

A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Alhambra Elementary School District

July • 2010
Report No. 10-10



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

July 29, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Alhambra Elementary School District

Dr. Karen Williams, Superintendent
Alhambra Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Alhambra 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 all of the findings and recommendations.

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

This report will be released to the public on July 30, 2010.

Sincerely,

Debbie Davenport
Auditor General

**REPORT
HIGHLIGHTS
PERFORMANCE AUDIT**

Our Conclusion

Alhambra Elementary School District's student achievement is slightly higher than that of its peers, and it operates efficiently overall, with most costs lower than the peer districts'. The District's administrative costs were 23 percent lower because it employed fewer staff and its electricity costs were 25 percent lower partly because of its energy conservation program that holds schools accountable for energy usage. However, the District needs to address two areas of concern: (1) the District's food service costs were high mainly because it employed significantly more food service employees than the peer districts; and (2) the District may have used Classroom Site Fund (CSF) dollars to supplant non-CSF dollars that were previously used for the classroom.



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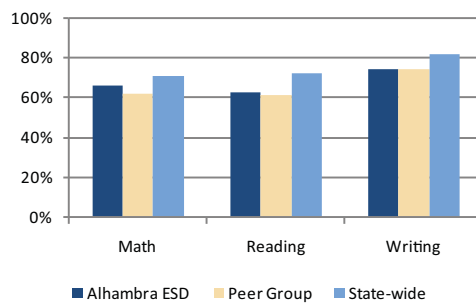
Slightly higher student achievement and generally efficient operations

Student achievement slightly higher than peers'—In fiscal year 2009, Alhambra ESD students' AIMS scores were lower than state averages but slightly higher than the peer districts'. Twelve of the District's 15 schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act (NLCB), while three schools did not

because some students did not demonstrate sufficient academic progress.

District operates efficiently overall with generally lower costs'—The District spent a similar amount as peer districts' in the classroom, and significantly less per pupil for administration, transportation, and plant operations. However, the District's food service costs were much higher.

Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009



Expenditures by Function Fiscal Year 2009

Per Pupil	Alhambra ESD	Peer Group Average
Administration	\$544	\$705
Transportation	230	272
Plant operations	670	786
Food Service	646	494

Energy conservation program lowers electricity costs

Alhambra ESD's fiscal year 2009 electricity costs per square foot were 25 percent lower than peer districts'.

Per-Square-Foot Electricity Costs Fiscal Year 2009

Alhambra ESD	\$1.11
Peer Group Average	\$1.48

individual schools to pay for energy usage above the base level determined by the committee. The District also installed new electricity meters and equipment to monitor energy usage. As a result of these measures, district officials stated that they saved over \$250,000 in the first 18 months of operation, and they expect to continue saving \$250,000 to \$300,000 annually.

One reason for this lower cost is the District's energy conservation program. In 2002, Alhambra ESD formed a committee to study and analyze its schools' energy needs after hours and on weekends and to develop an energy conservation program. The program includes an accountability component that requires

Because of the potential for significant cost savings, other districts should consider exploring the feasibility of implementing this practice.

High food service costs due to more employees

Alhambra ESD's food service costs per pupil and per meal were much higher than the peer districts' average costs. As a result of these high costs, the District spent nearly \$1.5 million more on the program in fiscal year 2009 than the program generated in revenues.

Food Service Expenditures Fiscal Year 2009

	Alhambra ESD	Peer Group Average
Cost per meal	\$2.79	\$2.34
Meals per FTE ¹	22,692	42,917

¹Full-time equivalent positions.

Costs were high primarily because Alhambra ESD employed significantly more food service employees than the peer districts'. The District employs 137 full-

time equivalent (FTE) positions compared to the peer districts' average of only 79.

We found that some peer districts lowered their food service costs by:

- Using a central kitchen;
- Employing fewer managers/supervisors;
- Using disposable trays and utensils; and
- Purchasing rather than making baked goods.

We also found that the peer districts were able to produce more meals per employee. If Alhambra ESD's employees each produced as many meals as the peer district employees, the District could potentially operate with about half of its current staffing level.

Recommendation—The District should evaluate whether it can reduce staffing levels to produce cost savings.

The District may have supplanted using Classroom Site Fund (CSF) monies

In recent years, Alhambra ESD has shifted some of its spending away from the classroom. Statute requires that districts use CSF monies to supplement and not supplant—that is add to rather than replace—other monies spent in the classroom. In 2001, before it received CSF monies, the District spent 60.8 percent of its operating dollars in the classroom. In fiscal year 2009, despite receiving over \$4.2 million in CSF monies earmarked primarily for the classroom, the District spent only 56.7 percent in the classroom, 4.1 percentage points less than in 2001. Had the District continued to direct its other monies into the classroom at the same rate as in 2001, the additional CSF monies would have boosted the District's classroom dollar percentage to 61.9 percent, resulting in an additional \$5.5 million being spent in the classroom in fiscal year 2009 alone.

District increased spending for instructional support services—The District's reduction in classroom spending is more than matched by its increased spending in instructional support services (ISS). The District's ISS spending has increased by over 6 percentage points since 2001. ISS activities are necessary and closely tied to the classroom. They are

intended to assist teachers with the content and process of providing learning experiences for students such as that provided by or through librarians, teacher training, and curriculum development. However, the increase in instructional support spending should not come at the expense of classroom spending.

Recommendation—The District should ensure that CSF monies are used to supplement, and not supplant, other district monies.

Maintenance of Effort and Actual Classroom Dollar Percentages Fiscal Years 2001 through 2009

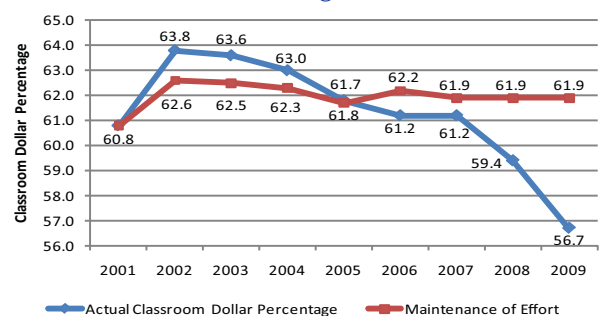


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DISTRICT OVERVIEW

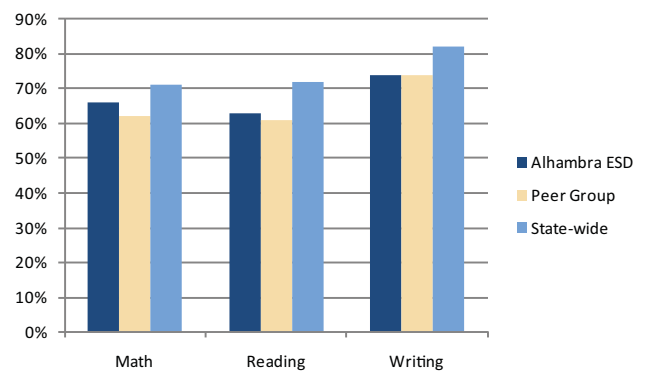
Alhambra Elementary School District is an urban district located in west central Phoenix. In fiscal year 2009, the District served 13,921 students at its 15 schools: six kindergarten-3rd grade schools, six 4th-8th grade schools, and three kindergarten-8th grade schools.

The District compares favorably to its peer group in both student achievement and operational efficiencies.¹ Its student achievement was below state averages, but slightly higher than peer districts'. Overall, the District operated efficiently and has implemented several cost-saving measures. However, auditors noted several areas for improvement. Most significantly, the District should improve the efficiency of its food service program and spend its Classroom Site Fund monies appropriately.

Student achievement slightly higher than peer districts'

For the 2009 school year, 66 percent of the District's students met or exceeded state standards in math, 63 percent in reading, and 74 percent in writing. These scores were below the state averages for each area, but slightly higher than scores at its peer districts. Additionally, 12 of the District's schools met all applicable Adequate Yearly Progress (AYP) objectives for the federal No Child Left Behind act (NCLB), while three schools did not because some students did not demonstrate sufficient academic progress. Two of these schools have not met all AYP objectives for at least two years and are involved in the required NCLB school improvement process monitored by the Arizona Department of Education.

Figure 1: Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009



Source: Auditor General staff analysis of fiscal year 2009 test results on the Arizona Instrument to Measure Success (AIMS).

District operates efficiently with costs generally lower than peer districts'

As shown in Table 1, and based on auditor reviews of various performance measures, Alhambra ESD operated its administration, transportation, and plant operations programs efficiently with

¹ As discussed in this report's Appendix, auditors developed two peer groups for comparative purposes. An operational peer group was selected based on district size, type, and location; and a student achievement peer group was selected based on district size, location, and the additional consideration of poverty rate, which has been shown to be strongly related to student achievement.

costs that were below the peer districts' averages. However, the District's food service program was less efficient with costs that were significantly higher than the peer districts' average costs.

Significantly lower administration costs—The District spent 23 percent less per pupil than its peer districts for administration. Costs were low primarily because Alhambra ESD employed fewer administrative positions, and therefore spent less on salaries and benefits.

Lower plant operation costs—Alhambra ESD spent 15 percent less per pupil and 11 percent less per-square foot than its peer districts for plant operations. Costs were low, in part because the District employed fewer plant employees than its peer districts. Further, the District's energy conservation methods helped it achieve electricity costs that were significantly lower than the peer districts' costs (see Finding 1).

Food service costs were high—Alhambra ESD's per-pupil food service costs were 31 percent higher than its peer districts', and its per-meal cost of \$2.79 was 19 percent higher. As a result, the District spent nearly \$1.5 million more on its food service program than the program generated in revenues. Costs were high primarily because the District employed 73 percent more food service workers (see Finding 2).

Transportation program operates efficiently, despite high costs per mile—Alhambra ESD's student transportation costs of \$6.45 per mile were significantly higher than the peer group average of \$4.77 per mile. At the same time, Alhambra ESD's transportation costs per pupil were significantly lower. Having higher per-mile costs with lower per-pupil costs is common for geographically small, more densely populated districts like Alhambra because they drive fewer miles. In Alhambra's case, its buses traveled only about half as many miles per rider as the peer districts averaged. Because it drove fewer route miles, Alhambra ESD's transportation revenues fell short of its expenditures by approximately \$1.8 million. Despite the higher per-mile costs, the District operated efficient bus routes, filling buses to 85 percent of capacity, on average. As a result of operating efficient routes and transporting students shorter distances, Alhambra ESD spent 15 percent less per pupil on student transportation than its peer districts.

Table 1: Comparison of Per-Pupil Expenditures by Function
Fiscal Year 2009
(Unaudited)

Spending	Alhambra ESD	Peer Group Average	State Average
Total per pupil	\$7,654	\$7,808	\$7,908
Classroom dollars	4,341	4,486	4,497
Nonclassroom dollars			
Administration	544	705	729
Plant operations	670	786	920
Food service	646	494	382
Transportation	230	272	343
Student support	581	536	594
Instructional support	642	529	431
Other	0	0	12

Source: Auditor General staff analysis of fiscal year 2009 school district Annual Financial Reports and summary accounting data.

FINDING 1

Energy conservation program results in significantly lower electricity costs

Alhambra ESD's energy conservation program is one reason for its lower plant operation and maintenance costs. In fiscal year 2009, the District spent \$1.11 per square foot on electricity, which is 25 percent less than the peer districts' average of \$1.48 per square foot. The energy conservation program consists of software and equipment to monitor electricity usage and a plan that holds individual schools accountable for their energy usage. Implementation of the program has earned the District awards, such as the 2003 Governor's Award for Energy Efficiency, from the Arizona Department of Commerce, and the 2004 Arizona Tax Research Association Good Government Award.

Energy conservation plan—In 2002, the District formed a committee of district employees from various levels and operational areas to study and analyze the District's energy needs and develop an energy conservation plan. The committee focused its efforts on determining the base-level amounts of energy that each school used during nights and weekends because of equipment that must be left on, such as security and fire alarm systems, computer file servers, refrigerators, and freezers. On a weekly basis, the District monitors each school's night and weekend energy usage. The District pays for energy usage up to the pre-determined base-level amount, and charges individual schools' site budgets for energy usage above the base-level, thereby encouraging energy conservation at the schools. The District also installed new electricity meters and equipment that allows it to closely monitor energy usage. According to district officials, these efforts saved the District over \$250,000 in the first 18 months of operation, and the District projects that annual energy cost savings will range between \$250,000 and \$300,000.

Because Alhambra ESD's energy conservation program appears to have resulted in significant cost savings, other school districts should consider exploring the feasibility of implementing this practice.

FINDING 2

More food service employees led to high costs

Alhambra ESD's food service program operated with higher costs per pupil and per meal. As a result, the District spent nearly \$1.5 million more on its food services program than the program generated in revenues. Although one reason for the higher costs is greater participation due to a higher percentage of students receiving free or reduced-price meals, the District employed more food service staff, which led to higher per-meal costs. Similar peer districts employed various methods, such as centralizing certain food preparation and using disposable trays and utensils, to help reduce staffing and overall costs.

District's program costs exceed peer districts'—As Table 2 shows, Alhambra ESD's \$646 cost per pupil was 31 percent higher than the peer districts' average, and its \$2.79 per-meal cost was 19 percent higher. The District's higher costs resulted in its fiscal year 2009 total expenditures of approximately \$9 million, exceeding its revenues by almost \$1.5 million. The District was able to cover this \$1.5 million operating deficit using its food service cash balance generated in

prior years. However, if this operating deficit continues, the District will be forced to subsidize its food service program with monies that could otherwise be spent in the classroom. Because 91 percent of the District's students are eligible for free or reduced-price lunches through the National School Lunch Program, most of the District's food service revenues come from federal reimbursements. During fiscal year 2009, the per-meal federal reimbursement rate for free lunches was \$2.59, \$0.20 less than the District's cost to produce a meal.

Higher costs due to more employees—Alhambra ESD's higher food service costs resulted primarily because the District employs more full-time equivalent (FTE) food service positions than its peer districts, on average. Specifically, the District employed 137 FTE while the peer districts averaged 79 FTE. As a result, the District's salary and benefit costs were 36 percent higher than the peer districts'. Further, these higher staffing levels do not appear

Table 2: Comparison of Meals Per Student, Cost Per Student, and Cost Per Meal
Fiscal Year 2009
(Unaudited)

District Name	Meals Per Student	Cost Per Student	Cost Per Meal
Alhambra ESD	223	\$646	\$2.79
Average of the peer group	207	494	2.34

Source: Auditor General staff analysis of school district Annual Financial Reports and fiscal year 2009 accounting data, and average daily membership information obtained from the Arizona Department of Education.

necessary, as Alhambra ESD's food service staff produced an average of 22,692 meals per FTE, which is 47 percent less than the 42,917 meals per FTE averaged by the peer districts. If each Alhambra ESD food service FTE produced a number of meals similar to the peer district average, the District could potentially operate with slightly more than half of its current staffing level, or about 72 FTE.

Comparable districts use several methods to lower costs—Alhambra ESD employs more food service workers because it operates full-service kitchens at each of its 15 schools, and each kitchen is staffed with approximately nine FTE, including a full-time manager, a part-time baker, and approximately seven to eight part-time food service workers. By contrast, similar districts with lower per-meal food service costs operate their programs with an average of four FTE at each kitchen because they have implemented various measures that reduce the need for more employees. For example:

- **Central kitchen**—To lower the additional staffing and equipment costs associated with operating a large number of kitchens, one of the peer districts utilizes a central kitchen for preparing certain menu items made from scratch.
- **Fewer kitchen managers/supervisors**—Another method used by peer districts to reduce food service costs is to employ one manager or supervisor to oversee multiple kitchens rather than just 1 kitchen. For example, one peer district employs a manager to oversee kitchens at two different schools. Another peer district employs two supervisors to oversee 6 of its 11 kitchens, and the head cooks at the remaining 5 kitchens are paid a stipend to perform supervisory duties.
- **Disposable trays and utensils**—Most of the lower-cost peer districts use disposable trays and utensils to eliminate the need for the labor and equipment associated with dishwashing. Alhambra uses mostly trays and utensils that must be washed.
- **Purchased baked goods**—Most of the lower-cost peer districts purchased baked items rather than employing any bakers. As noted above, Alhambra ESD employed 15 part-time bakers.
- **Targeted levels of meals per labor hour**—Several peer districts established targeted levels of meals per labor hour, a common food service performance measure that can help determine if a food service operation is appropriately staffed. While Alhambra ESD calculates meals per labor hour on a monthly basis, the fiscal year 2009 district-wide average was about 14 meals per labor hour. The peer districts typically set higher targets, ranging from 16 to 28 meals per labor hour, on average.

Recommendation

- 2.1 The District should evaluate its food service operations and determine if they can be modified to reduce staffing levels and produce cost savings.

FINDING 3

Shift in spending indicates possible supplanting violations

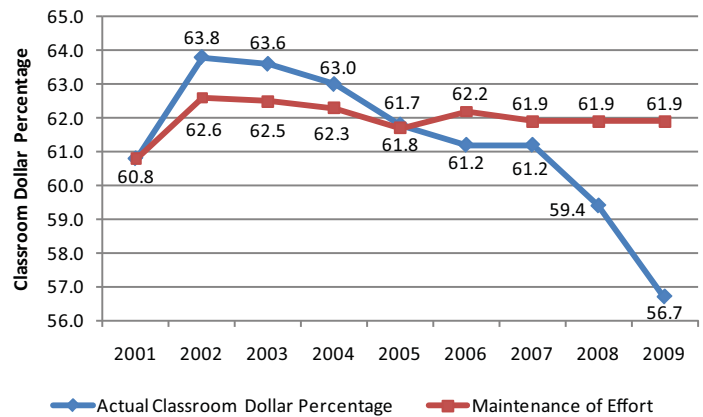
Alhambra ESD spent its Classroom Site Fund (CSF) monies in fiscal year 2009 for purposes authorized by statute.¹ However, the District's shift in spending, particularly since fiscal year 2005, indicates possible supplanting, a violation of A.R.S. §15-977. Additionally, the District did not account for some of its CSF monies to the extent required by statute and the Uniform System of Financial Records (USFR) for Arizona School Districts.

District has reduced classroom spending from non-CSF sources—

Since receiving CSF monies in fiscal year 2002, Alhambra ESD has shifted its spending of other monies away from the classroom, a strong indication of supplanting. A.R.S. §15-977 requires that CSF monies be used to supplement, not supplant, monies from other sources. In fiscal year 2001, prior to CSF monies being available, the District spent 60.8 percent of its available operating dollars in the classroom.² By fiscal year 2009, despite receiving over \$4.2 million of CSF monies primarily earmarked for the classroom, the District's overall classroom dollar percentage of 56.7 percent was actually 4.1 percentage points lower than in 2001. If CSF dollars are excluded, the District

was spending only 55.3 percent of its other monies in the classroom. As shown in Figure 2, if the District had continued to direct its other monies into the classroom at the same rate it did in 2001, the year prior to receiving CSF monies (i.e., maintained the same level of effort), the addition of CSF monies would have increased the District's 2009 classroom dollar percentage 5.2 percentage points to 61.9 percent. This means an additional \$5.5 million would have been spent in the classroom in fiscal year 2009 alone.

Figure 2: Maintenance of Effort and Actual Classroom Dollar Percentages Fiscal Years 2001 through 2009



Source: Auditor General staff analysis of school district summary accounting data for fiscal years 2001 through 2009.

¹ 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.

² Available operating dollars are those used for the District's day-to-day operations. They exclude costs associated with repaying debt, capital outlay, and non-K-12 programs. Classroom spending includes salaries and benefits of teachers and instructional aides, textbooks, and other classroom supplies.

District increased spending for instructional support—Alhambra ESD’s reduction in classroom spending is more than matched by its increase in instructional support spending. Instructional support includes activities associated with assisting teachers with the content and process of providing learning experiences for students such as librarians, teacher training, and curriculum development. Since fiscal year 2001, the District’s spending for instructional support has increased by over 6 percentage points. According to district officials, the District felt it was following federal grant guidelines when it increased instructional support spending as part of its implementation of certain federal grant programs. Although this spending shift toward instructional support was allowed by the federal grant, it was not required, and therefore, it was not justification for the District’s reduction in classroom spending. Instructional support activities are necessary and closely tied to the classroom; however, the increase in instructional support spending should not come at the expense of classroom spending.

District accounting for CSF monies was not timely—The District did not record detailed salary and benefit payments from Proposition 301 base pay and menu monies in the specific funds designated for them, as required by the statute and the USFR. Instead, employee salaries and benefits were initially paid from the Maintenance and Operation Fund and the base pay and menu pay amounts were subsequently transferred to the appropriate funds at fiscal year-end.

Recommendations

- 3.1 The District should ensure that CSF monies are used to supplement rather than supplant other monies.
- 3.2 To meet USFR and statutory requirements, the District should record and account for all revenues and expenditures in the separate Classroom Site Funds throughout the year and not just at year-end.

OTHER FINDINGS

In addition to the three main findings presented in this report, auditors identified one other, less significant area of concern that requires district action. This additional finding and its related recommendation is as follows:

District did not accurately report its costs

Alhambra ESD did not consistently classify its fiscal year 2009 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs, including both classroom and nonclassroom expenditures. Auditors identified errors totaling approximately \$2.4 million of the District's total \$106 million in current spending that decreased its reported instructional expenditures by about \$1.1 million, or 1 percentage point.

Recommendation

The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General's performance audit of the Alhambra Elementary School District was conducted pursuant to A.R.S. §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, student transportation, food service, and plant operation and maintenance. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2009, were considered.¹ 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 accurately 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 2009 summary accounting data for all districts and Alhambra ESD's fiscal year 2009 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 analyze Alhambra ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Alhambra ESD and nine other large or very large elementary school districts located in city/suburb areas.² To compare districts' academic indicators, auditors developed a separate student achievement peer group using the same size and location categories as in the operational peer group, but with the additional consideration of each district's poverty rate because poverty rate has been shown to be strongly related to student achievement. Alhambra ESD's student achievement peer group includes Alhambra ESD and the seven other districts that also served between 8,000 and 19,999 students, were located in city/suburb areas, and had poverty rates above the state average of 19 percent. 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

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

² The peer group includes Alhambra ESD and eight other large districts serving between 8,000 and 19,999 students and one very large elementary district serving about 22,000 students.

interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2009 administration costs and compared these to peer districts’.

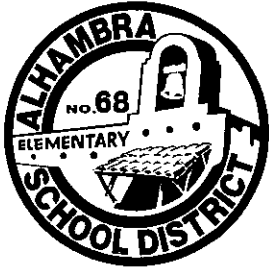
- To assess whether the District’s transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus capacity usage. Auditors also reviewed fiscal year 2009 transportation costs and compared them to peer districts’.
- To assess whether the District’s food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2009 food service revenues and expenditures, including labor and food costs, and compared costs to peer districts’.
- To assess whether the District’s plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2009 plant operation and maintenance costs and district building space, and compared these costs to peer districts’.
- To assess whether the District was in compliance with Proposition 301’s Classroom Site Fund requirements, auditors reviewed fiscal year 2009 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits.
- To assess the accuracy of the District’s financial accounting data, auditors evaluated the District’s internal controls related to expenditure processing and reviewed transactions for proper account coding and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

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 Alhambra Elementary School District’s board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE



Alhambra School District No. 68

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July 26, 2010

Debra Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix AZ 85018

RE: Response to Alhambra Elementary School District FY2009 Performance
Audit

Dear Ms. Davenport:

Alhambra ESD respectfully submits its response to the performance audit of FY2009. The audit indicated three main findings and one other, less significant area of concern.

Attached is the District's response to each of the findings in the report. Each response indicates whether the District does or does not agree with the findings and recommendation and whether the District will implement the recommendation, will implement a modification to the recommendation, or will not implement the recommendation.

Thank you for the courtesy and professionalism extended to our staff by your audit team. We appreciate the worthwhile interaction throughout the audit process.

Sincerely,

Karen E. Williams, Ed. D.
Superintendent

ATTACHMENT

Finding 1: Energy conservation program results in significantly lower electricity costs

We appreciate your recognition of our efforts to lower electricity costs throughout the district. We have shared our approach to lower costs with several school districts within Maricopa County.

Finding 2: More food service employees led to higher costs

We agree with the finding and the recommendation. We will evaluate our food service operations and determine if they can be modified to reduce staffing levels and produce cost savings while maintaining existing quality and service levels.

Finding 3: Shift in spending indicates possible supplanting violations

We agree with the finding that a shift in spending could indicate possible supplanting violations, but assert that is not the case in the District.

Recommendation 3.1 states the District should ensure that CSF monies are used to supplement rather than supplant other monies. We agree with the recommendation but disagree with the implication that District CSF monies have been used to supplant, and not supplement, other monies. All expenditures of CSF monies have been, and will be, to supplement, and not supplant, other monies.

Recommendation 3.2 states that to meet USFR and statutory requirements, the District should record and account for all revenues and expenditures in the separate Classroom Site Funds throughout the year and not just at year-end. We agree with the recommendation and have already changed our procedures for FY2011 so that all revenues and expenditures will be recorded in the separate Classroom Site Funds throughout the year.

Other Finding: District did not accurately report its costs

We agree with the finding and recommendation. The District will classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

