

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

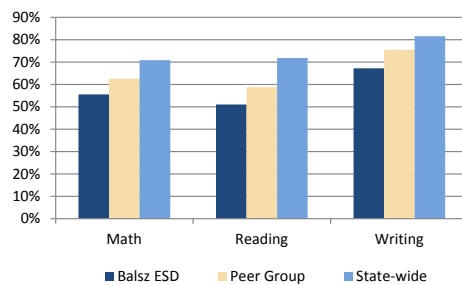
Overall, in fiscal year 2009, Balsz Elementary School District did not compare favorably with peer districts in student achievement or operational efficiencies. The District's student achievement was lower than both the peer districts' and state averages. Additionally, its operational costs were higher than peer districts', and its transportation and plant operations programs need better oversight. The District should also strengthen its performance pay plan, and ensure that salary increases from the Classroom Site Fund are paid only to eligible employees and paid in the correct amounts.

Student achievement lower and costs higher than peer districts'

In fiscal year 2009, Balsz ESD's students' AIMS scores were lower than peer districts' and state averages. In that fiscal year, three of the District's five schools failed to meet "Adequate Yearly Progress" for the federal No Child Left Behind Act (NCLB) because of insufficient academic progress. In fiscal year 2010, four of the District's schools were in the required NCLB school improvement process monitored by the Arizona Department of Education.

The District spent more in the classroom than peer districts, but it also spent more in nearly every nonclassroom area as well. Its \$856-per-pupil administrative costs were slightly higher than the peer districts' \$813 average, and its plant operations and transportation programs operated inefficiently at costs that were much higher than peer districts', on average. Although the District's \$2.24 cost per meal was similar to the peer districts' \$2.37 cost per meal average, food service costs were 14 percent higher per pupil than the peer districts' average because all Balsz ESD students received free lunches under the National School Lunch Program, which increased the number of meals served.

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



Expenditures by Function Fiscal Year 2009

Per Pupil	Balsz ESD	Peer Group Average
Administration	\$856	\$813
Plant operations	1,099	858
Food service	581	510
Transportation	269	254

Transportation program oversight inadequate

In fiscal year 2009, Balsz ESD's \$997-per-rider transportation costs were 36 percent higher than the peer districts' average, and its \$6.65-per-mile costs were 27 percent higher. Balsz contracted its transportation program to a vendor; however, it failed to adequately review vendor invoices.

overcharged for athletic and field trips.

District not ensuring that buses are being maintained—The vendor uses district buses and is responsible for maintaining them. However, the District did not review maintenance records to ensure that its buses were maintained according to state standards.

District not charged according to its agreement—The District was charged an incorrect rate for its daily routes, and neither the District nor the vendor could explain why. Additionally, the District was overcharged for after-school late runs and

District overstated mileage and riders for state funding purposes—State transportation aid is based on mileage and the number of riders reported by a school district. In its report to ADE, Balsz



2011

ESD overstated its mileage by 37 percent and its number of riders by almost 100 percent. However, these overstatements did not affect the amount of transportation aid received by the District because the District had reported higher mileage in a prior year and the State's transportation funding formula increases funding for year-to-year increases but does not decrease funding for year-to-year decreases.

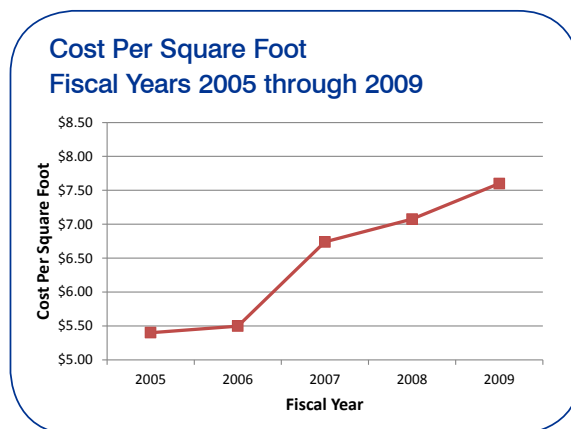
Recommendations—The District should:

- Work with its vendor to recover overpayments.
- Ensure the vendor properly maintains the buses.
- Accurately calculate and report mileage and riders for funding purposes.

Decision to outsource merits further review based on significantly higher plant costs

Balsz ESD's \$1,099 plant cost per student was 28 percent higher than the peer districts' average, and its cost per square foot increased 41 percent between fiscal years 2005 and 2009. The largest cost increase occurred in fiscal year 2007 when the District began outsourcing its custodial, maintenance, and grounds operations. The District made this change without any cost analysis to support outsourcing these services.

Recommendation—The District should evaluate whether to continue outsourcing its plant operations.



Inadequate controls increased risk of errors and fraud

The District failed to maintain adequate controls over its payroll processing and accounting system. Although no improper transactions were detected in the samples auditors reviewed, these poor controls exposed the District to increased risk.

Recommendations—The District should:

- Implement proper controls over its payroll processing to ensure adequate separation of responsibilities.
- Limit employees' access to only those accounting system functions needed to perform their work.

Some Classroom Site Fund monies spent incorrectly, and performance pay plan did not promote improved performance

In fiscal year 2009, the District paid \$10,873 in Classroom Site Fund (CSF) monies to teachers who were on special assignment performing administrative duties and, therefore, did not meet statutory requirements to receive CSF monies. In another instance, at least eight teachers were either over- or underpaid CSF monies.

Additionally, Balsz ESD's performance goals were too easily achieved, so the plan required little "performance."

Recommendations—The District should:

- Ensure that only eligible employees receive CSF monies.
- Establish meaningful performance goals.