Roosevelt Elementary School District

Performance Audit

February 2018
Report 18-202

A Report to the Arizona Legislature

Debra K. Davenport
Auditor General

ARIZONA Auditor General
Making a Positive Difference

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February 8, 2018

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Roosevelt Elementary School District

Dr. Dino Coronado, Superintendent
Roosevelt Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Roosevelt Elementary School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with most of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

Attachment

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Roosevelt Elementary School District

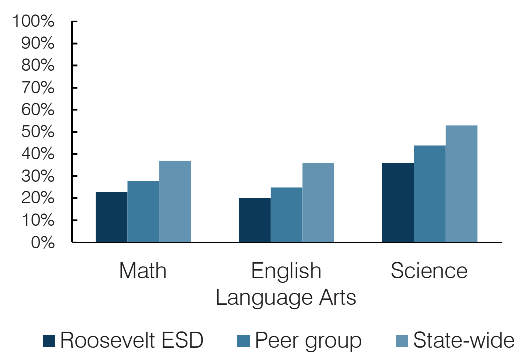
CONCLUSION: In fiscal year 2016, Roosevelt Elementary School District's student achievement was slightly lower than peer districts', and the District operated with higher costs in all noninstructional areas. Specifically, the District's per pupil administrative costs were much higher than the peer districts' average primarily because of higher staffing. In addition, the District needs to strengthen its accounting and computer controls. The District's plant operations costs were much higher than the peer districts' averages primarily because of higher staffing and because it operated many of its schools below their designed capacities. The District also needs to improve oversight of its facility rentals. Further, the District's transportation program's efficiency could not be measured because the District lacked sufficient records supporting the number of miles driven and riders transported on its buses, but its per pupil transportation costs were higher than peer districts', indicating that the program may have been less than efficient. Finally, the District levied $13.5 million in local property taxes and spent these monies for what it classified as desegregation activities. However, it could not demonstrate that these monies addressed its past violations because it did not have a desegregation plan nor did it operate any specific desegregation programs.

Slightly lower student achievement and higher costs in all areas

Student achievement slightly lower than the peer districts'—In fiscal year 2016, Roosevelt ESD's student test scores were similar to the peer districts' average in Math and slightly lower in English Language Arts and Science.

Costs higher in all operational areas—In fiscal year 2016, Roosevelt ESD's per pupil administrative costs and plant operations cost per square foot were much higher than peer districts', on average, primarily because of higher staffing in each area. Additionally, the District operated many of its schools far below their designed capacities. Its food service costs were higher than the peer districts' averages, but the District has taken steps to reduce its costs. The District's transportation program's efficiency could not be measured because of insufficient records, but its per pupil transportation costs were higher than peer districts', indicating that the program may have been less than efficient. To the District's credit, it began implementing changes in fiscal year 2017 that reduced some costs, but the District likely needs to do more to improve efficiency in its noninstructional areas.

Percentage of students who passed state assessments
Fiscal year 2016



District had much higher administrative costs and needs to strengthen computer controls

Much higher administrative costs—In fiscal year 2016, Roosevelt ESD's per pupil administrative costs were 44 percent higher than the peer districts' average primarily because it had higher administrative staffing. Specifically, the District employed more principals and assistant principals than peer districts. In fiscal year 2017, the District eliminated 13 assistant principal positions, saving the District more than $950,000. However, even with the reduction in school administrative staff, the District's administrative costs would still have been higher than the fiscal year 2016 peer districts' average.

Comparison of per pupil expenditures by operational area
Fiscal year 2016

	Roosevelt ESD	Peer group average
Administration	$1,043	$724
Plant operations	1,340	772
Food service	737	545
Transportation	370	289

Poor accounting and computer controls—In fiscal year 2016, the District did not require hourly employees to report the actual hours they worked but instead estimated hours worked based on employees' contracts. Additionally, the District lacked adequate password requirements and procedures for removing terminated employees' access; some accounting system users had more access than they needed to perform their job duties; one of its network-connected servers was using an outdated operating system; and its information technology contingency plan was incomplete.

Recommendation

The District should reduce administrative costs and strengthen accounting and computer controls.

Improvements needed to lower plant costs, increase capacity utilization, and strengthen oversight of facility rentals

Much higher plant operations costs—In fiscal year 2016, Roosevelt ESD's plant operations costs were much higher than the peer districts' average primarily because of higher plant staffing. Had the District staffed similarly to peer districts' averages, it would have employed 23 percent fewer plant employees. Additionally, many of the District's schools operated below their designed capacities, contributing to the District's higher per pupil plant costs. In fiscal year 2016, the District operated its schools at only 74 percent of their total designed capacity. We observed many classrooms that were either empty or being used unnecessarily for other purposes such as storage.

Insufficient oversight of facility rentals—Roosevelt ESD rents space to several organizations at its two previously closed schools, but the District did not exercise sufficient oversight of the rentals. Specifically, the District operated the rentals under outdated contracts, and its rental-payment-tracking spreadsheet was out of date, making it difficult to determine if all payments had been received. Based on our analysis of an 8-month period in fiscal year 2017, it appears likely that the District did not receive at least $3,700 in rental payments that it should have. Additionally, the District's rental fees had not been reviewed in many years and appeared to be low.

Recommendation

The District should reduce plant operations costs and improve controls and oversight of its facility rentals.

District should improve controls over transportation program

The District did not have adequate supporting records for the number of miles driven or number of students transported on its buses, which prevented us from calculating efficiency measures, such as cost per mile, cost per rider, or bus capacity usage, needed to evaluate the efficiency of the transportation program. Additionally, the District did not follow its own bus preventative maintenance schedule, and 33 of its 44 inspected buses failed a 2016 Department of Public Safety inspection.

Recommendation

The District should maintain records supporting the miles driven and eligible students transported, and ensure that bus preventative maintenance is conducted in a systematic and timely manner.

District levied and spent $13.5 million that it classified as desegregation activities with no formal plan or programs to address violations

In fiscal year 2016, Roosevelt ESD levied $13.5 million in local property taxes and spent these monies for what it classified as desegregation activities. However, the District could not demonstrate that these monies addressed its past violations because it did not have a desegregation plan or operate any specific desegregation programs.

Recommendation

The District should determine what, if any, activities are needed to be in compliance with its administrative agreements, create a desegregation plan based on any needed activities, adjust its desegregation tax levy to support only these activities, and ensure that its desegregation monies are used only to directly support these activities.

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DISTRICT OVERVIEW

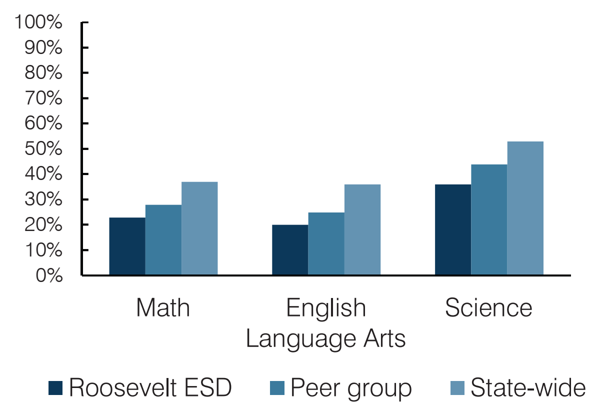
Roosevelt Elementary School District is a large district located in south Phoenix. In fiscal year 2016, the District served 9,078 students in kindergarten through 8th grade at its 18 schools.

In fiscal year 2016, Roosevelt ESD's student achievement was slightly lower than the peer districts' averages, and the District operated with higher costs in all noninstructional areas.[1] Specifically, the District's per pupil administrative costs and plant operations cost per square foot were much higher than peer districts', on average, primarily because of higher staffing in each area. Additionally, the District operated its schools at only 74 percent of their designed capacities. Its food service costs were higher than the peer districts' averages, but the District has begun taking steps to reduce its costs. The District's transportation program's efficiency could not be measured because of insufficient records, but its per pupil transportation costs were higher than peer districts', indicating that the program may have been less than efficient. Further, the District needs to strengthen some accounting and computer controls and lacked oversight over facility rentals and catering operations. To the District's credit, it began implementing changes in fiscal year 2017 that reduced some costs, but the District likely needs to do more to improve efficiency in its noninstructional areas.

Student achievement slightly lower than peer districts'

In fiscal year 2016, 23 percent of the District's students passed the state assessment in Math, 20 percent in English Language Arts, and 36 percent in Science. As shown in Figure 1, these scores were similar to the peer districts' average in Math and slightly lower in English Language Arts and Science.

Figure 1
Percentage of students who passed state assessments
Fiscal year 2016
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2016 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

District's operational costs higher than peer districts' in all areas

As shown in Table 1 on page 2, in fiscal year 2016, Roosevelt ESD spent $10,370 per pupil, which was $3,033 more than the peer districts' average. The District was able to spend more per pupil primarily because it was one of four districts in the peer group that levied additional monies in local property taxes to address desegregation issues. Additionally, Roosevelt ESD received more federal grant monies, such as Title I monies, primarily because its poverty rate was higher than the peer districts' average poverty rate. Although Roosevelt ESD spent $3,033 more per pupil in total than the peer districts' average, it spent only $840 more per pupil in the classroom and spent the remainder in noninstructional areas, which resulted in higher costs in these areas compared to peer district averages.

[1] Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

Much higher administrative costs; stronger accounting and computer controls needed—At $1,043 per pupil, Roosevelt ESD's administrative costs were 44 percent higher than the peer districts' $724 average. The District spent more on administration primarily because it had higher administrative staffing. In fiscal year 2017, the District made some staffing changes that reduced its administrative costs, but its costs will likely remain higher than peer districts' costs even after these reductions. Auditors also identified some accounting and computer controls that need strengthening (see Finding 1, page 3).

Table 1
Comparison of per pupil expenditures by operational area
Fiscal year 2016
(Unaudited)

Spending	Roosevelt ESD	Peer group average	State average
Total per pupil	$10,370	$7,337	$7,746
Classroom dollars	4,809	3,969	4,145
Nonclassroom dollars			
Administration	1,043	724	806
Plant operations	1,340	772	939
Food service	737	545	415
Transportation	370	289	364
Student support	1,167	579	633
Instruction support	904	459	444

Source: Auditor General staff analysis of fiscal year 2016 Arizona Department of Education student membership data and district-reported accounting data.

Much higher plant operations costs; stronger controls over facility rentals needed—The District's plant operations costs were 33 percent higher per square foot and 74 percent higher per pupil than peer districts', on average. The District's costs were higher, in part, because it employed more staff and spent more on telecommunications and internet access and repair and maintenance services. The District also operated its schools at only 74 percent of their designed capacities, while the peer districts operated schools at 82 percent of their designed capacities, on average. Additionally, the District needs to strengthen oversight of facility rentals and ensure rental fees cover related costs (see Finding 2, page 7).

Higher food service costs and poor controls over catering operations—Roosevelt ESD's food service costs were slightly higher per meal and much higher per pupil than peer districts' averages. However, the District has begun taking steps to reduce its food service costs. Starting in fiscal year 2017, the District began reducing food service staffing and was able to reduce its salaries and benefits by approximately $345,000, or 13 percent. Additionally, to potentially reduce food costs, the District began purchasing its food through a purchasing cooperative in fiscal year 2018. However, the District had poor controls over its catering operations (see Finding 3, page 11).

Transportation efficiency could not be determined due to insufficient records—The District did not have adequate supporting records for the number of miles driven or number of students transported on its buses, which prevented auditors from calculating efficiency measures, such as cost per mile, cost per rider, or bus capacity usage, needed to evaluate the transportation program's efficiency. The District's per pupil transportation costs were much higher than the peer districts' average, indicating that the program may have been less than efficient. Additionally, the District did not follow its own bus preventative maintenance schedule (see Finding 4, page 13).

Much higher student support and instruction support costs—In fiscal year 2016, Roosevelt ESD spent 102 percent more per pupil on student support than peer districts averaged. The District's costs were higher because it employed more staff, which may be related to its poverty rate, which was slightly higher than the peer districts' average. Additionally, the District spent 97 percent more per pupil on instruction support services than peer districts averaged primarily because it employed more staff, such as professional development staff that provided employee training.

District had much higher administrative costs and needs to strengthen accounting and computer controls

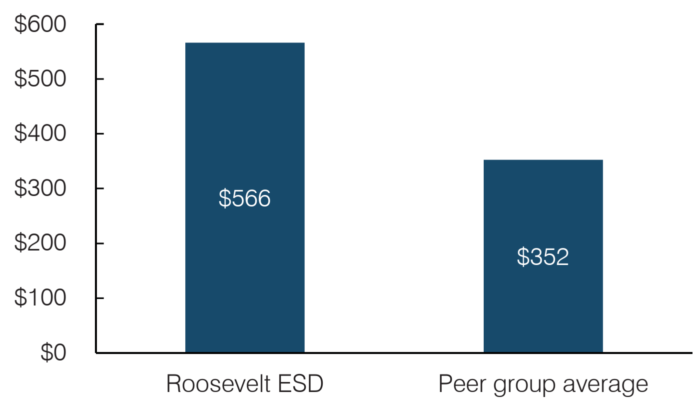
In fiscal year 2016, Roosevelt ESD's per pupil administrative costs were 44 percent higher than peer districts', on average, primarily because it employed more administrative staff. Additionally, the District had some poor accounting procedures and unsupported decisions but has taken some steps to correct some issues. The District needs to continue to improve its accounting controls as well as controls over its computer systems.

District had much higher administrative costs because of higher staffing

In fiscal year 2016, Roosevelt ESD spent $1,043 per pupil on administration, 44 percent more than peer districts' $724 average. As a result, the District spent more of its available operating dollars on administration, leaving it less money available to spend in the classroom.[2] Had the District spent the same per pupil amount on administration in fiscal year 2016 as its peer districts averaged, it would have saved more than $2.8 million, monies that otherwise potentially could have been spent in the classroom.

Roosevelt ESD's higher costs were primarily due to higher school-level administrative costs because the District employed more school-level administrators. As shown in Figure 2, the District spent $214, or 61 percent, more per pupil on school-level administrative salaries and benefits, with Roosevelt ESD spending $566 per pupil while peer districts spent $352 per pupil, on average. Most of the higher staffing was because the District employed more principals and assistant principals than peer districts. Although Roosevelt ESD employed one principal per school, which is typical, the District operated its schools with fewer students than peer districts', resulting in higher principal staffing levels. As further explained in Finding 2 on page 7, Roosevelt ESD operated its schools far below their designed capacities, and reducing this excess space could help the District lower both its plant operations costs and administrative costs. The District also operated its schools with many more assistant principals than peer districts. In fiscal year 2017, Roosevelt ESD eliminated 13 assistant principal positions, saving the District more than $950,000 in administrative salaries and benefits. However, even with the reduction in school

Figure 2
Comparison of per pupil school-level administrative salary and benefit costs Fiscal year 2016
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2016 Arizona Department of Education student membership data and district-reported accounting data.

[2] Available operating dollars are those used for the District's day-to-day operations. For further explanation, see Appendix page a-1.

administrative staff, the District's administrative costs would still have been higher than the fiscal year 2016 peer districts' average. Therefore, the District should continue to review its administrative staffing to determine how it can be modified to produce additional cost savings.

District had some poor accounting procedures and unsupported decisions but has taken some corrective measures

In fiscal year 2016, Roosevelt ESD did not require hourly employees to report the actual hours they worked, and no records exist to determine whether employees were paid correctly. Further, the District did not use a delayed payroll system in fiscal year 2016. These poor controls exposed the District to an increased risk of errors and fraud and caused the District to overpay at least one employee. Additionally, the District's lack of oversight resulted in it overspending its legal budget limits, and it built a costly child nutrition and conference center, which lacked a cost/benefit analysis and may have contributed to the District's overspending.

Hourly employees not required to report actual hours worked—In fiscal year 2016, the District did not require its hourly employees, such as bus drivers, groundskeepers, and kitchen assistants, to report their actual hours worked by completing time sheets or using a time clock system. Instead, in order to calculate hourly employees' paychecks, the District estimated the number of hours employees worked based on the hours stipulated in the employees' contracts. Because no records exist of the actual hours these employees worked, neither the District nor auditors could determine if the employees were paid correct amounts. The District updated its policies and procedures in fiscal year 2017 to require time sheets for all hourly employees, and it should ensure that it pays its employees based on these time sheets, as required by the *Uniform System of Financial Records for Arizona School Districts* (USFR).

District lacked delayed payroll system—In fiscal year 2016, the District did not have a delayed payroll system—that is, a system that pays employees after the end of a pay period based on actual time worked during that pay period. Under a delayed payroll system, there is usually a 1-week delay between the close of the pay period and the actual pay date. This allows districts time to process payroll after all actual hours worked by employees have been entered into the accounting system and verified by supervisors. Additionally, as stated earlier, the District did not require hourly employees to complete time sheets, and instead estimated employees' pay based on the employees' hourly rates and contracted hours. Auditors reviewed the detailed payroll and personnel records for 30 district employees and identified one instance of the District overpaying a terminated employee for the employee's final pay period. The District was not able to adjust the employee's pay because of the lack of a delayed payroll system and instead had to recover the overpaid amount by deducting the overpayment from the employee's payout of accumulated leave. If the employee did not have accumulated leave or had the employee's accumulated leave not been sufficient to cover the overpayment, the District may have had difficulty recouping this overpayment. The District implemented a delayed payroll system for fiscal year 2017, and it should continue to use the delayed payroll system as required by the USFR. This would help ensure employees receive payments for only what they have earned because the delay would allow the District to use the actual hours worked to calculate payments.

Lack of oversight resulted in District overspending its legal budget limits—District expenditure budget limits are established through statutory funding formulas and determine the maximum amounts districts may spend each year. However, Roosevelt ESD did not have a process in place to monitor its spending, and the District overspent its budget limits in fiscal year 2014 by $1.3 million and in fiscal year 2015 by $4.1 million. Monitoring spending is important because overspending results in reductions of future expenditure limits. To the District's credit, it began closely monitoring spending and reduced spending in fiscal years 2016 and 2017 to cover the prior overspending, in essence repaying nearly all of the overspent monies by the end of fiscal year 2017. The District should continue to monitor its spending to ensure it does not exceed its legal budget limits.

$5 million child nutrition and conference center lacked cost/benefit analysis and may have contributed to overspending—In fiscal year 2014, the District built a large child nutrition and conference center (Center) at a cost of about $5 million (see Photo 1 on page 5). District officials stated that the facility was designed to save money on the food service program by allowing the District to receive and store larger quantities of food. However, the District did not have a cost/benefit analysis to support this conclusion and had not calculated actual savings since the Center was built to determine if the large amount of savings needed to recover the cost of this facility had materialized. Additionally, the Center contains a large conference room and a large kitchen for conference room catering and catering services provided at other locations, and as described in Finding 3 (see page 11), this activity operated at a loss to the District.

Photo 1
Conference center

Source: Photo taken by Auditor General staff.

The District financed the Center's construction through Certificates of Participation (COPs), which is an allowable method for school districts to finance construction costs.[3] Generally, school districts finance large construction costs with capital bonds, which require voter-approved tax increases. The school districts then use the revenues from these tax increases to pay off the bonds. Unlike capital bonds, COPs allow school districts to take on debt to finance construction costs without creating additional revenues, which then requires the districts to pay for the debt using existing financial sources. As a result, the Center's construction may have contributed to the District overspending its legal budget limits previously discussed. According to district officials, the final payment on the COPs was made at the end of fiscal year 2017.

District had inadequate computer controls

In fiscal year 2017, Roosevelt ESD lacked adequate controls over its computer network and accounting and student information systems. These poor controls exposed the District to an increased risk of unauthorized access to these critical systems. Additionally, the lack of a thorough and tested information technology (IT) contingency plan could result in interrupted operations or data loss.

Weak password requirements—The District did not have strong password requirements for access to its computer network and accounting and student information systems. Common guidelines for strong passwords recommend that passwords be at least eight characters in length; contain a combination of lowercase and uppercase alphabetic characters, numbers, and symbols if permitted by the system; and be changed periodically. However, the District did not require that network and system passwords met these requirements. Strengthening password requirements would decrease the risk of unauthorized persons gaining access to the District's computer network and systems.

Broad access to accounting system—Auditors reviewed the District's fiscal year 2017 user access report for 17 of the 107 users with access to its accounting system and identified 12 users who had more access to the accounting system than they needed to perform their job duties, including a business office employee who had access to administer the District's accounting system. Administrator-level access allows the user full control over system settings, including the ability to add new users and modify the level of access users have in the system. Although auditors did not detect any improper transactions in the payroll and accounts payable transactions reviewed, such broad access exposed the District to an increased risk of errors and fraud, such as processing false invoices or changing employee payrates or adding and paying nonexistent vendors or employees.

Inadequate procedures for removing access to the network and critical systems—The District did not have sufficient procedures in place to ensure that only current employees had access to its network and

[3] COPs are lease-financing agreements that do not require voter approval and are not subject to bond debt restrictions.

accounting and student information systems. Auditors reviewed the District's fiscal year 2017 user access reports and found 16 network user accounts, 10 accounting system user accounts, and 1 student information system user account that were linked to employees who no longer worked for the District. At least five of these individuals had not worked for the District for more than 1 year. To reduce the risk of unauthorized access, the District should ensure that access to the network and critical systems is promptly removed when a user is no longer associated with the District.

Outdated and unsupported operating system—The District did not assess the security risks associated with using an outdated and unsupported operating system. Auditors determined that one of the District's network-connected servers was using an outdated and unsupported operating system. The use of such an operating system could compromise the District's computer network and its sensitive information. Outdated and unsupported operating systems are at higher risk of computer-related attacks because the manufacturers no longer provide fixes for vulnerabilities discovered in the systems.

Incomplete contingency plan and lack of backup testing—The District had an IT contingency plan, but it was missing some key components. For example, the plan did not contain important information regarding procedures for restoring servers and a process outlining how an alternate site would operate in the event that systems are down. A comprehensive contingency plan would help ensure continued operations in the case of a system or equipment failure or interruption. Additionally, the contingency plan should be tested periodically, and modifications should be made to correct any problems and ensure its effectiveness. Further, the District should perform documented tests of its ability to restore electronic data files from backups, which are important to ensure continuous accessibility to sensitive and critical data.

Recommendations

1. The District should review and determine how to modify its administrative staffing to produce cost savings and make changes accordingly.
2. The District should continue using time sheets and a delayed payroll system as required by the USFR to ensure it pays employees correctly.
3. The District should continue to monitor its spending to ensure it does not exceed its legal budget limits.
4. If the District considers any large projects in the future, such as the child nutrition and conference center, it should ensure it performs an evaluation of the project's costs and benefits.
5. The District should implement and enforce stronger password requirements for its computer network and accounting and student information systems.
6. The District should limit users' access to the accounting system to only those accounting system functions needed to perform their job responsibilities, including removing the business office employee's administrator-level access.
7. The District should improve procedures to ensure that terminated employees have their computer network and systems access promptly removed.
8. The District should ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attack by limiting their use and/or remove the network access to these servers.
9. The District should review its IT contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.

District should lower plant costs, increase capacity utilization, and strengthen oversight of facility rentals

In fiscal year 2016, Roosevelt ESD's plant operations costs were much higher than peer districts', on average, because of higher staffing and higher purchased services costs and because it operated many of its schools below their designed capacities. Additionally, Roosevelt ESD did not ensure that facility-rental contracts were up to date, revenues were tracked appropriately, payments were deposited timely, and rental fees were sufficient to cover related costs.

Much higher plant operations costs

Roosevelt ESD's $7.97 cost per square foot was 33 percent higher than the peer districts' $6.00 average, and its $1,340 cost per pupil was 74 percent higher than the peer districts' $772 average. The District had higher costs primarily because of higher staffing and had higher purchased services costs, specifically for telecommunications and repair and maintenance services.

Higher plant staffing—In fiscal year 2016, Roosevelt ESD employed one plant operations full-time equivalent (FTE) position, including custodial, maintenance, and grounds employees, for every 12,264 square feet. However, its peer districts employed, on average, one plant operations FTE for every 16,008 square feet. If the District had staffed its plant operations at a level similar to its peer districts' average, it would have employed 23 percent fewer plant employees.

Higher repair and maintenance and telecommunications costs—In fiscal year 2016, the District spent $0.45, or 156 percent, more per square foot for facility repair and maintenance and $0.39, or 161 percent, more per square foot for telecommunications than peer districts', on average. The District's higher repair and maintenance costs were partially due to some infrequent costs, including exterior painting of some schools, and replacement and repair of several fire systems. According to district officials, the higher telecommunications costs were likely the result of the District's network configuration, which required a number of high speed connections between the District's schools and the district office. District officials stated that the high speed connections allow for expansion, which is expected to be needed in the near future.

Many schools operated below designed capacities, contributing to higher per pupil plant costs

As shown in Table 2 on page 8, Roosevelt ESD operated its schools at 74 percent of their total designed capacity in fiscal year 2016, which is 8 percentage points lower than its peers' capacity utilization average of 82 percent. The District had a total school building capacity of 11,782 students but had only 8,676 students attending its schools in fiscal year 2016. Auditors observed many classrooms that were either empty or being used unnecessarily for other purposes such as storage. Maintaining more building space per student is costly to the District because most of its funding is based on its number of students, not the amount of square footage it maintains.

Between fiscal years 2006 and 2012, the District experienced a steady decline in enrollment, with its student enrollment decreasing 22 percent, from 12,470 students in fiscal year 2006 to 9,765 students in fiscal year 2012. As a result, the District closed two of its schools, Sierra Vista Elementary School at the end of fiscal year 2011 and George B. Brooks Academy during fiscal year 2012. However, the District's trend of declining student enrollment has continued since fiscal year 2012, as the District's enrollment decreased from 9,765 students in fiscal year 2012 to 9,078 students in fiscal year 2016. Because of this and the District's low capacity utilization at many of its schools, the District should evaluate the use of space at each of its schools and implement ways to reduce identified excess space.

Table 2
Number of students, designed capacity, and percentage of designed capacity used by school[1]
Fiscal year 2016
(Unaudited)

School name	Number of students	Designed capacity	Percentage of designed capacity used
Cesar Chavez Elementary School	375	772	49%
Ignacio Conchos Elementary School	389	685	57
Cloves Campbell Elementary	492	814	60
Maxine O. Bush Elementary School	441	712	62
John F. Kennedy Elementary School	424	662	64
Southwest Elementary School	450	694	65
John R. Davis Elementary School	447	663	67
C.O. Greenfield Elementary School	590	855	69
Ed Pastor Elementary School	580	825	70
C.J. Jorgensen Elementary School	467	624	75
V.H. Lassen Elementary School	396	504	79
Sunland Elementary School	579	701	83
Bernard Black Elementary School	776	924	84
Irene Lopez Elementary School	507	568	89
T.G. Barr Elementary School	483	505	96
Percy L. Julian Elementary School	672	683	98
Valley View Elementary School	608	591	103
Totals and average	**8,676**	**11,782**	**74%**

[1] This table does not include Amy Houston Academy because the school was designed as a regular school, but now operates as a special education and alternative school. Additionally, the number of students does not include students for whom the District pays tuition for them to attend other nondistrict schools or preschool students.

Source: Auditor General staff analysis of fiscal year 2016 student membership data obtained from the Arizona Department of Education and fiscal year 2016 building capacity information obtained from the Arizona School Facilities Board.

Insufficient oversight of facility rentals

Roosevelt ESD rents space to several different community organizations at its previously closed George B. Brooks Academy and Sierra Vista Elementary School but did not exercise sufficient oversight of these facility rentals. Most of the facility rentals are long-term with a monthly rental fee due to the District. District policies and procedures require that long-term renters sign contracts before using district facilities and that the Governing Board approves the contracts. Auditors reviewed the contracts and rental revenue collected for 8 consecutive months in fiscal year 2017 and found several issues the District needs to address. Specifically:

- **Outdated contracts and poor revenue tracking procedures—**For the 8-month period auditors reviewed, 4 of the 13 monthly renters made different monthly payments and/or leased different rooms or a different number of rooms than was agreed to in their contracts. According to district officials, this was due to the District not updating the renters' contracts when changes were made to the space being rented. Further, the District's rental-payment-tracking spreadsheet was also out of date, making it difficult to determine if it had received all payments. Auditors attempted to reconstruct the expected and actual rental payments for the 8-month period reviewed, but the poor state of the records and issues such as some renters paying months in advance, others paying months late, and some rental payments being for amounts other than the contract amounts made an exact reconstruction not possible. In summary, based on the signed contracts, auditors determined that expected facility rental revenues should have been at least $39,880 during this time period.

Considering modifications to the space rented although no new contracts were issued, auditors determined that expected facility rental revenues should have been at least $38,230. However, actual revenues received for facilities rented during this period were $34,530, which was less than both of the rental revenue estimates. Based on this analysis, it appears likely that the District did not receive at least $3,700 in rental payments that it should have.

- **Rental checks likely not deposited in a timely manner—**Auditors determined that the District likely did not always deposit rental checks in a timely manner. To help prevent loss or misuse of monies, cash receipts should be deposited at least weekly. Based on a review of the checks received during the 8-month review period, auditors identified multiple instances where the District deposited checks more than 30 days after the check date, indicating that the checks likely were not deposited promptly.

- **District was not recovering basic costs due to low rental fees—**The District's rental fees had not been reviewed or modified in many years and were insufficient to cover basic costs of the facilities. For example, the monthly fee for renting a classroom was $150, and there were no additional charges for utilities or custodial services. As a result, the District's rental income was enough to cover only electric and gas costs but did not cover costs such as custodial, maintenance, insurance, or trash collection. Arizona Revised Statutes §15-1105(A) requires that districts charge a reasonable use fee for the lease of school property. Therefore, the District should ensure that it is adequately compensated for the use of its facilities and related costs when allowing groups to use its facilities.

Recommendations

1. The District should review and determine how to modify its plant operations staffing to produce cost savings and make changes accordingly.

2. The District should review its plant operations repair and maintenance costs to determine how they can be reduced to produce cost savings and make changes accordingly.

3. The District should evaluate the use of space at each of its schools and determine and implement ways to reduce identified excess space.

4. The District should ensure facility-rental contracts accurately reflect the agreement between the District and the renting entities.

5. The District should ensure it collects payments in accordance with its facility rental contracts, maintains documentation supporting the use of its facilities and that associated payments were received, and deposit payments in a timely manner.

6. The District should ensure that its monthly facility rental rates are sufficient to adequately compensate the District for all costs associated with community use of its facilities.

District had poor controls over catering program and should seek counsel regarding legality

In fiscal year 2017 and for at least 1 year before that, Roosevelt ESD operated a catering program that provided services to external entities and individuals. The catering services were provided at the District's child nutrition and conference center (see Finding 1, page 3, for more information on this center) and also through the use of a district-owned food truck. However, the District's poor controls over its catering program increased its risk of errors or theft. Specifically, the catering events were handled by one district employee with no district oversight, and, in fiscal year 2017, the catering program was operating at a loss. Additionally, statute does not give school districts the authority to operate catering programs, and district officials stated that they plan to cease operating the catering program in fiscal year 2018.

Poor controls over catering services increased risk of errors or theft

Roosevelt ESD had poor controls over its catering program. Specifically, one employee with no district oversight handled the catering events, the program was operating at a loss in fiscal year 2017, and there were poor controls over food truck sales and inventory. These poor controls exposed the District to an increased risk of errors or theft.

No district oversight over catering services—One district employee with no district oversight handled the catering events, which increased the risk of errors or theft. The employee calculated and provided price quotations for the events, scheduled the events, ordered food and supplies, prepared and served meals, and provided invoices to and received payments from the external groups or individuals. The employee did not maintain any documentation of the price quotations given to the groups or individuals and did not maintain any price sheets for catered items, such as entrees, desserts, or beverages. Further, there were no inventory or production records to determine what food supplies were used or what labor costs were for specific events. Because of these poor procedures, neither the District nor auditors could determine whether the District received all monies it should have for the catering services. Finally, although it is generally customary in the industry to require deposits and prepayments for catering services and conference room rentals, the employee did not follow this procedure and instead invoiced groups or individuals after the events were provided.

Catering program was operating at a loss—Although district officials stated that the intent was for the catering program to break even or make a profit, the District did not monitor the catering revenues and costs, and the program was operating at a loss in fiscal year 2017. Auditors compared the catering program revenues to only the basic costs of food purchases and salaries and benefits from July 2016 through March 2017 and found that the program collected revenues of $58,000 but incurred costs of $75,000 resulting in a loss of $17,000. Further, this loss did not include additional costs incurred by the program such as utilities, insurance, and maintenance and repairs of equipment and the facility. The District should carefully analyze all costs and expected revenues to ensure catering events are at least self-supporting.

Poor controls over food truck sales—The District operated a food truck to provide meals for district groups as well as groups and individuals outside the District but failed to implement proper controls over sales. The food truck did not have a cash register or other means to record the items sold. After food truck events took place, the employee submitted cash for deposit with no record of the items sold. Therefore, neither the District nor auditors were able to determine if the District received and deposited the correct amount of cash from these sales.

Poor inventory procedures—The catering program did not maintain food supply inventory records, food production records, or records of food waste. Further, the food supplies were disorganized and not date-stamped to ensure a first-in, first-out inventory method, which can limit the amount of expired and discarded inventory and potentially lower costs. Additionally, auditors observed food that was improperly stored on the floor and food that was stored with cleaning chemicals (see Photo 2).

Photo 2
Disorganized catering inventory

Source: Photo taken by Auditor General staff.

District should seek counsel regarding the legality of its catering program

School districts have only those powers and duties granted to them by statute, and statute does not give school districts the authority to operate catering programs except for purposes of providing meals to students; operating student culinary programs; or, as allowed by Arizona Revised Statutes §15-1158, providing meals on a nonprofit basis to people who are at least 60 years old and their spouses. Roosevelt ESD's program did not meet these exceptions. District officials stated that they plan to cease operating the catering program in fiscal year 2018. If the District decides to continue providing catering, it should seek counsel regarding the legality of its program.

Recommendations

1. The District should seek counsel regarding the legality of its catering program.
2. If the District continues its catering services, it should properly oversee the program and implement proper controls to ensure that the District receives all catering revenues and that such revenues cover related costs.
3. If the District continues its catering services, it should implement proper inventory procedures such as maintaining food supply inventory and production records, date-stamping food items, and properly storing food and supplies.

District should improve controls over transportation program

In fiscal year 2016, Roosevelt ESD did not adequately maintain records supporting the route mileage and number of riders it reported for state funding purposes. Further, the District did not follow its own preventative maintenance schedule.

Student transportation mileage and riders not supported

For state transportation funding, school districts are required to report to the Arizona Department of Education (ADE) the actual miles driven to transport students to and from school and the number of eligible students transported. For fiscal year 2016, the District estimated both the number of miles driven and the eligible students transported using only 1 week of records rather than reporting the actual miles driven and eligible students transported. Additionally, many of the District's detailed daily records showing the miles driven and riders transported were incomplete and, in some cases, the daily records were missing altogether. As a result, auditors were not able to determine whether the mileage and riders were accurately reported and consequently were not able to determine whether the District was funded appropriately for its student transportation. In the future, the District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state funding purposes and ensure it maintains documentation to support the numbers reported. Additionally, tracking accurate mileage and rider counts would also help the District calculate performance measures such as cost per mile, cost per rider, or bus capacity usage and compare such measures to peer districts'.

Bus preventative maintenance not performed on schedule

According to the State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards), districts must demonstrate that their school buses receive systematic preventative maintenance, including periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. Following the Minimum Standards helps to ensure the safety and welfare of students and can help extend the buses' useful lives. However, Roosevelt ESD did not always conduct preventative maintenance activities in a systematic and timely manner. Auditors reviewed fiscal years 2014 through 2017 maintenance files for 10 of the District's 45 buses and found that 8 of the 10 buses reviewed did not receive annual preventative maintenance. The buses exceeded the preventative maintenance schedule by amounts ranging from 3 months to over 24 months. Auditors also reviewed calendar year 2016 Department of Public Safety inspection reports for the 44 district buses inspected and found that 33 buses failed inspection with at least one significant violation that required the buses to be pulled from service until repaired, which further supports the need for improved preventative maintenance procedures.

Recommendations

1. The District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported.

2. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its schedule and the State's Minimum Standards.

District levied and spent $13.5 million that it classified as desegregation activities with no formal plan or programs to address violations

In fiscal year 2016, Roosevelt ESD levied local property taxes and spent $13.5 million, or $1,495 per pupil, that it classified as desegregation activities. However, the District could not demonstrate that these monies addressed its past violations because it did not have a desegregation plan nor did it operate any specific desegregation programs. The District was able to levy and spend these additional monies because of a 1983 finding of noncompliance from the U.S. Department of Education's Office for Civil Rights (OCR) in regard to student assignment policies and an October 2000 voluntary administrative agreement with the OCR to resolve a complaint of discrimination in regard to English language learner (ELL) students.

Desegregation overview

OCR cases originate from a compliance review or a complaint alleging discrimination in programs that receive federal monies from the U.S. Department of Education. If the OCR determines that a violation occurred, the OCR works with the school district to negotiate a voluntary administrative agreement that describes the specific outcomes necessary for the district to remedy the violation. If the District does not agree to the administrative agreement, the OCR can refer the case to the U.S. Department of Justice, possibly resulting in the matter going to trial in federal court and a court order being issued that requires the district to take specific actions to remedy the violations. Arizona law allows school districts to levy additional taxes on local property to comply with administrative agreements and federal court orders.[4] Additionally, the law allows school districts to continue budgeting for and receiving desegregation monies even after they are found to be in compliance and their court order or agreement has been terminated. In fiscal year 2016, 18 Arizona school districts budgeted monies because of past or current OCR administrative agreements or federal court orders.

District's desegregation agreements and programs

The District's desegregation spending stems from an OCR compliance audit in the 1980s and an August 2000 complaint against one of its schools. Based on review of various OCR and district records and interviews of district personnel, auditors determined that Roosevelt ESD had previously operated programs to address its noncompliance and complaint. Specifically:

- In July 1979, the OCR notified Roosevelt ESD that it had been selected for a compliance audit to determine whether the way it assigned students to and within its schools complied with Title IV of the Civil Rights Act of 1964. In 1983, the OCR concluded its assessment and provided the District with a letter indicating areas of noncompliance, which focused on three schools the OCR determined had racial disparities compared to district-wide enrollment. The District submitted a plan to the OCR with its intended actions to come into

4 Arizona Revised Statutes (A.R.S.) §15-910(G): "The governing board may budget for expenses of complying with or continuing to implement activities that were required or permitted by a court order of desegregation or administrative agreement with the United States Department of Education Office for Civil Rights directed toward remediating alleged or proven racial discrimination that are specifically exempt in whole or in part from the revenue control limit and district additional assistance." School districts receive these additional monies by levying, without voter approval, local property taxes, which may be supplemented by the State General Fund through additional state aid.

compliance and provided annual progress reports. The District's plan primarily consisted of strengthening curriculum, adjusting school attendance boundaries, and creating magnet programs.[5] In March 1993, the OCR notified the District that it was in compliance, and the case was closed, meaning that the OCR would no longer be monitoring the District. According to district officials, Roosevelt ESD continued to operate most of the magnet programs until approximately fiscal year 2006 and has not operated magnet programs since.

- In October 2000, the District voluntarily entered into an administrative agreement with the OCR after being notified that a complaint had been filed alleging that the District discriminated against limited-English-proficient students, currently referred to as English language learners (ELL), by not providing services necessary for the students to participate meaningfully in the District's educational programs. As part of this agreement, the District submitted a plan to address the identification, assessment, placement, and instruction of ELL students. This plan was to be implemented by August 2001, and according to district officials, the District was found to be in compliance with this plan and agreement. However, the District did not retain documentation from the OCR to show that the case was closed. Further, according to district officials, as of fiscal year 2016 and for at least several years prior, the District did not operate any ELL programs specific to the OCR agreement.

Millions levied and spent with no clear link to desegregation agreements

The District did not have a desegregation plan, it did not operate desegregation programs, and it could not provide a connection between its desegregation spending and its desegregation violations. In fiscal year 2016, the District levied $13.5 million in local property taxes for desegregation purposes and spent these monies for what it classified as desegregation activities. Specifically, $13.3 million was spent on salaries and benefits of teachers and other instructional staff, and about $200,000 was spent on administration. However, the District could not demonstrate that these monies were spent to directly address the violations previously discussed due to its lack of a formal desegregation plan or related programs. For example, the District began operating magnet programs at some of its schools as part of its agreement with the OCR in the 1980s. Schools were chosen based on having a disproportionately high number of students from a single race or ethnic group and operated programs such as gifted education, extended day, and technology focused. The case was closed in 1993, and the District operated the magnet programs until approximately fiscal year 2006. However, since fiscal year 2006, the District has continued to levy and spend monies even though they were not spent to directly address any violations. Further, as part of its plan submitted to the OCR in October 2000, the District agreed to develop and implement an ELL program that would address the identification and placement of ELL students. This included the development of program evaluations, reclassification procedures for students who become English proficient, and professional development for instructional staff. However, as of fiscal year 2016, none of the District's desegregation spending appeared to be specifically related to its administrative agreement. Further, the District was not in compliance with state requirements for its ELL students as discussed in the next section, which are substantially similar to the administrative agreement requirements. Because state statute gives school districts the authority to budget for and spend desegregation monies only for those activities that are related to their agreements or court orders, the District should determine what, if any, activities are needed to be in compliance with its agreements, create a desegregation plan based on any needed activities, adjust its desegregation tax levy to support only these activities, and ensure that its desegregation monies are used only to directly support these activities.

Noncompliance with state requirements for ELL students

In fiscal year 2008, the State Board of Education adopted Arizona's Structured English Immersion (SEI) model for all school districts to implement by fiscal year 2010. The State's SEI requirements are similar to what Roosevelt ESD's voluntary agreement with the OCR required. Although in fiscal year 2016 Roosevelt ESD spent $13.5 million in desegregation monies, the District was not in compliance with the State's ELL program. A.R.S. §15-756.08 requires ADE to perform an evaluation of school districts' ELL programs. In March 2017, ADE determined

5 Magnet programs consist of specialized courses intended to draw students across normal school boundaries.

that Roosevelt ESD's ELL program did not meet all requirements. Specifically:

- **Parental waivers—**In the files ADE reviewed, monitors noted that ELL students were placed in dual-language programs through the incorrect use of parental waivers or, in some cases, without a waiver. Parents can sign waivers for their children to be placed in a different instructional environment, such as a dual-language program, than the SEI model requires if their children are proficient orally or are over the age of ten.

- **Model implementation—**The District did not properly implement the State's SEI model for its ELL students. For example, the English Language Proficiency standards were missing in classrooms, and lesson plans and instruction times were missing required student performance indicators or contained incorrect student performance indicators.

In June 2017, ADE accepted the District's corrective action plan and from that date the District had 30 days to begin implementation. ADE will follow up with another on-site visit in fiscal year 2018 to monitor the District's compliance.

Recommendations

1. The District should determine what, if any, activities are needed to be in compliance with its administrative agreements, create a desegregation plan based on any needed activities, adjust its desegregation tax levy to support only these activities, and ensure that its desegregation monies are used only to directly support these activities.

2. The District should ensure that it follows its ADE-approved corrective action plan and corrects all deficiencies in its ELL program.

Some Classroom Site Fund monies spent inappropriately

In fiscal year 2016, Roosevelt ESD spent some Classroom Site Fund (CSF) monies inappropriately because it spent performance pay monies for purposes other than performance goals.[6] Additionally, the District paid CSF monies to ten ineligible employees.

District paid performance pay without establishing performance goals

In fiscal year 2016, the District paid over $2.1 million in performance pay but did not establish performance goals for teachers to earn the performance pay. According to statute, a school district governing board is required to vote on a performance-based compensation system that includes elements such as district, school, and individual teacher performance.[7] However, according to district officials, Roosevelt ESD did not have a performance pay plan and instead used performance pay monies for stipends such as longevity and having additional college education credits. Awarding teachers performance pay when they do not meet agreed-upon goals appears contrary to the goal of performance pay systems, which are to provide incentives for improved outcomes. The District has created a performance-based compensation system for fiscal year 2018, and district officials stated that CSF performance pay monies will be awarded based on this system.

District paid CSF monies to ten ineligible employees

According to an Attorney General opinion, one necessary condition for individuals to be eligible for CSF monies requires that they be employed to provide instruction to students related to the school's educational mission.[8] However, in fiscal year 2016, Roosevelt ESD paid approximately $105,000 in CSF monies to ten ineligible individuals. These employees performed administrative duties rather than instructing students, and therefore, did not qualify for CSF monies.

Recommendations

1. As required by statute and to promote improved performance, the District should follow its performance pay plan and require that teachers attain agreed-upon goals to receive performance pay.

2. The District should ensure that only eligible employees receive CSF monies.

6 In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund (CSF) monies, may be spent only for specific purposes, primarily increasing teacher pay.

7 Arizona Revised Statutes §15-977.

8 Arizona Attorney General Opinion I13-005, July 23, 2013.

APPENDIX

Objectives, scope, and methodology

The Office of the Auditor General has conducted a performance audit of the Roosevelt Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on classroom dollars, as previously reported in the Office of the Auditor General's annual report, *Arizona School District Spending*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2016, was considered.[9] Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2016 summary accounting data for all districts and Roosevelt ESD's fiscal year 2016 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Roosevelt ESD's student achievement peer group includes Roosevelt ESD and the five other elementary school districts that also served student populations with poverty rates between 31 and 40 percent and were located in cities and suburbs. Auditors compared Roosevelt ESD's percentage of students who passed state assessments to its peer groups' average.[10] Generally, auditors considered Roosevelt ESD's percentages to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in the percentage of students who passed state assessments between Roosevelt ESD and its peers.

To analyze Roosevelt ESD's operational efficiency in administration, plant operations, food service, and transportation, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes nine elementary school districts that also served over 8,000 students and were located in cities and suburbs. Auditors compared Roosevelt ESD's costs to its peer group averages. Generally, auditors considered Roosevelt ESD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Roosevelt ESD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage

9 Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with the acquisition of capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

10 The percentage of students who passed state assessments is based on the number of students who scored proficient or highly proficient on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) Math and English Language Arts tests and those who met or exceeded the state standards on the Arizona's Instrument to Measure Standards (AIMS) Science test. Test results were aggregated across grade levels and courses, as applicable.

per student and meal participation rates, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2016 administration costs and staffing levels and compared them to peer districts'. Auditors also reviewed fiscal year 2017 Roosevelt ESD administration costs and compared them to fiscal year 2016 administration costs.

- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2016 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 1,606 individuals who received payments in fiscal year 2016 through the District's payroll system and reviewed supporting documentation for 30 of the 17,971 fiscal year 2016 accounts payable transactions. Auditors also evaluated other internal controls that they considered significant to the audit objectives and reviewed fiscal year 2016 spending and prior years' spending trends across operational areas.

- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery.

- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, auditors reviewed and evaluated fiscal year 2016 plant operations and maintenance costs, district building space, and staffing levels, and compared these costs, capacities, and staffing levels to peer districts'. Auditors also reviewed fiscal year 2017 facility use agreements and payments and facility rental policies and procedures.

- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, auditors reviewed fiscal year 2016 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations. Auditors also observed the catering and conference center facilities and reviewed fiscal year 2017 catering program procedures, invoices, and user payments.

- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, and reviewed bus maintenance and safety records for 10 of the District's 45 buses. Auditors also reviewed calendar year 2016 Department of Public Safety bus inspection reports for the 44 buses inspected.

- To report information about the District's desegregation program, auditors interviewed district personnel and reviewed the District's desegregation expenditures and available court documents.

- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2016 expenditures to determine whether they were appropriate and if the District properly accounted for them. Auditors also analyzed how it distributed performance pay and whether the individuals who received performance pay were eligible based on their job descriptions.

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

The Auditor General and her staff express their appreciation to the Roosevelt ESD's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

ROOSEVELT
ELEMENTARY SCHOOL DISTRICT

6000 South 7th Street
Phoenix, AZ 85042

February 2, 2018

State of Arizona
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Attn: Debra Davenport, Auditor General
Michael Quinlan, Audit Manager

Dear Ms. Davenport and Mr. Quinlan,

Roosevelt School District has received and reviewed the Preliminary Draft Performance Audit conducted for fiscal year 2016. Roosevelt would like to commend and extend appreciation to Mr. Quinlan and his staff for their professionalism and patience throughout the process.

The information shared has provided Roosevelt an opportunity to make improvements toward continued efficiency, compliance, and transparency. The District will continue to strive toward compliance in all areas and will comply with the recommendations as noted in the District's response.

Please find attached the District's response to each finding and recommendation.

Sincerely,

Dino M. Coronado, Ed.D.
Superintendent

Cc: Jeff Gadd, Interim Chief Financial Officer
Treena Bradley, Director of Finance

Finding 1: District had much higher administrative costs and needs to strengthen accounting and computer controls

District Response: Roosevelt School District agrees with this finding and all the recommendations. The Administrative Team has been working to achieve efficiency in its overall operations over the last few years. The 16/17 school year will reflect lower admin costs.

Recommendation 1: The District should review and determine how to modify its administrative staffing to produce cost savings, and make changes accordingly.

District Response: The District concurs with the recommendation and will continue to look for opportunities to reduce administrative costs and direct more dollars into the classroom.

Recommendation 2: The District should continue using time sheets and a delayed payroll system as required by the USFR to ensure it pays employees correctly.

District Response: The District has changed payroll procedures for all employees as required by the USFR to ensure delayed payroll follows USFR guidelines.

Recommendation 3: The District should continue to monitor its spending to ensure it does not exceed its legal budget limits.

District Response: The District agrees with this finding and has and will implement recommendations to address this finding

Recommendation 4: If the District considers any large projects in the future, such as the child nutrition and conference center, it should ensure it performs an evaluation of the project's costs and benefits.

District Response: The District concurs

Recommendation 5: The District should implement and enforce stronger password requirements for its computer network and accounting and student information systems.

District Response: The District supports a change in security measures. The District has been reviewing industry best practices to upgrade security.

Recommendation 6: The District should limit users' access to the accounting system to only those accounting system functions needed to perform their job responsibilities, including removing the business office employee's administrator level access.

District Response: The District concurs with this recommendation and will implement an annual review process to identify, review, and evaluate each users appropriate access levels. Given the limited bus office staff some overlays maybe necessary.

Recommendation 7: The District should improve procedures to ensure that terminated employees have their computer network and systems access promptly removed.

District Response: Roosevelt School District concurs with this recommendation and the HR, Payroll, IT and Business Departments have met to discuss a process to ensure that employees that have separated from employment are addressed promptly

Recommendation 8: The District should ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attack by limiting their use and/or remove the network access to these servers.

District Response: The District has responded by updating server software and by removing network access to servers that have EOL system application in order to limit vulnerabilities that these systems could create.

Recommendation 9: The District should review its IT contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.

District Response: The District has begun to revise the current contingency plan to include key components (e.g. system recovery, plan testing, and contact information) delineated in the findings. The plan is being updated to provide necessary contact information for staff assigned by role/function with specific responsibilities during an equipment or system failure/interruption. A recovery plan for critical systems is being developed to prevent disruptions of system operations. Once the recovery plan has been completed, a testing plan will also be articulated and implemented.

Finding 2: District should lower plant costs, increase capacity utilization, and strengthen oversight of facility rentals

District Response: The District agrees with the finding and all the recommendations. The District has experienced declining student enrollment over the last several years. The decline has resulted in unused classroom space in the school buildings. The District is in the process of evaluating the best course of action to reduce plant costs, including school repurposing, leasing, and magnet schools.

Recommendation 1: The District should review and determine how to modify its plant operations staffing to produce cost savings and make changes accordingly.

District Response: The District concurs

Recommendation 2: The District should review its plant operations repair and maintenance costs to determine how they can be reduced to produce cost savings and make changes accordingly.

District Response: The District is in the process of restructuring the organization to align staffing with the declining student enrollment. This will address the staffing in the plant operations as well as other support departments. The cross training of maintenance personnel has been implemented to minimize the need for contractors' services. The district has reduced the number of custodial positions.

Recommendation 3: The District should evaluate the use of space at each of its schools and determine and implement ways to reduce identified excess space.

District Response: The best solution is being explored to possibly consolidate schools and close down unused areas or even the whole building if feasible.

Recommendation 4: The District should ensure facility-rental contracts accurately reflect the agreement between the District and the renting entities.

District Response: District agrees that it can strengthen its facility use controls

Recommendation 5: The District should ensure it collects payments in accordance with its facility rental contracts, maintains documentation supporting the use of its facilities and that associated payments were received, and deposit payments in a timely manner.

District Response: District agrees with this recommendation. District is implementing this recommendation by updating its facility use policies and rental schedules receiving rental payment timely.

Recommendation 6: The District should ensure that its monthly facility rental rates are sufficient to adequately compensate the District for all costs associated with community use of its facilities.

District Response: District agrees with this recommendation. District has implemented this recommendation by updating its facility use policies and rental schedules.

Finding 3: District had poor controls over catering program and should seek counsel regarding legality

District Response: Program has been discontinued for 17/18

Recommendation 1: The District should seek counsel regarding the legality of its catering program.

District Response: Program has been discontinued

Recommendation 2: If the District continues its catering services, it should properly oversee the program and implement proper controls to ensure that the District receives all catering revenues and that such revenues cover related costs.

District Response: Program has been discontinued

Recommendation 3: If the District continues its catering services, it should implement proper inventory procedures such as maintaining food supply inventory and production records, date-stamping food items, and properly storing food and supplies.

District Response: Program has been discontinued

Finding 4: District should improve controls over transportation program

District Response: The District concurs with this finding and is currently working to implement updated transportation controls.

Recommendation 1: The District should accurately calculate and report to ADE the actual miles driven and eligible students transported for state transportation funding purposes and ensure it maintains documentation to support the numbers reported.

District Response: The District will accurately calculate and report the miles driven and riders transported for state funding purposes. This department has very recently received training on how to properly calculate and report the miles driven and riders transported for state funding purposes. There will be no further discrepancies in the reporting of the mileage.

Recommendation 2: The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its schedule and the State's Minimum Standards.

District Response: The District developed and implemented a preventive maintenance procedure and schedule. Each bus has a dedicated binder which contains forms and logs of the dates and types of services performed. The mechanics maintain the logs and sign that the services were completed. The buses are inspected annually by AZ DPS

Finding 5: District levied and spent $13.5 million that it classified as desegregation activities with no formal plan or programs to address violations

District Response: The district will implement the corrective action plan as outlined by ADE during the last monitoring visit

Recommendation 1: The District should determine what, if any, activities are needed to be in compliance with its administrative agreements, create a desegregation plan based on any needed activities, adjust its desegregation tax levy to support only these activities, and ensure that its desegregation monies are used only to directly support these activities.

District Response: Roosevelt School District spends desegregation monies on the identification of language minority students, educational program services for identified LEP students, reclassification procedures for LEP students, evaluating language minority students with special education needs, and provides notices to parents of LEP students as outlined in the Office of Civil Rights findings. These findings are being addressed through a holistic approach to educating our Limited English Proficient students by utilizing administrative staff to assess LEP students, providing classroom environments with strong language support, equipping the teachers of Roosevelt with highly effective teaching strategies in all classrooms, providing strong intervention programs to prevent over identification of language minority students into special education; as well as, utilizing a parent liaison to support families of language minority students.

Recommendation 2: The District should ensure that it follows its ADE-approved corrective action plan and corrects all deficiencies in its ELL program.

District Response: The district will implement the corrective action plan as outlined by ADE during the last monitoring visit.

Finding 6: Some Classroom Site Fund monies spent inappropriately

District Response: The District concurs

Recommendation 1: As required by statute and to promote improved performance, the District should follow its performance pay plan and require that teachers attain agreed-upon goals to receive performance pay.

District Response: The District will ensure that it pays all CSF pay for performance salaries in accordance with its pay for performance plan.

Recommendation 2: The District should ensure that only eligible employees receive CSF monies.

District Response: The District strives to properly classify its employee eligibility for CSF funding. The District has reviewed and revised its coding procedures to prevent such errors in the future.

ARIZONA
Auditor General
Making a Positive Difference