

CHARTER AUDIT COMMITTEE MINUTES

November 6, 2023

Department of Education

MEMBERS IN ATTENDANCE

James Smack, Chairman, COSAL Committee

Mike Dang, Management Analyst IV, State Public Charter School Authority

Michael Shafer, Audit Manager, Department of Education

CJ Manthe, Former Commissioner, Public Utilities Commission

Jessica Young, Executive Branch Auditor, Governor's Finance Office

MEMBERS EXCUSED

STAFF PRESENT

Braden Hudnall, Administrative Assistant II, Department of Education

I. ROLL CALL/CALL TO ORDER

The meeting was called to order at 10:03 am.

All members were present.

II. PUBLIC COMMENT I

Chair Smack asked for comments from the public. There were no members of the public who wished to make comments.

III. APPROVAL OF MINUTES

The committee briefly reviewed the minutes from the February 2, 2023 meeting. After reviewing them, and with no added discussion from the committee, Ms. Manthe motioned in favor to accept the minutes as written. Mr. Dang seconded the motion.

The committee unanimously voted in favor of the motion and passed the minutes. Ms. Young abstained from voting as she was not present for the February 2nd meeting.

IV. REVIEW PRIORITIES AND PROCEDURES FOR RFQ SUBMISSIONS

Chair Smack began the discussion on the necessary changes to the RFQ that should be made in the creation of the 2024 RFQ.

Chair Smack said that any mention of FYE 2023 should be changed to FYE 2024 in the RFQ. All committee members agreed.

Mr. Dang suggested checking to see if the number of charter schools in Nevada listed on Page 2 is up to date. After checking, Ms. Young confirmed that there are 59 charter schools operating in Nevada. Mr. Dang proposed that any mention of "52 charter schools" in the RFQ be changed to "59 charter schools."

All committee members agreed.

Chair Smack suggested that the deadline for RFQ submissions be Friday, January 19, 2024.

All committee members agreed.

Chair Smack also suggested that the sentence mentioning "52 charter schools" be taken out of the "Scope" section on Page 1.

All committee members agreed.

Chair Smack asked the committee if it would be a good idea to remove the word "Nevada" from any mention of "Nevada State Board of Accountancy Accountant License Number" and

add the word “Any” in its place. He said this could be a good idea to potentially widen the reach of possible audit firms due to the passage of SB437 in the last legislative session. SB437 states that while CPA firms still need to have a Nevada business license, their State Board of Accountancy license can come from any state.

All committee members agreed.

Chair Smack began suggesting some scoring changes under the “Specific Evaluation Criteria” section on Pages 7 and 8 of the RFQ. He proposed changing the “Total number of audits performed for Nevada Charter Schools in the past three years” scoring to one point for 0-2 audits, two points for 3-5 audits, and three points for 6 or more audits.

Chair Smack also suggested changing the “Total number of audits performed for Charter Schools in the past three years” scoring to one point for 0-5 audits, four points for 6-10 audits, and seven points for 11 or more audits.

Chair Smack noted that he does not like the scoring for the “Satisfactory Fulfillment of All RFQ Criterion and Complete Offeror Responses” section because it gives out a free eight points just for completing the application. He suggested changing the scoring from 0-8 points to 0-2 points.

Chair Smack also proposed adding in an additional section titled “Number of audit reports submitted late by charter school clients with regard to fault in the past three years”, with a suggested scoring rubric of six points for 0-3 audits, four points for 4 audits, two points for 5 audits, and zero points for 6 or more audits.

Lastly, Chair Smack suggested changing the “Partner Years of Auditing Experience” scoring to eight points for more than 10 years of auditing experience, while bumping down the “Manager Years of Auditing Experience” scoring down to seven points for more than 10 years of auditing experience.

All committee members agreed with these proposed changes.

With all members in agreement, Chair Smack noted that all of these proposed score changes must be updated on the new scoring rubric on Pages 14 and 15.

Seeing no other changes, Ms. Manthe motioned to approve the changes to the 2024 RFQ. Mr. Dang seconded the motion.

The committee unanimously voted in favor of the motion and approved the changes to be made.

V. SCHEDULE RFQ RELEASE AND RFQ APPROVAL MEETINGS

Chair Smack set Monday, December 11, 2023 as the release date for the RFQ with the approved changes.

Chair Smack set Friday, January 19, 2024 as the deadline for submissions.

Chair Smack proposed that the RFQ review meeting for the COSAL Committee occur on Monday, January 29, 2024 at 10:00 a.m. as long as there were no arguments from committee members. He also proposed a second meeting on Monday, February 5, 2024 at 10:00 a.m. on the off-chance that not every application was submitted in time.

All committee members agreed with the proposed meeting dates.

Mr. Shafer motioned to approve the schedule as discussed. Ms. Young seconded the motion. The committee unanimously voted in favor of the motion.

VI. ESTABLISH A SCHEDULE FOR THE UPCOMING FISCAL YEAR

Chair Smack noted that the schedule had already been established in Item V and, therefore, there would be no need for further discussion or motions.

VII. DISCUSSION ABOUT INCONSISTENCIES IN THE AUDIT GUIDE

Ms. Young informed committee members that there were four audits conducted by Rubin Brown in 2022 that were done on a full accrual basis. She noted that the audit guide put out by the Nevada Department of Education keeps changing its requirements, resulting in 49 of

the charter school audits being done on a modified accrual basis. The result of this being that there is now no comparability between the charter school audits that were prepared on a different basis.

Mr. Dang said that he has been drafting up proposed changes to the Charter School Audit Guide to clear some confusion.

Ms. Young asked Mr. Shafer if he had any clarification on the changes being made to the Charter School Audit Guide.

Mr. Shafer responded that all changes that have been made to the Charter School Audit Guide were suggestions from the public and various members of the COSAL Committee.

Ms. Young said that it is difficult for charter schools to change the way they do audits every other year and that it makes it difficult to see how the charter schools are progressing due to the difference in statements. She said that charter schools should not be treated any differently than school districts in how they are accounting for their funds.

Mr. Shafer asked if there is a school district manual available because he had not been made aware of one.

Ms. Young said she is unsure if such a manual exists, but that she could reach out to the auditor who does the audits for Washoe County School District and find out what guidelines they are currently using.

Mr. Dang asked if the school districts also use both full accrual and modified accrual.

Ms. Young responded that it depends on the type of fund. Governmental funds are prepared on a modified accrual basis, while proprietary, enterprise, and scholarship funds are prepared on a full accrual basis.

Chair Smack asked if Mr. Dang would be able to prioritize getting proposed changes to the Charter School Audit Guide sent over to Mr. Shafer before the release of the RFQ.

Mr. Dang said he should be able to get at least the basic changes completed by then.

Chair Smack suggested that Mr. Dang, Ms. Young, and Mr. Shafer have a meeting to discuss changes to the Charter School Audit Guide and get everyone on the same page.

With no other comments, Chair Smack moved on to Item VIII.

VIII. PUBLIC COMMENT II

Chair Smack asked for comments from the public.

There were no members of the public who wished to make comments.

The meeting was adjourned at 11:15 am