

# Western Arizona Vocational Education District

District did not adequately assess whether it prepared students for high-need occupations and did so in an efficient manner; had no policy for large fund balance; and allowed accounting system users too much access, increasing the risk of errors and fraud

Performance Audit

February 2022  
Report 22-201

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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February 25, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board  
Western Arizona Vocational Education District

Ms. Amy West, Superintendent  
Western Arizona Vocational Education District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Western Arizona Vocational Education District*, conducted pursuant to Arizona Revised Statutes §§15-393.01 and 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 does not agree with findings 1 and 2. It also does not agree with 4 of the 5 associated recommendations in those findings but plans to implement or implement modifications to the recommendations. The District agrees with findings 3 and 4 and all 3 associated recommendations and plans to implement or implement a modification to the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations.

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

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

## Western Arizona Vocational Education District

**District did not adequately assess whether it prepared students for high-need occupations and did so in an efficient manner; had no policy for large fund balance; and allowed accounting system users too much access, increasing the risk of errors and fraud**

### Audit purpose

To determine if the District was meeting its statutory purpose to prepare students for high-need occupations, spending State monies appropriately and efficiently, and following best practices.

### Key findings

- District did not collect and analyze key student outcome data to help assess whether its career and technical education (CTE) programs prepared students for high-need occupations; absent this data, District could not demonstrate the \$2.58 million (FY 2018) spent on its programs was effectively used.
- District did not determine if its more expensive Lake Havasu Culinary Arts central program resulted in better key student outcomes and was an efficient use of public monies.
- District accumulated \$7 million unspent fund balance by end of FY 2020 but did not have a policy regarding the purpose of this balance or the amount to maintain.
- District allowed accounting system users too much access, increasing the risk of errors or fraud.

### Key recommendations

The District should:

- Collect and analyze job and industry certification data for its former students to evaluate its effectiveness in preparing students for high-need occupations.
- Collect and analyze key student outcome data to determine whether its higher spending on the Lake Havasu Culinary Arts central program produces better key outcomes than its other less-expensive culinary arts programs and, if it does not, identify and implement options to improve the program's efficiency.
- Follow best practices by developing and implementing a formal policy for its unspent fund balance level and purpose.
- Limit accounting system users' access to only functions needed for their job duties and ensure that no one person can initiate and complete a transaction without an independent review and approval.



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## District overview

The Western Arizona Vocational Education District (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General's [November 2020](#) and [October 2017](#) CTED special reports.

### Key CTED terms

**Member districts**—Arizona public school districts that form or join a CTED.

**Satellite programs**—CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.

**Central programs**—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.

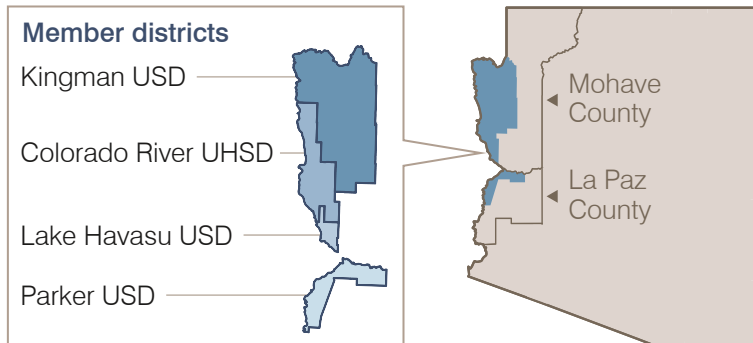
### Member districts

Kingman USD

Colorado River UHSD

Lake Havasu USD

Parker USD



The District had 11 central programs with 434 students and 32 satellite programs with 4,845 students in fiscal year 2018.<sup>1</sup> See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

<sup>1</sup> Student enrollment includes a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

**Total spending—\$2.58 million (\$489 per student enrolled)**

Central programs—17%

Satellite programs—67%

Administration and support services—16%

## Audit results summary

### Key areas reviewed

**Central programs**—The District operates a culinary arts program at a building it owns and also partners with Mohave Community College and Arizona Western College through intergovernmental agreements (IGAs) to offer its central CTE programs. In fiscal year 2018, the District paid almost \$165,000 in tuition and other fees for its students to attend programs at its community college partners in accordance with its IGAs. However, the District did not collect and analyze certain key student outcome data to help assess whether its CTE programs prepared students for high-need occupations (see Finding 1, page 3). Additionally, the District did not determine if its more expensive Lake Havasu Culinary Arts central program resulted in better key student outcomes than its member districts' culinary arts programs and therefore could not demonstrate that the nearly \$257,000 spent on this program was used efficiently (see Finding 2, page 7).

## Key areas reviewed (continued)

**Satellite programs**—In fiscal year 2018, the District allocated \$1.70 million in satellite program funding to its member districts in accordance with their IGAs and provided required professional development for satellite program teachers and evaluation and support for satellite programs. The District's practice of retaining funding generated by its satellite programs each year resulted in a \$7.02 million unspent fund balance by the end of fiscal year 2020. However, the District did not have a policy regarding the purpose and amount of fund balance to maintain (see Finding 3, page 10).

**Administration and support services**—The District's administration spending of \$321,300 was primarily to pay for administrative salaries and benefits, as well as insurance, audit, and lobbying services. It also spent \$88,449 on support services primarily for salary and benefits for its program coordinator, staff training, and travel. However, the District allowed accounting system users too much access, increasing its risk that these users could commit errors or fraud without being detected (see Finding 4, page 13).





## District did not collect and analyze certain key student outcome data in fiscal year 2018 to help assess whether its CTE programs prepared students for high-need occupations

### District is responsible for preparing students for high-need occupations and has been directed to collect key student outcome data to help assess program effectiveness

According to State statute, Arizona's high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, but lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation.<sup>1</sup> Additionally, statute requires CTEDs to provide ongoing evaluation and support of their member districts' satellite campus programs to ensure quality and compliance.<sup>2</sup> Therefore, it is important that CTEDs determine whether their programs are preparing students for high-need occupations and then using that information to evaluate and support their member districts' satellite campus programs to ensure quality and compliance. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including number of students obtaining postgraduation employment related to their CTE program and number of students earning industry certifications. Additionally, recent reports from national research organizations like Advance CTE and New Skills for Youth have also identified these student outcome measures as important for evaluating CTE programs' effectiveness.<sup>3</sup> These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

**High-need occupations** are those that the Arizona Office of Economic Opportunity and the Arizona Department of Education (ADE) have identified as being high-skill, high-wage, or in-demand occupations within the State.

Consistent with these national research organization reports, the District and other CTEDs have been directed to collect data related to student postgraduation employment and industry certifications earned to assess their CTE programs' effectiveness. Specifically, in February 2016, a law passed requiring ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTEDs' annual achievement profiles.<sup>4</sup> Further, in our October 2017 Arizona CTED special audit, we recommended that

<sup>1</sup> Arizona Revised Statutes (A.R.S.) §§15-781 and 15-391.

<sup>2</sup> A.R.S. §15-393 (L)(10)(b).

<sup>3</sup> Advance CTE is a national nonprofit that represents state CTE directors and leaders and seeks to advance high-quality CTE policies and best practices. New Skills for Youth, Advance CTE, Council of Chief State School Officers, Education Strategy Group, Data Quality Campaign, and Workforce Data Quality Campaign. (2019). *The State of Career Technical Education: Improving Data Quality and Effectiveness*. Silver Spring, MD. New Skills for Youth, Council of Chief State School Officers, Advance CTE, Education Strategy Group, and Achieve. (2019). *Making Career Readiness Count 3.0*. Silver Spring, MD. Results for America and MDRC. (2019). *What Works in Career and Technical Education: Evidence Underlying Programs and Policies that Work*. New York, NY.

<sup>4</sup> Laws 2016, Ch. 4, §1, enacted A.R.S. §15-393.01.

CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, to help evaluate CTE programs' effectiveness.<sup>5</sup>

## **District did not collect and analyze data necessary to help assess whether its programs successfully prepared students for high-need occupations and led them to earn industry certifications**

**District did not collect data on specific jobs obtained by its students after graduation to assess program effectiveness in preparing students for high-need occupations**—Although the District collected some data on former students who completed a CTE program, it did not collect the data necessary to demonstrate whether its students obtained jobs in high-need occupations. Specifically, in fiscal year 2018, the District's 4 member districts identified the number of concentrators—those students who completed 2 or more CTE courses in a single CTE program—at their satellite campuses and the District's central campuses who, approximately 6 months after graduation, were purportedly employed in a job, enrolled in a college program, or enlisted in the military and were using skills learned in their CTE programs. The District's 4 member districts collected this information, known as placement, because they were required to report this data to ADE to receive federal funding through the Carl D. Perkins Act grant program, which is a source of CTE funding.<sup>6</sup> Specifically, through surveys, the District's member districts collected data on former students' employers but generally did not obtain the titles of the jobs those former students held with those employers. For former students to be reported as work-related placements, all that was required was for them to answer "yes" to a survey question that asked whether their jobs were directly related to the CTE programs in which they concentrated during high school. Although measuring placement in that manner for federal Perkins grant funding purposes may be allowable, simply knowing who employs a former student and the former student answering "yes" on a survey that his or her job is directly related to the CTE program they completed in high school is not sufficient by itself to establish that the student has found a job in a high-need occupation.

**District did not analyze extent to which its students earned certifications in high-need occupations and use this information to assess its programs**—Further, although the District and its member districts collected data on certifications earned by their CTE students in fiscal year 2018, the District did not calculate, document, and analyze the percentage of its concentrators who earned industry certifications in high-need occupations related to their CTE programs. Without calculating and documenting data on the percentage of its concentrators who earned certifications for each of its programs, the District could not demonstrate the extent to which its CTE programs resulted in students earning certifications in high-need occupations.

Moreover, the District did not use the certification information it collected to assess its central or member districts' satellite CTE programs to ensure quality and compliance and possibly identify best practices. For example, it did not assess whether certain programs or certain districts were more successful with students earning industry certifications than others and, if so, why?

**Absent key student outcome data, the District could not demonstrate the \$2.58 million spent on its programs was effectively used**—Without collecting and analyzing key outcome data about jobs obtained and industry certifications earned by its students, the District could not demonstrate to students, parents, the public, and State policymakers that the \$2.58 million spent on its programs in fiscal year 2018 was effectively used; i.e., that its programs were effective in achieving its statutory purpose of preparing students for entry into high-need occupations. Additionally, by not collecting and analyzing key student outcome data, the District could not know if public monies used on its programs may have been better spent on other more effective programs. Further, if a student's goal was a job in a high-need industry, the District could not provide students and parents necessary information to know if attending the District's programs would help the student achieve that goal.

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<sup>5</sup> See Arizona Auditor General report 17-212, *Joint Technical Education Districts*.

<sup>6</sup> The District's central campus programs do not apply for and receive this federal funding, so ADE excluded the District's central campus programs from the federal accountability reporting requirements.

## District reported it did not collect certain job and certification data because it was not specifically required to do so

**District did not collect and analyze data it was not specifically required to—**According to WAVE officials, they have not collected and have not requested their member districts collect and share information on whether their former students obtained jobs that are in high-need occupations because neither State statute nor Perkins policies specifically require the District to do so. Similarly, District officials stated that districts are not specifically required to analyze data on certifications earned by its students to evaluate their programs' effectiveness.

In November 2020, after the time period we analyzed for this audit report, we issued a special study that identified similar data issues and causes at other CTEDs and recommended that ADE implement the 2016 statutory requirement to include each CTED in its annual achievement profiles and work with CTEDs and member districts to ensure accurate, complete, and comparable data is available to assess CTE program effectiveness, including employment and industry certification data.<sup>7</sup> In response to these recommendations, ADE officials stated that they plan to create CTED annual achievement profiles and require all CTEDs to collect and report to ADE student employment and industry certification data for the 2021-2022 school year.

### **District collected other student data, but the data it collected was not sufficient to help assess whether its programs were effective in preparing students for high-need occupations—**

Although District officials did not collect and analyze job titles and the extent to which its concentrators earned certifications in high-need occupations, the District collected other student data District officials believed demonstrated CTE programs' success, but that data is not enough to show if students are being prepared for high-need occupations. District officials stated that the District collected information from its member districts on academic indicators such as the percentage of its concentrators who passed the State's mathematics and English language arts (ELA) assessments and the number of its concentrators who graduated high school and the number who passed a State technical skills assessment with a score of 60 percent or higher.<sup>8</sup> Although meeting State standards and graduating high school are integral to job preparation, these measures alone do not demonstrate if the District's CTE programs prepared students for high-need occupations or provided students with sufficient technical skills for entry into such occupations. Further, the academic outcome data the District collected demonstrate that nearly 3 of 4 of its concentrators did not pass the State's mathematics or ELA assessments in fiscal year 2018.

#### Key term refresher

**Concentrators**—students who completed 2 or more CTE courses in a single CTE program.

As for the technical skills assessment data, the District believes the technical skills assessments, which require a score of 60 percent or better to "pass" the assessment, demonstrate that students are prepared for high-need occupations. However, this does not diminish the importance of the District collecting the specific jobs that students who completed the District's CTE programs obtained. That information would demonstrate that employers in high-need occupations are hiring the District's students, further supporting that students are prepared for these jobs. Further certification and licensure data would demonstrate the extent to which students are prepared to meet the standards identified by the industries themselves.

## Recommendations

The District should:

1. Collect job and industry certification data, such as the job titles, for the specific jobs obtained by former students who completed a CTE program to assess whether the job is in a high-need occupation.

<sup>7</sup> See Arizona Auditor General report 20-209 *Career and Technical Education Districts (CTEDs)*.

<sup>8</sup> According to ADE, the technical skills assessments are comprehensive, end-of-program assessments that certify and document student attainment of industry-validated technical knowledge and skills. While conducting the CTED special study issued in November 2020, we identified issues with the accuracy, completeness, and comparability of State-wide data, including the State-wide technical skills assessment data. ADE was taking some steps to make the technical skills assessment data more reliable, such as providing uniform guidance on how to administer the tests and requiring districts to follow the guidance beginning in fiscal year 2021.

2. Analyze postgraduation job data and industry certification data it collects to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations.
3. Accurately report to ADE postgraduation employment and industry certification data for all its CTE students as required by ADE starting with the 2021-2022 school year.

**District response:** As outlined in its [response](#), the District does not agree with the finding and recommendations 1 and 2 but does agree with recommendation 3 and will implement or implement modifications to all 3 recommendations.



## District did not determine if a more expensive central program resulted in better key student outcomes and therefore was efficient use of public monies

According to the District's current superintendent, in fiscal year 2015, high school students living in Lake Havasu had limited options to participate in a culinary arts program because neither Mohave Community College's (MCC) Lake Havasu Campus nor Lake Havasu High School, which was a District satellite campus, offered a culinary arts program for them. Additionally, Lake Havasu is about an hour away from the MCC-Bullhead City campus, making it difficult for Lake Havasu students to attend the culinary arts program offered there. The current superintendent stated that, given Lake Havasu's reputation as a tourism destination, District officials during that time believed it made sense to offer a culinary arts program to Lake Havasu High School students. Therefore, the District purchased a building in Lake Havasu in fiscal year 2015 and renovated it to fit the needs of a culinary arts program at a cost of \$1.1 million and opened to students in fiscal year 2016. We found that the District spent substantially more per student enrolled in this Lake Havasu Culinary Arts central program in fiscal year 2018 than its other culinary arts programs but did not analyze jobs students obtained and industry certifications they earned, which are key student outcomes as discussed in Finding 1 (see pages 3 through 6).

## District spent substantially more per student enrolled in Lake Havasu Culinary Arts central program than other culinary arts programs but did not measure key outcomes to ensure public monies were spent efficiently

**District's Lake Havasu Culinary Arts central program was substantially more expensive than member districts' satellite programs and community college program**—In fiscal year 2018, the District spent almost \$257,000 to operate its Lake Havasu Culinary Arts central program, which served 67 students. That equates to more than \$3,800 per student enrolled in the program, as shown in Table 1. In comparison, the 2 member districts that offered a culinary arts satellite program spent, on average, \$1,455 per student enrolled in their programs. Further, the District paid MCC \$668 per student enrolled in MCC's culinary arts programs.

**Table 1**  
**Lake Havasu central program was District's most expensive culinary arts program in fiscal year 2018**

	Students enrolled	Spending per student enrolled
District's Lake Havasu Culinary Arts central program	67	\$3,834
Member districts' satellite programs	203	1,455
MCC	16	668

Source: Auditor General staff analysis of fiscal year 2018 District-reported accounting and enrollment data and ADE student enrollment data.

## **District did not assess whether more expensive Lake Havasu Culinary Arts central program resulted in better key student outcomes and therefore operated efficiently**

Despite its substantially higher spending per student enrolled in its Lake Havasu Culinary Arts central program, the District did not measure its culinary arts programs' key student outcomes to determine whether the Lake Havasu Culinary Arts central program resulted in better outcomes than its programs at member districts' or MCC-Bullhead City. Without measuring its culinary arts programs' key student outcomes, like those discussed in Finding 1 (see pages 3 through 6), the District could not demonstrate that its substantially higher spending of public resources to operate its Lake Havasu Culinary Arts central program was an efficient use of its funding. Efficiency requires that outcomes be achieved using the fewest resources.<sup>9</sup> In the District's case, that would require it to demonstrate that the Lake Havasu Culinary Arts central program, produced better outcomes than its other culinary arts programs since it spent over 3 times as much to operate the Lake Havasu Culinary Arts central program. Therefore, we asked the District's superintendent how the outcomes for this program compared to its member districts' satellite programs' and its MCC culinary arts program's outcomes. Specifically, we requested documentation of any comparison or analysis the District did. The District provided a table that shows the percentage of the Lake Havasu Culinary Arts central program concentrators who passed the State's technical skills assessment (TSA) and their average scores compared to concentrators at its member districts' and community college partner's campuses. The District's comparison showed that 89 percent of concentrators at its Lake Havasu Culinary Arts central program passed the TSA in fiscal year 2018 with an average score of 73 percent, and 80 percent of concentrators at the member districts' and community college partner's campuses passed the TSA with an average score of 70 percent. Although the District may find this to be a useful outcome to measure, it does not diminish the importance of the District assessing whether concentrators at its substantially more expensive Lake Havasu Culinary Arts central program obtained jobs in high-need occupations and earned industry certifications at a higher rate than concentrators at its satellite and MCC programs. Because Arizona's CTE programs should prepare students for high-need occupations and lead to industry certifications, obtaining such a job and earning industry certifications are key measures of whether CTE programs are meeting these goals and doing so efficiently.

## **Although District has not demonstrated with key outcomes that its spending on its Lake Havasu Culinary Arts central program is efficient, District officials believe the program's benefits justify the spending**

In February 2021, District officials indicated that they have previously analyzed the District's spending on its Lake Havasu Culinary Arts central program and acknowledged that the revenues generated by student enrollment were less than what the District spent on the program. Nonetheless, District officials stated that the program fills an important Lake Havasu workforce need and makes a positive community impact, which justifies the District's substantially higher spending on the program. Specifically, in April 2021, District officials stated that its Lake Havasu Culinary Arts central students:

- Hold jobs in fast food restaurants, such as Jack In the Box, In-N-Out Burger, and Little Caesars; small cafes; and local independent restaurants.
- Prepare food for local charity events such as Hospice of Havasu, Cooking for Cancer, and Foster Children of Mohave County holiday party.
- Participate in learning experiences like career and technical education student organizations and organize full dining experiences for their friends and family through the culinary program.
- Win scholarships to attend post-secondary culinary programs.
- Earn community college credits in culinary arts.

<sup>9</sup> Oxford Reference (2021). Technical Efficiency. Retrieved on 8/9/2021 from <https://www.oxfordreference.com/view/10.1093/oi/authority.20110803102804951?print.>; U.S. Government Accountability Office (2018). GAGAS Performance Audits: Discussion of Concepts to Consider When Auditing Public Functions and Services. Washington, DC.

- Attend a culinary arts program that the Arizona Family and Consumer Science Educators identified as the “Program of the Year” in 2017 based on being an ADE-approved culinary arts program, meeting at least 70 percent of ADE’s culinary arts program standards, and employing teachers whose teaching and curriculum produce at least “standard growth and achievement” for program participants.

## District should explore options to lower the costs of its expensive culinary arts program in Lake Havasu

If, through further analysis, the District determines that its higher spending on its Lake Havasu Culinary Arts central program does not produce more benefits or better key student outcomes, it should explore options to improve its efficiency as it spends public monies. For example, it could determine whether it could lower its high operating spending on its Lake Havasu Culinary Arts central program by offering additional classes to increase its enrollment and take advantage of economies of scale. The District could also consider selling its current culinary arts building and partnering with Lake Havasu High School to offer a culinary arts program on its campus.<sup>10</sup> The District could use the revenue from the sale of the building to outfit facilities at Lake Havasu High School to operate a culinary arts program there. Similarly, the District could explore opportunities to partner with MCC to develop a culinary arts program on MCC’s Lake Havasu campus. Given that the District spends much less when it operates culinary arts programs on MCC and satellite campuses, the same might likely be true if the District operated its Lake Havasu culinary arts program on Lake Havasu High School’s campus or MCC’s Lake Havasu campus.

### Recommendations

The District should:

4. Collect and analyze key outcome data, like those recommended in Finding 1, to determine whether its higher spending on its Lake Havasu Culinary Arts central program produces more benefits or better outcomes than its other less expensive culinary arts programs, which would justify its higher spending.
5. If it determines that its higher spending on its Lake Havasu Culinary Arts central program does not produce more benefits or better outcomes, identify and implement options to improve the efficiency of a culinary arts program in Lake Havasu. These options may include offering additional classes to increase its enrollment and take advantage of economies of scale or selling its Lake Havasu Culinary Arts building and partnering with Lake Havasu High School or MCC to offer a culinary arts program on 1 of their campuses.

**District response:** As outlined in its [response](#), the District does not agree with the finding and recommendations but will implement modifications to the recommendations.

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<sup>10</sup> The District should not include in its analysis and evaluation any previous spending to operate its Lake Havasu Culinary Arts central program that cannot be recovered. These are sunk costs that do not impact current and future spending and therefore do not impact current and forward-looking decision making.



## District accumulated \$7 million in unspent fund balance by end of fiscal year 2020—more than 2 years of operating reserves—but did not have policy regarding purpose or amount to maintain

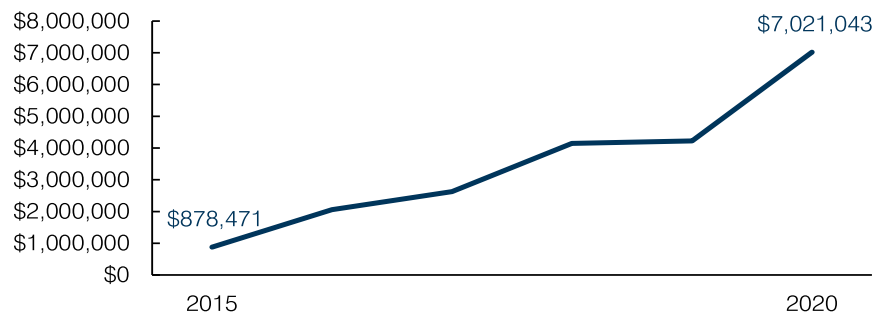
### Best practices recommend District establish unspent fund balance policy to help ensure public transparency and accountability

The Government Finance Officers Association (GFOA), which is an association of over 20,000 public finance officials from all levels of government whose mission is to advance excellence in public finance, recommends that governments, including school districts, establish a formal policy, adopted by their appropriate policy bodies, for the purpose and level of fund balance they should maintain.<sup>11</sup> According to the GFOA, a government should consider its own unique circumstances and risks, including the predictability of its revenues and the volatility of its expenditures, when establishing this policy. Further, the GFOA recommends a government include in its formal policy the identified risks and other factors that were considered when adopting its fund balance policy to help explain to stakeholders the rationale for a seemingly higher-than-normal fund balance. Finally, although there are no requirements related to how much of a fund balance a school district can or must maintain or for what purpose, the GFOA recommends that governments, including school districts, maintain a fund balance of at least 2 months of operating expenditures but notes that this can vary significantly based on each government’s unique circumstances.

### District did not have unspent fund balance policy to direct purpose and assess appropriateness of its \$7 million in unspent funding at end of fiscal year 2020

The District ended fiscal year 2020 with \$7.02 million in unspent funding but did not have a formal policy regarding the purpose and amount of this fund balance as recommended by best practices. As shown in Figure 1, this unspent fund balance grew by over \$6 million between fiscal years 2015 and 2020 because the District, on average, annually retained over 44 percent of

**Figure 1**  
District’s total ending fund balance  
Fiscal years 2015 through 2020  
(Unaudited)



Source: Auditor General staff analysis of District-reported ending balances data for fiscal years 2015 through 2020.

<sup>11</sup> Government Finance Officers Association (GFOA) (2015). *Fund Balance Guidelines for the General Fund*. Retrieved 8/9/2021 from <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund>.



the funding generated by its member districts' satellite programs.<sup>12</sup> Additionally, the District did not spend all its funding each year, resulting in a large increase in its unspent fund balance over these years. To put this balance in context, the District's fund balance of \$7.02 million at the end of fiscal year 2020 was more than double its fiscal year 2020 spending of \$3.46 million, or more than 2 years of operating reserves. This amount well exceeded the GFOA-recommended fund balance amount of (at least) 2 months of operating reserves. However, the District's lack of a formal fund balance policy made it unable to demonstrate if the amount of its unspent fund balance as of June 30, 2020, was appropriate.

## Large unspent fund balance allowed to accumulate due to statutory change and District's perceived risks

The District was able to accumulate such a large fund balance partly because of a 2016 State statutory change. Before the change, school districts were restricted to carrying forward only 4 percent of their revenue control limit in their Maintenance and Operation (M&O) Fund budget balance to the next fiscal year. In fiscal year 2016, the Legislature eliminated the 4 percent budget balance carryforward cap and removed the statutory requirement for school districts to use any remaining cash balances beyond the cap to reduce taxes.<sup>13</sup> This allowed the District's M&O fund balance to grow well beyond what the cap would have allowed. Additionally, the District's superintendent, whom the District hired in fiscal year 2016, indicated in November 2020 that she purposefully decided to grow the District's unspent fund balance because the District's financial stability seemed uncertain to her for several reasons (see Table 2). However, these perceived risks did not result in substantial financial instability for the District, and the District continued to grow its unspent fund balance through fiscal year 2020.

**Table 2**  
**District's perceived risks and reasons for growing fund balance generally did not materialize as of June 30, 2020**

Perceived risk in 2016	Outcome as of June 30, 2020
Potential reduction in State funding for CTEDs	District's State funding increased by 21 percent per student enrolled
Potential costs related to fraud investigation of former employee <sup>1</sup>	Former employee ordered to pay \$170,510 in restitution, which includes the District's investigation costs <sup>2</sup>
Potential repayments to ADE based on fiscal year 2019 audit	District repaid \$30,500 to ADE for fiscal years 2016 through 2018 student enrollment reporting errors <sup>3</sup>

<sup>1</sup> See Arizona Auditor General report 18-402 *Western Arizona Vocational Education District—Criminal Indictment—Theft and Misuse of Public Monies*.

<sup>2</sup> See Arizona Auditor General report *Report to the Legislature—Financial Investigation Highlights—Year Ended December 31, 2019*.

<sup>3</sup> Arizona Department of Education. (2020). *Basic Calculations For Equalization Assistance FY 2019-20*. Phoenix, AZ.

Source: Auditor General staff interview with District officials and analysis of fiscal years 2016 through 2020 District-reported accounting data, Arizona Auditor General reports, and ADE fiscal year 2020 Equalization Assistance and Additional State Aid Detail report.

<sup>12</sup> Students enrolled in a member district's satellite program can generate up to an additional 0.25 average daily membership (ADM) above the 1.0 ADM limit that a student traditionally would generate for being enrolled in regular academic courses. This additional 0.25 ADM in funding is provided to the CTED, and the CTED allocates a portion of this funding directly to the member district to help cover the member district's costs for operating the satellite program.

<sup>13</sup> Laws 2016, Ch. 364, §§1 and 2.

## District took steps to spend some of its fund balance to support member districts' CTE programs but needs to do more to use these monies

**District increased financial support to member districts to help reduce fund balance, but balance continued to grow**—District officials indicated that beginning in fiscal year 2018, the District initiated a process to spend down some of its unspent fund balance. Specifically, the District informed each of its 4 member districts that they could apply for up to an additional \$100,000 in funding annually from the District to support any large projects they adopted. As of fiscal year 2020, the District had awarded its 4 member districts a total of almost \$457,000. However, despite the District's intent, its unspent fund balance grew by over \$2.8 million between fiscal years 2018 and 2020. Additionally, the District's process to award additional monies to its member districts is not likely to make a substantial impact on its fund balance soon. Even if the District awarded each of its 4 member districts \$100,000 annually, it would take 18 years for the District to spend its fund balance as of June 30, 2020. This 18-year time frame indicates that the District's plan to spend down its fund balance was insufficient from the beginning to address the large size of its fund balance in a timely manner, such as in 2 to 3 years or even in 5 years.

Additionally, during interviews in November 2021, the District's 4 member districts' CTE directors indicated that their districts have received from the District all awards for additional funding for which they have applied. Further, the CTE directors indicated that their districts have always received from the District the funding that they have requested in their annual budgets to fund their CTE programs. None of the CTE directors expressed any concern about their districts' CTE programs not having what they need.

**District should explore additional options to reduce fund balance**—The District's fund balance is on a growth trend, and its efforts are not reducing its balance. Moreover, the District's member districts are not reporting unmet program needs. Therefore, more effort is needed to put these monies to use. The District has 2 broad choices to reduce its unspent fund balance: It can increase its spending on its central campus programs or increase its spending on its member districts' satellite campus programs.

The District's options to spend more on its central campus programs may be limited. The District pays a fixed tuition for its students who attend CTE programs on its community college partners' campuses and does not control spending on supplies, equipment, facilities, instructors, and other inputs, for those programs. For its Lake Havasu Culinary Arts central program, we found that it was already spending substantially more for that program than it spent for its other culinary arts programs, making it unlikely that even further spending on that program is justified at this point (see Finding 2, pages 7 through 9, for more information).

Although the 4 member districts' CTE directors indicated that their districts have always received the funding they have requested from the District, there may be options to provide additional support to them to help improve or expand their programs. Therefore, the District should work closely with its member districts to determine whether there are additional opportunities to improve or expand member districts' CTE programs that require the District to provide more funding to them for additional spending. Additionally, as indicated in Finding 1, the District should collect key student outcome data to help assess and improve program effectiveness and could likely use some of the fund balance to do so (see Finding 1, pages 3 through 6, for more information).

### Recommendations

The District should:

6. Follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the balance.
7. Develop and implement a plan that its governing board approves for how it will spend any money it has in excess of its approved fund balance policy on its CTE programs at its central and satellite campuses.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement or implement modifications to the recommendations.



## District allowed accounting system users too much access increasing its risk that these users could commit errors or fraud without being detected

### District users had too much access

The *Uniform System of Financial Records for Arizona School Districts* (USFR), which all districts are required to follow, requires districts to separate responsibilities so that 1 individual is not able to initiate and complete a financial transaction without an independent review and approval. However, the District's February 2021 accounting system user access report showed that both of the District's accounting system users were able to initiate and complete payroll and purchasing transactions without any other employee reviewing and approving the transactions. Although we did not identify any improper transactions in the samples we reviewed for this performance audit, the District increased its risk that these users could commit errors or fraud without being detected. For example, these users could process false invoices; change employee pay rates, including their own; or add and pay nonexistent vendors or employees, all without detection. According to District officials, their county school superintendent's office (the County) assigned the access as the District's accounting system host. District officials stated that they review accounting system access each year but were unaware of the risk their access levels created.

### County users had too much access

In addition to the District accounts discussed in the section above, the District's February 2021 accounting system user access report also showed 4 accounting system user accounts that allow County employees to initiate and complete District payroll and purchasing transactions without an independent review and approval. However, it is unclear why all 4 County employees need that level of access, and as stated previously, this level of access is contrary to USFR requirements and increases the District's risk of errors and fraud going undetected. Additionally, the County granted administrator-level access to all 4 of those County employees. Users with administrator-level access have full control over all system settings and can grant themselves full access to view and edit all system information, which increases risk for errors and fraud. District officials stated that they have not discussed with the County whether these 4 accounts require those levels of access and were unaware of the risk the access levels created.

### Recommendation

The District should:

8. Work with the County to limit the access of accounting system users, including District and County employees, to only those functions needed to perform their job duties and ensure that no one person can initiate and complete a transaction without an independent review and approval.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendation and will implement the recommendation.



# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 8 recommendations to the District

The District should:

1. Collect job and industry certification data, such as the job titles, for the specific jobs obtained by former students who completed a CTE program to assess whether the job is in a high-need occupation (see Finding 1, pages 3 through 6, for more information).
2. Analyze postgraduation job data and industry certification data it collects to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations (see Finding 1, pages 3 through 6, for more information).
3. Accurately report to ADE postgraduation employment and industry certification data for all its CTE students as required by ADE starting with the 2021-2022 school year (see Finding 1, pages 3 through 6, for more information).
4. Collect and analyze key outcome data, like those recommended in Finding 1, to determine whether its higher spending on its Lake Havasu Culinary Arts central program produces more benefits or better outcomes than its other less expensive culinary arts programs, which would justify its higher spending (see Finding 2, pages 7 through 9, for more information).
5. If it determines that its higher spending on its Lake Havasu Culinary Arts central program does not produce more benefits or better outcomes, identify and implement options to improve the efficiency of a culinary arts program in Lake Havasu. These options may include offering additional classes to increase its enrollment and take advantage of economies of scale or selling its Lake Havasu Culinary Arts building and partnering with Lake Havasu High School or MCC to offer a culinary arts program on 1 of their campuses (see Finding 2, pages 7 through 9, for more information).
6. Follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the balance (see Finding 3, pages 10 through 12, for more information).
7. Develop and implement a plan that its governing board approves for how it will spend any money it has in excess of its approved fund balance policy on its CTE programs at its central and satellite campuses (see Finding 3, pages 10 through 12, for more information).
8. Work with the County to limit the access of accounting system users, including District and County employees, to only those functions needed to perform their job duties and ensure that no one person can initiate and complete a transaction without an independent review and approval (see Finding 4, page 13, for more information).



### District’s fiscal year 2018 spending

Tables 3, 4, and 5 detail the District’s fiscal year 2018 spending. Table 3 shows the District’s spending for satellite programs by member district, the number of students enrolled in satellite programs at each member district, and the District’s spending per student enrolled. Almost all the District’s spending for satellite programs was in the form of allocation payments to its member districts based on the funding those programs generated for the District and in accordance with the intergovernmental agreements (IGAs) the District established with its member districts. In fiscal year 2018, the District received nearly \$3.13 million in funding generated from satellite programs and allocated more than \$1.7 million to its member districts. In addition to the District’s spending for satellite programs shown in Table 3, member districts spent over \$583,000 in fiscal year 2018 on their satellite programs from other funding sources, primarily maintenance and operations monies. This spending is not included in the amounts shown in Table 3. A.R.S. §15-393 requires member districts to use the monies generated from students attending CTE courses at a satellite campus to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED.

**Table 3**  
**District spending for satellite programs by member district**  
**Fiscal year 2018**

Member district	Spending	Students enrolled	Spending per student enrolled
Lake Havasu Unified School District	\$ 544,761	1,514	\$360
Kingman Unified School District	524,417	1,761	298
Colorado River Union High School District	469,290	1,219	385
Parker Unified School District	198,550	351	566
<b>Total</b>	<b>\$1,737,018</b>	<b>4,845</b>	<b>\$359</b>

Source: Auditor General staff analysis of fiscal year 2018 District-reported accounting and enrollment data.

Table 4 on page a-2 shows the District’s nearly \$430,000 in total spending for central programs by CTE program, the number of students enrolled in each CTE program, and the spending per student enrolled for each program. The District partners with Mohave Community College (MCC) and Arizona Western College through IGAs to offer most central CTE programs. In fiscal year 2018, the District paid almost \$165,000 in tuition and other fees for its students to attend programs at community college partners in accordance with its IGAs.<sup>14</sup>

<sup>14</sup> The amounts shown for the District’s Culinary Arts program in Table 4, on page a-2, include tuition payments the District made to MCC for 16 student enrollments in MCC’s Culinary Arts central program.

**Table 4**  
**District spending for central programs by CTE program**  
**Fiscal year 2018**

CTE program name	CTE program description	Spending	Students enrolled	Spending per student enrolled
<b>Culinary Arts</b>	Apply technical knowledge and skills for food production and service in commercial food service establishments.	\$267,540	83	\$3,223
<b>Nursing Services</b>	Provide routine nursing-related care of patients in hospitals or long-term facilities	73,015	110	664
<b>Automotive Collision Repair</b>	Repair, reconstruct, and finish automobile bodies and external features	22,395	32	700
<b>Welding Technologies</b>	Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment	16,792	47	357
<b>Automotive Technologies</b>	Repair, service, and maintain all types of automobiles	16,569	36	460
<b>Fire Service</b>	Apply principles, theory, and practices of fire operations and firefighting services	11,872	16	742
<b>Network Security</b>	Assess security needs and manage implementation of security devices, systems, and procedures	7,762	32	243
<b>Law and Public Safety</b>	Apply management and criminal justice practices to law enforcement administration and operations	5,748	34	169
<b>Graphic Design</b>	Design and create visual concepts for commercial and promotional needs	3,672	13	282
<b>Heating, Ventilation and Air Conditioning</b>	Repair, install, and maintain heating, air conditioning, and refrigeration systems	2,384	9	265
<b>Sports Medicine and Rehabilitation</b>	Develop skills in injury prevention and assessment with an emphasis on athletic performance	1,680	22	76
<b>Total</b>		<b>\$429,428</b>	<b>434</b>	<b>\$989</b>

Source: Auditor General staff analysis of ADE's CTE program descriptions and fiscal year 2018 District-reported accounting and enrollment data.

Table 5 shows the District's nearly \$410,000 in total spending for administration and support services by spending category, including a brief description of the primary expenditures in each category, and the spending per student enrolled for each category. Spending per student enrolled in Table 5 is calculated using the District's total satellite and central enrollment of 5,279 students.

**Table 5**  
**District spending for administration and support services**  
**Fiscal year 2018**

Spending category	Spending description	Spending	Spending per student enrolled
<b>Administration</b>	Primarily includes salaries and benefits for superintendent and business manager; and spending for insurance, audit, and lobbying services	\$321,300	\$61
<b>Instruction support and student support services</b>	Primarily includes salary and benefits for program coordinator and instructional training	86,222	17
<b>Other support services</b>	Primarily includes spending for phone service	2,227	.42
<b>Total</b>		<b>\$409,749</b>	<b>\$78</b>

Source: Auditor General staff analysis of fiscal year 2018 District-reported accounting and enrollment data.



## Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2018 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing career and technical education statutes, rules, and policies and procedures; interviewing District staff; and reviewing District documentation and information from the Arizona Department of Education's website. We also used the following specific methods to meet the audit objectives:

- To determine if the District spent CTED monies consistent with requirements and to enhance its central programs, we reviewed its detailed accounting records and intergovernmental agreements between the District and its community college partners, reviewed statutory requirements, compared enrollment and billing reports, and interviewed District staff.
- To determine whether the District spent CTED monies consistent with requirements and to enhance its satellite programs, we reviewed District *Annual Financial Reports*, funding the District received for its central and member districts' satellite programs, allocations it made to its member districts, and its unspent fund balances; reviewed intergovernmental agreements between the District and its member districts; researched best practices for fund balance policy; and interviewed District staff about whether the District had a policy pertaining to how much unspent funding the District could accumulate and for what purpose. We also toured some of the District's central programs and interviewed member district staff about their satellite program needs.
- To determine which outcome measure data the District collected and reviewed and whether it used that information to assess its programs' effectiveness in preparing students for high-need occupations, we reviewed State and federal statutes, guidance, and reports and conducted interviews with District and member district staff.
- To determine whether the District offered its programs in an efficient manner, we reviewed the District's and member districts' operating and equipment spending for those programs that were offered at both central and member districts' satellite campuses, calculated the spending for each program on a per student enrolled basis, and compared spending between programs offered at central campuses and satellite campuses and compared spending between central campus locations. We also conducted interviews with District staff to assess whether the District applied an analytical framework, such as cost-benefit or cost-effectiveness analyses, or collected outcome data to assess the efficiency of its programs.
- Our work on assessing internal controls, including information system controls, included reviewing the District's policies and procedures; interviewing District staff; and, where applicable, testing the District's compliance with its policies and procedures, the *Uniform System of Financial Records for Arizona School Districts*, and IT industry frameworks. We also evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2018 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for all 12 individuals who received payments in fiscal year 2018 through the District's payroll system and reviewed supporting documentation for 30 of the 883 fiscal year 2018 accounts payable transactions. We did not identify any improper transactions. We also evaluated other internal controls that we



considered significant to the audit objectives. We reported our conclusions on applicable internal controls in Findings 1 through 4 (see pages 3 through 13).

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

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.

We express our appreciation to the District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.



# AUDITOR GENERAL'S COMMENTS ON DISTRICT RESPONSE

We appreciate the District's response, including its agreement to implement either all the recommendations or a modification of them. However, the District has included certain inaccurate or misleading statements in its response that necessitate the following comments and clarifications.

1. The District asserts on page 1 of its response that the Auditor General's Office recommends a set of criteria that "creates more burden on not only WAVE but our member districts by adding additional data reporting requirements not supported by statute or federal guidelines and without specific evidence that this effort would result in a better product."

We disagree with the District's characterization of our recommendations as creating "more burden" and not being supported by State law or federal guidelines.

First, although the District's CTE programs are ADE-approved programs, the District must still determine the jobs—the principal employment—that its concentrators obtained. Otherwise, it cannot know whether its concentrators filled high-need vocational or industry needs, as required by State law. Additionally, although the District may be using assessments, such as ADE-approved technical skills assessments, to evaluate its students' career readiness, State law still requires CTE programs to fill high-need vocational or industry needs, and the District should be able demonstrate the extent to which its concentrators do so. Additionally, in fiscal year 2022, the Arizona Department of Education (ADE) began requiring districts that receive federal Perkins Grant monies, which includes all WAVE's member districts, to report the job descriptions of their concentrators after graduation. Therefore, our recommendation to WAVE to collect the job descriptions—data necessary to know whether its concentrators fill high-need occupations—is supported by both State law and ADE's requirement, which is based on federal grant reporting requirements.

Second, the District knowing whether its concentrators earned industry certifications or licenses in high-need occupations related to its CTE programs is necessary because State law requires that CTE programs lead to certification or licensure, if available. Although WAVE collected information on industry certifications earned by its students in fiscal year 2018, it did not analyze the percentage of its concentrators who earned industry certifications in high-need occupations related to their CTE programs to assess program performance. Providing a CTE program that leads to certification or licensure, if available, is a key statutory requirement. Evaluating this measure and using that information to make necessary changes to programs to ensure their effectiveness would help the District better meet this statutory requirement. Additionally, in fiscal year 2020, ADE began requiring districts that receive federal Perkins Grant monies to report their number of concentrators who earned industry certifications. Districts receiving federal Perkins Grant monies were already required to and have been reporting their number of concentrators to ADE. Therefore, the District already collects the data to calculate, document, and analyze the percentage of its concentrators who earned industry certifications in high-need occupations related to their CTE programs. With this data, it can assess program performance in leading to certification and licensure, which is supported by State law and ADE's requirement.

2. The District makes the following statements in its response to Finding 2 (see District's response, page 3):  
"The report states that WAVE 'did not analyze jobs students obtained and industry certifications they earned.' WAVE reviews the ADE CTE performance measures collected by each program on a yearly basis."

The ADE CTE performance measures that the District stated it reviews on a yearly basis did not include

key performance measures for jobs students obtained in high-need occupations. As discussed in Finding 1 (see page 4), the District did not collect data on specific jobs obtained by its students after graduation to assess program effectiveness in preparing students for high-need occupations. Instead, the District's member districts collected data on former students' employers but generally did not obtain the titles of the jobs those former students held. Therefore, the District did not analyze jobs students obtained in high-need occupations.

"Regarding the statement that we did not analyze industry certifications, WAVE has included our industry certification performance in our Classroom Site Fund plan each year starting in 2017-2018 with percentage passing goals. Along with this, the certification data has been tracked each year for other measures."

As discussed in Finding 1 (see page 4), the District did not calculate, document, and analyze the percentage of its concentrators who earned industry certifications in high-need occupations related to their CTE programs. Additionally, in fiscal year 2018, ADE CTE performance measures did not include industry certification performance measures. In fiscal year 2020, the ADE CTE performance measures began including a performance measure of the percentage of CTE concentrators who earned an industry certification out of those who attempted to earn one. Although the District reported this performance measure to ADE CTE beginning in fiscal year 2020, that performance measure is not the one we identify in the audit report as a key outcome. The key outcome data pertaining to industry certifications is the percentage of CTE concentrators who earned an industry certification in a high-need occupation out of all CTE concentrators, not just those who "attempted" to earn a certification. This is a meaningful difference because the number of concentrators who attempted to earn a certification is only a subset of all concentrators, and that subset includes fewer students than the total number of concentrators. In fact, in fiscal year 2020, the number of the District's reported concentrators who attempted a certification was about 24 percent of all its concentrators.

Further, the District refers to its 2017-2018 (fiscal year 2018) Classroom Site Fund (CSF) plan, which included the percentage of its concentrators who took a certification exam and passed. As indicated already, this performance measure is not the one we identify in the audit report as a key outcome. The key outcome data pertaining to industry certifications we discuss in our report is the percentage of CTE concentrators who earned an industry certification in a high-need occupation out of all CTE concentrators, not just those who "attempted" to earn a certification.

# DISTRICT RESPONSE



February 25, 2022

State of Arizona – Office of the Auditor General  
Lindsey A. Perry, Auditor General  
2910 N 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018-7271

Dear Ms. Perry:

The Western Arizona Vocational Education District #50 (WAVE) has received and reviewed the Performance Audit Report. We have responded to the specific findings and recommendations.

As one of the first CTEDs to be selected for a Performance Audit, I hope our organizations can continue to work with the Office of the Auditor General to refine the process. I do want to thank the audit team for their collaboration and discussions during this process.

WAVE strives to provide high quality career preparation programs to our students. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Amy L. West".

Amy L. West, Superintendent  
WAVE CTED

**Finding 1:** District did not collect and analyze certain key student outcome data in fiscal year 2018 to help assess whether its CTE programs prepared students for high-need occupations

District Response: The District does not agree with the finding.

According to state statute, career and technical education districts are designed to fill a “high need vocational or industry need as determined by the career and technical division of the department of education.” The words vocation or industry are referenced throughout statute. It is important to note that statute also refers to preparing students for entry-level employment and career-readiness. Arizona statutes do not reference collecting specific job titles, nor should they.

References in state statute indicate the administration and the operations of the programs lies with the career and technical division of the department of education. We receive and implement guidance as issued by the ADE CTE division as it relates to the procedures for collecting and analyzing data creating consistency in collection and reporting. This is a dynamic and ever improving process. WAVE is committed to providing high quality programs to our students that are compliant with the measures set forth by the ADE CTE Division as well as the Carl Perkins federal funding data collection metrics.

As reported to the Auditor General prior to the release of this report, the district does collect and analyze data. The following methods are used in the analysis of programs: Federal programs performance measures, self assessments, compliance and quality monitoring by ADE CTE, industry certification results, technical skills assessment results, site visits, advisory recommendations, and college course success rates/enrollment/cost analysis.

Creating another set of criteria by which to analyze our districts/courses/programs creates more burden on not only WAVE but our member districts by adding additional data reporting requirements not supported by statute or federal guidelines and without specific evidence that this effort would result in a better product.

The October 2017 Auditor General report asked CTEDs, member districts and ADE to work together to develop and implement ways to better collect data. We have consistently and effectively worked with all parties to determine the best path forward. This included looking at a separate CTED data collection system that was determined to be duplicative, time consuming and burdensome to partner districts by asking them to report data twice in two separate systems and not being an effective use of tax payer funds. Instead, we agreed to work collaboratively with ADE CTE as they developed, enhanced and added components to the CTE Data Portal that will allow CTEDs to capture student data not already being input by our member districts. This is a long arduous process that takes time to implement but is being used for the 21-22 school year. Furthermore, ADE CTE has already created the Annual Achievement Profiles for CTEDs as requested in the Auditor General’s prior report.

**Recommendation 1:** The District should collect job and industry certification data, such as the job titles, for the specific jobs obtained by former students who completed a CTE program to assess whether the job is in a high-need occupation.

District Response: The District does not agree with the recommendation but will implement a modification to the recommendation.

The WAVE District will continue to collect data as prescribed and directed by the ADE CTE Division. ADE CTE has added a job title component to help delineate how the employment may be related; however, the District will not use job title to determine if the program was effective.

Our programs are on the ADE CTE approved list meeting the definition of high need and teach to a set of standards developed through industry partners that are designed to “prepare” and “lead to entry level employment.” This is assessed through our Technical Skills Assessment, industry certification data as well as other metrics. The district cannot control what job titles students choose to accept and can only prepare them to enter the vocation or industry that is related to that program. It is not in our purview to determine which job title meets the definition of high need as the program meets the definition and there are many extenuating circumstances associated with employment in various industries, locations and as related to student circumstances.

**Recommendation 2:** The District should analyze postgraduation job data and industry certification data it collects to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations.

District Response: The District does not agree with the recommendation but will implement a modification to the recommendation.

The District will continue to utilize the data collected and available, as required by ADE CTE, through the CTE Data Portal. These measures will be used to evaluate strengths and areas of improvement through the ADE prescribed process and procedures.

**Recommendation 3:** The District should accurately report to ADE postgraduation employment and industry certification data for all its CTE students as required by ADE starting with the 2021-2022 school year.

District Response: The District agrees with the recommendation and will implement the recommendation.

This has always been the desired outcome for reporting of any placement or certification data. The District and member districts will utilize the ADE CTE provided resources and guidance on reporting information. ADE has taken many of the recommended actions from previous Auditor General reports to increase validity of data; however, some recommendations are not able to be implemented and there will always be some sort of disparity with self reported collection of information. All Perkins funding recipients are required to collect and report placement data. CTEDs will now be able to supplement this data with homeschool and online students not previously captured. Statute does not specifically indicate that CTEDs need to collect placement data but that we “prepare” students for employment. Our member districts already report this data and implement corrective plans if measures are not met. This will continue with more data now being input.

**Finding 2:** District did not determine if a more expensive central program resulted in better key student outcomes and therefore was efficient use of public monies

District Response: The District does not agree with the finding. WAVE did determine that the central program model was the most effective way to deliver better student outcomes, and continues to evaluate this question. ARS 15-393 (A) states the management and control of the career technical education district are vested in the career technical education district governing board while 15-393 (Q)3 indicated that “...program addresses a specific industry need and has been developed in cooperation with that industry.” A founding WAVE Governing Board Member indicated that the WAVE Central Campus “was a conscious investment based on input/interest from student surveys, member district administration and business/industry surveys.” He added this was “not a program anyone else in

the community (or within 60 miles) was offering.” With this input, the Governing Board determined they would follow the central campus model and developed a program that supported workforce development in the hospitality, culinary and tourism focused community of Lake Havasu City.

This Central Campus model allows us to bring together students from public, charter, online and homeschool programs at one location being more cost effective than replicating programs at multiple locations. Along with this, students would not have this opportunity for training if WAVE had not established the program nor would we be able to support our business/industry needs.

The report states that WAVE “did not analyze jobs students obtained and industry certifications they earned.” WAVE reviews the ADE CTE performance measures collected by each program on a yearly basis. Within these performance measures, are local and state levels of performance regarding various indicators, one being an indicator called placement. Our member district conducts the placement surveys. And, as stated earlier, we do not collect specific job titles because all of our programs are considered high need if they are on the approved programs list. If a student is in employment or post secondary education related to the high need program, this is considered a positive placement for the program regardless of the job title. Collecting job titles can be misleading as well. While job duties may be the same, job titles can fluctuate between employers and industries. And, high need job titles can fluctuate from month to month, year to year thus why we teach to a set of industry standards that prepare them for entry level employment in the vocation or industry rather than a specific job title making our instruction more effective, efficient and consistent. WAVE has consistently met the placement indicator on performance measures.

Along with this, WAVE has continually tracked job placement while students are enrolled in the program. Our students have held positions in the food, hospitality and tourism industry. Along with this, employers frequently contact our WAVE Central Campus staff to help find employees that are enrolled in our program.

Regarding the statement that we did not analyze industry certifications, WAVE has included our industry certification performance in our Classroom Site Fund plan each year starting in 2017-2018 with percentage passing goals. Along with this, the certification data has been tracked each year for other measures.

The intent of this program is not to compete with our college or member districts but to provide workforce development and training in Lake Havasu City. However, the same data is reviewed for our member districts.

Other metrics are used to determine the success of programs. Along with tracking placement after graduation and industry certification measures, the staff analyzes a variety of other measures to make sure we are offering a high quality program. These measures include:

- \*Work Based Learning – Students participate in outside events every year that showcase their culinary skills and support community involvement. They also host/provide a full dining experience that allow them to practice front of house and back of house activities starting with menu planning, costing, preparation, service and clean up.
- \*Leadership – Our students participate in the FCCLA career student organization.
- \*Scholarships – Our students have earned \$255,000 in scholarships in the last 6 years!
- \*Internships – Advanced students are placed with local related business to get industry experience.
- \*Technical Skills Assessments – The results are monitored to determine any curriculum changes and passing percentages reviewed.
- \*Dual/Concurrent Enrollment – Partnerships with our local community college provide advanced opportunities for our students.



\*Advisory – We host two formal advisory meetings a year per ADE CTE guidance. Along with this, a WAVE staff member sits on the Lake Havasu Hospitality Association Board which supports continuous dialogue with the industry.

**Recommendation 4:** The District should collect and analyze key outcome data, like those recommended in Finding 1, to determine whether its higher spending on its Lake Havasu Culinary Arts central program produces more benefits or better outcomes than its other less expensive culinary arts programs, which would justify its higher spending.

District Response: The District does not agree with the recommendation but will implement a modification to the recommendation.

The District will continue to utilize the data collected and available, as required by ADE CTE, through the CTE Data Portal. These measures will be used to evaluate strengths and areas of improvement through the ADE prescribed process and procedures. The district will use other qualitative measures as well to evaluate its programs (ie: scholarship opportunities, work based learning, community service involvement, technical skills assessment results)

**Recommendation 5:** The District should, if it determines that its higher spending on its Lake Havasu Culinary Arts central program does not produce more benefits or better outcomes, identify and implement options to improve the efficiency of a culinary arts program in Lake Havasu. These options may include offering additional classes to increase its enrollment and take advantage of economies of scale or selling its Lake Havasu Culinary Arts building and partnering with Lake Havasu High School or MCC to offer a culinary arts program on 1 of their campuses.

District Response: The District does not agree with the recommendation but will implement a modification to the recommendation.

The WAVE district administration will continue to analyze costs of the program and search out new ideas for efficiency; however, at this time selling our building would result in the discontinuation of a successful program and is not an option. This program has been extensively examined and discussed and the costs of implementing this recommendation have been deemed unacceptable as it relates to student outcomes and educational effectiveness.

**Finding 3:** District accumulated \$7 million in unspent fund balance by end of fiscal year 2020—more than 2 years of operating reserves—but did not have policy regarding purpose or amount to maintain

District Response: The District agrees with the finding.

Because there is no statutory requirement regarding carryover funding or the creation a formal plan, WAVE had not done so; however, the WAVE Governing Board is made aware of the District's financial picture on a monthly basis and there is a general understanding of what the unspent balance is to be used for. Along with this, WAVE staff works collaboratively with the member districts to meet their requested needs. A portion of this fund balance is already earmarked for member districts.

It is understood by the Board and its members that CTEDs normally do not go out to bond for large capital projects and instead save funding to be used for future projects. It is fiscally responsible to save funding for projects rather than bond for expenses if possible. Future projects that have been discussed are a district office and new central campus programs. We currently lease space in a government office, but at some point we may need to use set aside funding for

our own space. We have also facilitated new programs but with the support of local entities, the cost has been less than expected. Both of these examples are fiscally responsible partnerships.

WAVE already has a plan in place which allows districts to apply for special projects funding above and beyond their normal allocation. Along with some of the items listed, the pandemic has created another level of uncertainty leading to a conservative approach. At the start of the pandemic, enrollment funding as well as any state/federal relief was uncertain as many schools were seeing decreases in enrollment. We wanted to be certain we could meet current obligations if funding decreased. Pandemic related issues still exist and districts are finding it hard to secure contractors for projects or receive products in a timely manner due to supply chain issues.

**Recommendation 6:** The District should follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the balance.

District Response: The District agrees with the recommendation and will implement the recommendation.

WAVE staff, Governing Board and member districts will continue to work collaboratively in developing a plan for the fund balance.

**Recommendation 7:** The District should develop and implement a plan that its governing board approves for how it will spend any money it has in excess of its approved fund balance policy on its CTE programs at its central and satellite campuses.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

WAVE staff, Governing Board and member districts will continue to work collaboratively in developing a plan for the fund balance.

**Finding 4:** District allowed accounting system users too much access increasing its risk that these users could commit errors or fraud without being detected

District Response: The District agrees with the finding.

All district accounting functions have processes and procedures that have been developed including internal controls for review and approval of all transactions in order to prevent errors and fraud. All district expenditure reports are presented to the Board on a monthly basis for review. The WAVE District has already begun discussions with the County. While no improper transactions have occurred within this audit nor have any been identified in our annual audits, the District will work on correcting this finding.

**Recommendation 8:** The District should work with the County to limit the access of accounting system users, including District and County employees, to only those functions needed to perform their job duties and ensure that no one person can initiate and complete a transaction without an independent review and approval.

District Response: The District agrees with the recommendation and will implement the recommendation.

The District will continue to work with the County to implement this recommendation in the best way possible. As a small district, some overlap of access may be necessary.

