of Public Safety Investigation Division, Task Force Operations.

C. (DIA 22-06) Department of Public Safety, Investigation Division – Task Force Operations; Craig Stevenson, Administrator.

Administrator Stevenson presented the annual follow-up to the committee, stating the only outstanding recommendation remaining for this audit is recommendation 2, which is to collect investigative data to optimize decision making. He explained the Division took action to implement this recommendation, and ample investigative data has been collected, and is used to improve decision making. The Division requested additional resources from the 2023 Legislature to be able to manually compile this information, but the request was not approved. Additional staff, or a technology solution, is needed to implement this recommendation; however, manually collecting and compiling this data was not envisioned as a cost-effective solution in the audit report. For these reasons, this recommendation is deemed no longer applicable. Administrator Stevenson finished his presentation by stating Chief Ryan Miller of the Investigation Division is available to answer any questions the committee may have. Governor Lombardo asked if there were any questions of Mr. Miller. He stated he was hearing none and seeing none, so item number 6 would be closed to move to item 7, Review of Annual Audit Plan Pursuant to NRS 353A.038, which is for action.

7. Review of the Annual Audit Plan Pursuant to NRS 353A.038. (For Possible Action)

Administrator Stevenson stated tab 7 is DIA's Annual Audit Plan, which is required by statute to be presented on a fiscal year basis. Previously, DIA had presented the committee with a list of all previously approved audits rather than the fiscal year audit plan required by statute. A listing of all previously approved audits is maintained, and DIA intends to complete those audits as staffing resources become available. He continued, stating the six audits presented in the audit plan indicate what he believes DIA can accomplish during fiscal year 2025. Two audits are currently underway – an audit of the Department of Veterans Services South Home was opened on Monday of this week, and a statewide audit of collective bargaining agreements. DIA intends to report these audits in September 2024. He stated DIA is requesting approval of an audit of the Department of Corrections related to overtime expenditures, which is shown in red on the audit plan. The last two audits on this list involving the Department of Transportation and the Department of Agriculture were previously approved by the committee. DIA intends to open these audits as early as April of this year, but that is dependent on the availability of audit managers. Approval of the proposed fiscal year 2025 audit plan has been agendaized for committee action. Administrator Stevenson finished by stating he was happy to answer any questions the committee may have at this time.

Governor Lombardo asked Administrator Stevenson to let the committee members know why the Transportation one identified in June of 2019 and the agricultural one identified in October in 2021 have not started yet and what the anticipated start dates are. Administrator Stevenson responded, stating the anticipated start date for those is as early as April, before then stating he would like to give just a little bit more context. He explained DIA currently has one audit manager actively working audits, out of three. An audit manager was temporarily lost to the Core NV project for a couple of months. DIA believes she will be coming back at the end of April or maybe early May. He continued, stating she would be tasked with one of those audits. DIA is also hiring a new audit manager position, which they

believe will be filled in four weeks. Administrator Stevenson asserted this was why DIA is working towards an April audit opening date for those audits and he believes they can be presented by June of 2025. Governor Lombardo asked how long the auditor will be encumbered by the Core NV task. Administrator Stevenson replied she has been encumbered since January and DIA believes that will go through April. He stated perhaps she would be back May 1.

Governor Lombardo asked if there were any other questions. Attorney General Ford asked Administrator Stevenson if he could explain what the DHRM collective bargaining implementation audit contemplates, what are we looking at there, and what is it comprised of. Administrator Stevenson asked Attorney General Ford if his question was in terms of what DIA will actually be auditing. Attorney General Ford confirmed it was. Administrator Stevenson explained DIA is taking a look at all collective bargaining agreements and comparing those agreements and the provisions in them. There are certain special pay provisions, such as bilingual pay, and DIA is making sure agencies are following the terms of the agreements. For example, if you were to look at bilingual pay, the contracts state they can only earn bilingual pay while they are in that status; however, DIA may find there are some folks that are always in that status. Administrator Stevenson finished by stating those are the types of things DIA will be looking at, are these folks following the terms of the agreement, and that is really the crux of those audits. Attorney General Ford thanked Administrator Stevenson.

Secretary of State Aguilar pointed to the chance people are to be paid for those services but have not been classified, then asked if DIA will find those issues as well. Administrator Stevenson indicated DIA would, adding everybody authorized to receive that pay must be on a list of employees that are included in the collective bargaining agreement. He stated he did not want to speak too much to what has already been found, but yes, there are indications there may be some folks being paid that are not on that list in the collective bargaining agreement. He then stated that was definitely something DIA would be taking a look at.

Secretary of State Aguilar indicated he had a second question he knows Governor Lombardo already asked, but he did not know if he heard the answer. He asked what the delay was for the Transportation Department audit scheduled in June of 2019 that is now being completed for reporting June 2025. Administrator Stevenson responded, stating he would say the delay was primarily due to either staffing limitations, but primarily priorities. He elaborated, stating whenever DIA gets an audit request from this committee versus the case of Transportation for example, which was a risk-based selected audit, those do not take priority over any committee requested audits. He stated DIA continuously moved committee requested audits to the top of their list. Secretary of State Aguilar asked if that meant the issue that was raised or the risk or the fraud hotline was now moot and not necessary. Administrator Stevenson apologized and asked if Secretary of State Aguilar's question was if those ones are moved down the list and they are a lower priority now. Secretary of State Aguilar pointed out it has been 5 years since this request was made. He asked whether the issue still exists with maybe the change in leadership or the way the function of the agency, or just the elimination of a division, then asked if there is still a reason to go forward with a huge investment in an audit when the issue may be moot. Administrator

Stevenson indicated the issue still exists and DIA wants to go out and audit everything on the audit plan.

Treasurer Conine stated he wanted to get some clarification after acknowledging Administrator Stevenson touched on it a little bit from a wide perspective. He pointed out there were 23 audits on the future audit list at the June 2023 meeting not currently on this list. He asked Administrator Stevenson to give a little clarity as to why. Administrator Stevenson stated the way our statute reads is DIA is only supposed to present for committee approval the fiscal year audit plan, so this is an attempt to follow statute. Statute requires him to consult with the Director of the Governor's Finance Office on an audit plan, consider what resources DIA has available, and what DIA can accomplish. He continued, explaining these audits were priorities of the EBAC committee, which is why these audits were pursued, and DIA believes they have the staffing in place to handle all of these audits. Administrator Stevenson stated he does not think DIA could handle one more audit at this point, but he does believe the work presented can be accomplished. Treasurer Conine stated he appreciated that, then indicated he had a question more for Governor Lombardo or perhaps Ms. Ting. He indicated he would ask Ms. Ting this part first, then asked her whether there was anything preventing the Executive Branch auditors from providing sort of the full, here is what is in the hopper, because he thinks, to Secretary of State Aguilar's point, if something is there and it moves down, it would theoretically move off the list. He stated we would not be looking at it all the time and we would not know what was in front of us from an audit plan perspective, if it was not happening within that fiscal year. Ms. Ting thanked Treasurer Conine for the question, then stated she does not think there would be any anything preventing a full list. She stated she thinks as long as what is required is presented, adding she does not think there is anything preventing more than what is required to be presented.

Treasurer Conine thanked Ms. Ting, then stated his request to Governor Lombardo is the entire list of audits is shown to increase transparency, which of course, we all think is important, but also just so we have a good understanding of what perhaps is not on the list that we could ask for, something comes up during the meeting. Governor Lombardo pointed out this was an action item and asked Treasurer Conine to put that in a motion when he asks for a motion. Treasurer Conine indicated he would be happy to, then stated he had one additional follow up question. Reading from a document, he stated there were four audits that were supposed to come at a June 2024 meeting including the Southern Nevada Veterans' Home, Transportation, open scope, sole source accounting, personnel and air operations, Conservation and Natural Resources, audit on Environmental Protection, and the Military Division of Emergency Management. Treasurer Conine then stated he had two questions. He asked if we were not having a June meeting and why, then asked if DIA thinks some of those audits will get sorted with their staffing issues.

Administrator Stevenson thanked Treasurer Conine for the question, then stated he thinks most of those problems will be solved once DIA has fixed their staffing issues. DIA has a 30% vacancy rate and has also had some other work related to its compliance and financial management sections, and as he previously mentioned, DIA is down two audit managers. He pointed out one of those vacancies was him, now that he is in this new position. He then emphasized June 2024 would be just a little too soon to wrap up any of this audit work. Treasurer Conine thanked Administrator Stevenson.

Governor Lombardo asked Administrator Stevenson if he was saying the June 2024 audits will be presented in September, as a matter of clarification to Treasurer Conine's question. Administrator Stevenson confirmed one of them would be presented. The collective bargaining agreements were previously listed as three separate audits, and all of them are going to be presented in September, as opposed to presenting a few of them in June, and then a few more later. He stated the reason September was chosen is for the collective bargaining agreement audits, adding that is when contract negotiations begin. The fiscal piece does not take place until January of the following year at the earliest, but DIA wanted to make sure what they are reporting is timely and can inform the contract negotiations. He continued, stating DIA has a statutory requirement to present the audit plan within 90 days of the end of the fiscal year, which is something they have been a little loosey-goosey on the date for that, but the end of September makes a lot of sense for the next Audit Committee. He finished by stating he believes that is when DIA's staff can accomplish these audits by.

Governor Lombardo stated he would not ask the DAG what the definition of loosey-goosey is. He then stated this is an action item and entertained a motion for approval. Treasurer Conine motioned to approve the audit plan as listed with the addition, in future audit plans, of all the other audits currently in the hopper as was presented in the June 2023 meeting, subject to revision. Governor Lombardo accepted the motion and second by Secretary of State Aguilar. Motion passed unanimously.

8. Committee Members' Comments

Governor Lombardo asked if there were any comments. Controller Matthews pointed out the new conference room in Las Vegas looks nice and he cannot wait to do his first meeting from it. Governor Lombardo asked if the Lieutenant Governor returned. Administrator Stevenson replied he had not and had been excused from the meeting.

- 9. Public Comment** (This public comment period is for any matter that is within the jurisdiction of the public body. No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item. The Chair of the Executive Branch Audit Committee will impose a time limit of three minutes. Public comment may be provided in person or via telephone. To provide public comment via telephone, dial 775-321-6111 or 702-329-3435. When prompted to provide the meeting ID, please enter 486 812 006#. When the Chair opens the public comment period, dial *5 to request to be unmuted. To resolve any issues related to dialing in to provide public comment for this meeting, please call (775) 684-0222.)

No public comment was presented for the committee's information or consideration.

10. Adjournment (For Action)

Motion: Motion to Adjourn
By: Attorney General Ford
2nd: Treasurer Conine
Vote: Passed unanimously