

A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Coolidge Unified School District

May • 2011
Report No. 11-04



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

May 16, 2011

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Coolidge Unified School District

Dr. Cecilia Johnson, Superintendent
Coolidge Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Coolidge Unified 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 May 17, 2011.

Sincerely,

Debbie Davenport
Auditor General

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

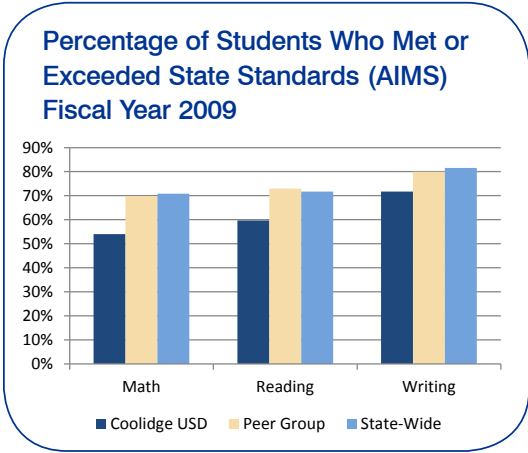
In fiscal year 2009, Coolidge Unified School District's student achievement was lower than both the peer districts' and state averages, and its operational costs were mixed. Although the District's plant operations and food service costs were similar to peer districts' averages, it had high administrative costs and lacked adequate procedures to protect it from errors. Additionally, the District paid high costs to contract out part of its transportation program and inaccurately reported its mileage resulting in \$208,000 in overfunding. Further, the District's shift in classroom spending, particularly since fiscal year 2007, indicates possible supplanting. Had the District continued to direct its monies into the classroom at the same rate it did in fiscal year 2001, it would have spent an additional \$1.8 million in the classroom in fiscal year 2009. Finally, the District had an excessive number of cell phones and lacked proper oversight of them.



2011

Lower student achievement than peers and operational costs mixed

Student achievement lower than peers'—In fiscal year 2009, Coolidge USD's student AIMS scores were lower than peer districts' and state averages. In that fiscal year, three of the District's seven schools failed to meet "Adequate Yearly Progress" for the federal No Child Left Behind Act because of insufficient academic progress.



District's operational costs mixed—In fiscal year 2009, Coolidge USD operated its plant operations and food service programs efficiently with costs that were similar to peer districts', on average. However, the District spent \$968 per pupil for administration, which was 30 percent more than peer districts averaged. It also spent 31 percent more per pupil than peer districts on transportation and had higher student and instructional support service costs.

Expenditures by Function Fiscal Year 2009

Per Pupil	Coolidge USD	Peer Group Average
Administration	\$968	\$746
Plant operations	945	935
Food service	381	355
Transportation	464	355
Student support	783	565
Instructional support	462	369

District had high administrative costs and lacked adequate procedures to protect it from errors

Higher staffing levels led to high administrative costs—In fiscal year 2009, Coolidge USD spent \$968 per pupil on administrative costs, 30 percent more than the \$746 average spent per pupil by peer districts. If the District had spent at the same level as peer districts, it would have potentially had over \$975,000 more to spend in the classroom.

Coolidge USD's higher administrative costs can be attributed to the greater number of high-level administrative staff including assistant principals, assistant superintendents, and administrative support staff than comparable districts averaged.

Inadequate payroll controls resulted in overpayments—The District's payroll system paid employees in advance of actually performing their work. As a result, the District overpaid at least 31 employees about \$22,000 in fiscal year 2009. The District has asked these employees to return the money, and as of November 2010 had received about \$8,200.

- Recommendations**—The District should:
- Review its administrative positions to determine how costs can be reduced.
 - Establish a delayed payroll system and continue to attempt to recover the overpayments.

High cost transportation contract ended; inaccurate mileage reporting needs to be corrected

Transportation contract costly for District—In fiscal year 2009, Coolidge USD's \$1,006 per rider transportation costs were 23 percent higher than its peers' average. Coolidge USD contracted part of its transportation program to a vendor in that year because of a need for more bus routes. However, the vendor-operated routes cost the District three times more per mile than the district-operated routes. As a result, in fiscal year 2010, the District began providing all of its transportation program internally. The District bought nine buses and operated those routes, saving an estimated \$200,000 that year.

Inaccurate mileage reporting resulted in \$208,000 overfunding—The District's records did not support the mileage it reported to the Department of Education for fiscal year 2009. Its overstatement of miles resulted in a likely overfunding of \$208,000 in fiscal year 2010 that, if not corrected, will continue into future years.

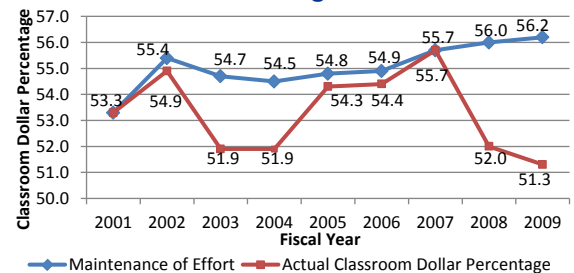
Recommendations—The District should:

- Accurately calculate and report the data needed for state transportation funding.
- Contact the Arizona Department of Education and correct its transportation funding report.

Shift in spending indicates possible supplanting violations

Over the years, Coolidge USD shifted its spending away from the classroom. Statute requires that districts use CSF monies to supplement, and not supplant, other monies spent in the classroom. In fiscal year 2001, before it received CSF monies, the District spent 53.3 percent of its operating dollars in the classroom. In fiscal year 2009, despite receiving over \$1.4 million of CSF monies primarily earmarked for the classroom, the District spent only 51.3 percent in the classroom. Had the District continued to direct its other monies into the classroom at the same rate as in fiscal year 2001, the additional CSF monies would have increased the District's classroom dollar percentage to 56.2 percent and the District would have spent an additional \$1.8 million in the classroom in fiscal year 2009 alone.

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



Recommendation—To avoid supplanting, the District should direct more non-CSF monies back into the classroom as it did prior to fiscal year 2008.

Excessive number of cell phones and lack of proper oversight

In fiscal year 2009, the District's telephone costs were 75 percent higher than peer districts averaged. The District provided cell phones to one-quarter (180) of its employees at a cost of \$88,000. However, a review of billings for one month showed that more than half were not used, but the District still had to pay the monthly charges for them.

The District also exercised little control over the phones. For example, one employee had \$146.78 in

directory assistance charges in one month and 24 employees had phones that were not authorized for their positions. The District also did not require employees to repay the minutes of personal use as required by its policy.

Recommendation—The District should review the need for cell phones and follow its policy regarding their use.

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DISTRICT OVERVIEW

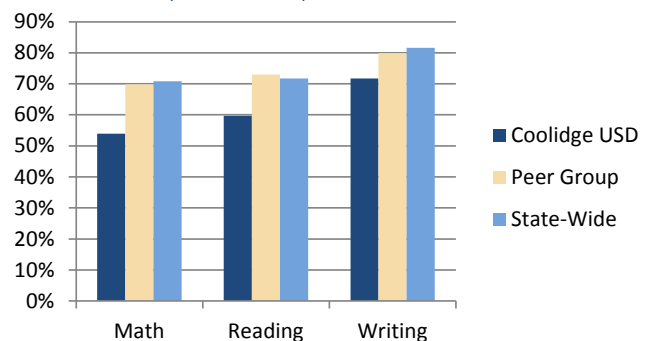
Coolidge Unified School District is located in the city of Coolidge, which is approximately 40 miles southeast of Phoenix in Pinal County. In fiscal year 2009, the District served 4,406 students at its seven schools: five kindergarten through 8th-grade elementary schools and two 9th-through 12th-grade high schools. Four of the District's seven schools are located in Coolidge, and three are located about 25 miles north of the city, in San Tan Valley. The District has grown by about 28 percent during the last 5 years, resulting in the opening of three of its seven schools.

The District's student achievement was lower than the peer districts' average and the state-wide average.¹ Relative to its peers, the District's cost-efficiency in noninstructional areas was mixed. The District operated its plant operations and food service programs efficiently with costs that were similar to peer districts' averages. However, the District's administrative costs were considerably higher than its peers', and the District had to subsidize its student transportation program.

Student achievement lower than peer districts' and state averages

In fiscal year 2009, 54 percent of the District's students met or exceeded state standards in math, 60 percent in reading, and 72 percent in writing. As shown in Figure 1, these scores were below the peer districts' and the state averages for each area. Additionally, three of the District's seven schools failed to meet "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act (NCLB). Two elementary schools failed because some students did not demonstrate sufficient academic progress, and one high school failed because it did not meet objectives for academic progress, graduation rate, or percentage of students tested. Two of these three schools have not met all AYP objectives for at least 2 years and are involved in the required NCLB school improvement process monitored by the Arizona Department of Education. The District's 50-percent graduation rate in fiscal year 2008 was more than 20 percentage points lower than the peer group's 73-percent average and the State's 75-percent average.

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



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

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

District's operational costs mixed

As shown in Table 1, in fiscal year 2009, Coolidge USD spent a similar amount per pupil in the classroom when compared to peer districts, but spent more per pupil overall. Specifically, the District spent more for administration, transportation, student support, and instructional support. The District had more money to spend because it (1) chose to budget more of its capital monies for operational purposes, (2) budgeted more for excess utilities, and (3) received more federal grant monies.¹

Significantly higher administrative costs due to higher staffing levels—Coolidge USD spent \$968 per pupil for administration, which was 30 percent more than peer districts averaged. These higher costs were mainly related to higher staffing levels. The District also needs to improve its payroll, purchasing, and cash-handling procedures to reduce the risk of errors (see Finding 1 on page 3).

Coolidge USD spent \$968 per pupil for administration, which was 30 percent more than peer districts averaged. These higher costs were mainly related to higher staffing levels. The District also needs to improve its payroll, purchasing, and cash-handling procedures to reduce the risk of errors (see Finding 1 on page 3).

Similar plant operations and food service costs—Coolidge USD's \$945-per-pupil plant operations and maintenance costs were similar to both the peer districts' and state averages. Additionally, its \$2.63 cost per meal was similar to the peer average of \$2.62 per meal. Coolidge USD's \$381 per-pupil food service costs were 7 percent higher than peer districts' costs because it served more meals per student.

Coolidge USD's \$945-per-pupil plant operations and maintenance costs were similar to both the peer districts' and state averages. Additionally, its \$2.63 cost per meal was similar to the peer average of \$2.62 per meal. Coolidge USD's \$381 per-pupil food service costs were 7 percent higher than peer districts' costs because it served more meals per student.

Student transportation costs were higher, mainly from outsourcing—Although the District's cost per mile was similar, its cost per rider was 23 percent higher than the peer districts' average. The District had to subsidize its transportation program by more than \$145,000, even though it overstated its mileage, which resulted in \$208,000 in overfunding (see Finding 2 on page 7). Higher costs stemmed mainly from outsourcing routes in the District's high-growth area. In fiscal year 2010, the District expanded its bus fleet and terminated the outsourcing contract.

Although the District's cost per mile was similar, its cost per rider was 23 percent higher than the peer districts' average. The District had to subsidize its transportation program by more than \$145,000, even though it overstated its mileage, which resulted in \$208,000 in overfunding (see Finding 2 on page 7). Higher costs stemmed mainly from outsourcing routes in the District's high-growth area. In fiscal year 2010, the District expanded its bus fleet and terminated the outsourcing contract.

¹ A.R.S. §15-910 allowed districts to increase their budgets for utility costs that were in excess of an adjusted base year amount. In fiscal year 2010, the Legislature suspended this funding.

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

Spending	Coolidge USD	Peer Group Average	State Average
Total per pupil	\$8,228	\$7,544	\$7,908
Classroom dollars	4,218	4,213	4,497
Nonclassroom dollars			
Administration	968	746	729
Plant operations	945	935	920
Food service	381	355	382
Transportation	464	355	343
Student support	783	565	594
Instructional support	462	369	431
Other	7	6	12

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education student membership data and district-reported accounting data.

FINDING 1

District had high administrative costs and lacked adequate procedures to protect it from errors

In fiscal year 2009, Coolidge USD's administrative costs were 30 percent higher than peer districts averaged primarily because of higher staffing levels. Additionally, the District had an increased risk of errors because it did not have adequate controls over payroll, purchasing, and cash handling.

Higher staffing levels led to high administrative costs

As shown in Table 2, Coolidge USD spent \$968 per pupil on administrative costs, 30 percent more than the peer group's \$746-per-pupil average in fiscal year 2009. As a result, Coolidge USD spent more of its available operating dollars on administration, leaving it less money available to spend in the classroom.¹ If Coolidge USD had spent only the peer districts' average, it could potentially have redirected over \$975,000 into the classroom.

Table 2: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2009
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Coolidge USD	\$871	\$72	\$25	\$968
Peer group average	634	88	24	746

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education student membership data and district-reported accounting data.

Coolidge USD had higher administrative costs because it employed more high-level administrative positions and had more administrative support staff than similarly sized districts.² Specifically:

- **More assistant principals**—Relative to the four peer districts with the same number of similarly sized schools, Coolidge USD had more assistant principals than comparable districts averaged. Coolidge USD employed 9 assistant principals, one for every 490 students, while the comparable districts averaged 5 assistant principals, one for every 1,066

¹ Available operating dollars are those used for the District's day-to-day operations, which 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.

² Within the peer group, auditors compared Coolidge USD's staffing levels to a sub-group of four districts that had a similar number of students and schools.

students. Had the District staffed its assistant principal positions at a similar level as the comparable districts, it could have saved \$83 per pupil.

- **More assistant superintendents**—Coolidge USD employed two assistant superintendents in fiscal year 2009 while two of the comparable districts did not have any assistant superintendents and two had only one each. Similar to comparable districts, Coolidge USD employed a director-level position who oversaw business operations, but it also staffed an assistant superintendent to oversee such operations. The other assistant superintendent position oversaw curriculum. For fiscal year 2010, the District eliminated the assistant superintendent of curriculum position for a savings of about \$24 per pupil.
- **More administrative support staff**—The District also employed about seven more administrative support positions in areas such as human resources, payroll, and information technology (IT) than comparable districts averaged. In addition, Coolidge USD paid \$110,000 to outside consultants to help with procurement and fixed assets—duties that other districts' administrators usually handle themselves. Had the District staffed these areas at a similar level as the comparable districts, it could have saved \$64 per pupil. For fiscal year 2010, the District eliminated one payroll position, two human resources positions, and a part-time IT position for a savings of about \$38 per pupil.

As noted above, the District reduced administrative costs in fiscal year 2010 by about \$62 per pupil. However, the District's fiscal year 2009 administrative costs were \$222 higher than peer districts', so it should continue to evaluate its administrative costs to determine how these costs can be further reduced.

Inadequate controls resulted in overpayments and increased risk of errors

The District had an increased risk of errors because it did not have adequate controls over payroll, purchasing, and cash handling. Although no instances of fraud were detected in the sample auditors reviewed, these poor controls exposed the District to increased risk. Further, the District has a history of being cited by its financial auditors for such control-related problems. Employee turnover in district administration has likely contributed to these issues.

Inadequate controls over payroll—The District lacked adequate controls over its payroll processing, which resulted in its payroll system generating overpayments that have yet to be recovered. Further, the District did not adequately document pay rates for additional duties. Specifically:

- **Lack of delayed payroll system resulted in overpayments**—In fiscal year 2009, the District did not have a delayed payroll system—that is, a system that pays employees for hours they have actually worked. Instead, employees were paid based on anticipated

hours before work was actually performed and time sheets were submitted. This resulted in the District's overpaying at least 31 employees a total of about \$22,000 in fiscal year 2009. Once auditors made the District aware that employees had been overpaid, the District sent letters to the employees requesting that the District be reimbursed for the overpayments. However, as of November 2010, the District had received only about \$8,200 of the \$22,000. To help ensure that employees are paid accurate amounts, the District should establish a delayed payroll system as required by the Uniform System of Financial Records for Arizona School Districts (USFR). This would help ensure that employees receive only what they have earned since the delay would allow the District to use the actual hours worked to calculate payments. The District was cited by its financial auditors in fiscal year 2008 for this deficiency.

- **Pay rates for additional duties inadequately documented**—The District did not have adequate documentation to support pay rates for additional duties performed by employees. The District did not require payroll or personnel action forms for additional duties, but instead just used time sheets for payroll documentation. For a sample of additional duty time sheets reviewed, auditors were able to verify the number of hours worked for most employees, but the time sheets did not include pay rates, and the District was unable to provide documentation for approved pay rates for these duties. Therefore, the District was unable to demonstrate that employees were compensated accurately for additional duties in accordance with approved pay rates. To help ensure that extra work is properly compensated, the District should use payroll or personnel action forms to document employment terms, such as pay rates and duties, as required by the USFR. This documentation should be maintained in employee personnel files.

Some purchases lacked proper approval—The District did not always ensure there was proper approval before purchases were made. For 5 of 30 fiscal year 2009 purchases examined, auditors found that items or services were purchased without prior approval. This deficiency was also cited by the District's financial auditors in fiscal year 2008. As required by the USFR, the District should prepare purchase orders and have them approved by an authorized employee prior to ordering goods or services to help ensure that the District has adequate budget capacity and is following procurement rules, and that the goods or services are needed and appropriate.

Inadequate controls over cash—The District receives cash from various sources and maintains bank accounts to deposit the related receipts. Because of the relatively high risk associated with cash transactions, the District should have effective internal controls to safeguard cash and ensure that cash receipts are deposited in a timely manner. Auditors' review of bank statements from December 2009 and April 2010 showed that, despite being cited by its financial auditors in fiscal years 2007, 2008, and 2009 for the same issue, the District was still not depositing cash receipts in a timely manner, often waiting as many as 4 weeks to deposit monies.

Recommendations

1. The District should continue to review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.
2. To help ensure that employees are paid accurately, the District should establish a delayed payroll system.
3. The District should continue to attempt to collect the remaining monies it overpaid to its employees.
4. The District should maintain documentation in personnel files, such as payroll or personnel action forms, to support additional duties and pay rates.
5. The District should require a district official to review and approve all of its purchases of goods and services prior to the purchases being made and document that approval on the purchase orders.
6. In order to properly safeguard its cash, the District should ensure that cash and checks are deposited in a timely manner.

FINDING 2

District paid high costs to contract out part of its transportation program and over-reported mileage for state funding purposes

In fiscal year 2009, Coolidge USD spent over \$145,000 more on student transportation than it received in state transportation funding, even though it over-reported the number of miles that students were transported, resulting in the District's receiving \$208,000 more in transportation funding than it was entitled to receive. Relative to its peer group, the District spent a similar amount per mile, but 23 percent more per rider. The District's higher costs stemmed from a contract with a vendor to provide student transportation to three of the District's seven schools—a contract that has since been discontinued.

District subsidized its transportation program, primarily due to high contracted costs

In fiscal year 2009, the District had to subsidize its transportation program with more than \$145,000 that could otherwise have potentially been spent in the classroom. This subsidy was primarily the result of the District's paying high costs to a vendor to operate some of its routes. Additionally, the District has not established and monitored performance measures for its transportation program, which could help it lower costs and better monitor transportation operations.

District subsidized transportation program—In fiscal year 2009, Coolidge USD's \$2.87 cost per mile was similar to peer districts' \$3.00-per-mile average. However, its \$1,006 cost per rider was 23 percent higher and the District had to subsidize its transportation program by more than \$145,000.

High contracted costs—In fiscal year 2009, Coolidge USD paid a transportation vendor to provide student transportation for the District's three schools located in San Tan Valley. These vendor-operated routes cost the District three times more per mile than district-operated routes. District officials stated that they decided to use a vendor to provide transportation for students attending these three schools because the District was growing so fast that it did not

**Table 3: District-Operated Versus Contracted Routes
Fiscal Year 2009
(Unaudited)**

	Expenditures	Miles	Cost per Mile	Riders	Cost per Rider
District-operated routes	\$1,436,559	625,207	\$2.30	1,515	\$948
Contracted routes	608,672	88,238	6.90	519	1,173
Total	\$2,045,231	713,445	\$2.87	2,034	\$1,006

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education district mileage reports and district-reported accounting data.

have the buses or funding to be able to purchase additional buses to provide transportation for these students.

In fiscal year 2010, the District began providing all of its transportation internally. The District bought nine buses, installed a fuel tank at one of the three San Tan Valley schools, and began parking some buses there to serve that area and reduce deadhead miles.¹ The District estimates that these changes saved it about \$200,000 in fiscal year 2010.

Performance measures were not established and monitored—The District’s higher transportation costs and subsidizing of its program emphasize the need for monitoring its transportation operations. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. Further, although the district-operated routes were efficient, monitoring bus capacity utilization rates can help the District identify route segments that may be combined or buses that have low ridership or are overcrowded. With such measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Inaccurate reporting of mileage resulted in \$208,000 overfunding

Coolidge USD’s records did not support the mileage it reported to the Arizona Department of Education for fiscal year 2009. Districts receive state monies for student transportation based on a formula that uses primarily the number of route miles traveled and secondarily the number of eligible students transported. Auditors determined that the District made calculation errors resulting in it overstating its mileage by about 139,000 miles, or 19 percent. The District misreported the miles associated with its contracted routes, and made several calculation errors associated with its special needs, regular, and activity routes. Because of these errors, auditors determined that Coolidge USD was likely overfunded by 11 percent, or \$208,000 in state transportation funding, in fiscal year 2010. Additionally, because of how the state transportation funding formula works, it is important that the District contact the Arizona Department of Education and correct its fiscal year 2009 report so that it does not continue to receive this higher funding in subsequent years.

¹ Deadhead miles are those miles driven between the bus barn and the start or end of the route, without students on the bus.

Recommendations

1. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, and bus capacity utilization.
2. The District should accurately calculate and report the data needed for state transportation funding.
3. The District should contact the Arizona Department of Education and correct its transportation funding report.

FINDING 3

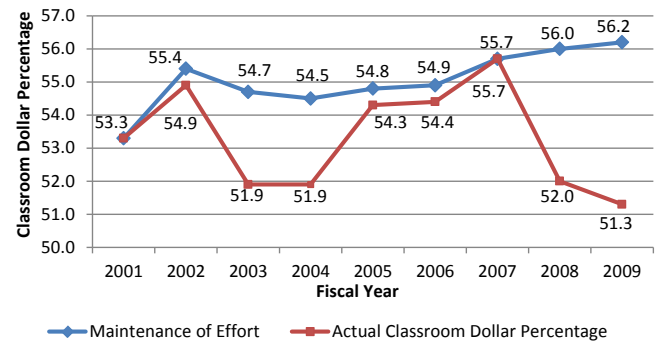
Shift in spending indicates possible supplanting violations

Coolidge USD 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 2007, indicates possible supplanting, a violation of Arizona Revised Statutes (A.R.S.) §15-977.

District has reduced classroom spending

Since receiving CSF monies in fiscal year 2002, Coolidge USD 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 that are being spent in the classroom from other sources. In fiscal year 2001, prior to CSF monies being available, the District spent 53.3 percent of its available operating dollars in the classroom.² In fiscal year 2009, despite receiving over \$1.4 million of CSF monies primarily earmarked for the classroom, the District's overall classroom dollar percentage of 51.3 percent was actually 2 percentage points lower than in 2001. 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 4.9 percentage points to 56.2 percent. This means an additional \$1.8 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 as described on page 3.

District increased spending for student and instructional support services

Table 4: Comparison of Expenditure Percentages by Function
Fiscal Years 2007 and 2008
(Unaudited)

	Fiscal Year 2007	Fiscal Year 2008	Difference
Classroom	55.7%	52.0%	(3.7%)
Student support	7.5	9.3	1.8
Instructional support	3.6	4.6	1.0

Source: Auditor General staff analysis of fiscal years 2007 and 2008 district-reported summary accounting data.

Coolidge USD's large spending shift away from the classroom appears to have resulted from an increase in spending on student and instructional support services.

Student support, such as social, health, and attendance services, is often directed toward disadvantaged populations, commonly identified by poverty levels. As shown in Table 4, between fiscal years 2007 and 2008, the District's spending for student support increased by 1.8 percentage points. One reason for the increase in student support was the District's decision to hire additional behavioral counselors. In fiscal year 2007, the District had one

behavioral counselor position, but increased this to seven positions in fiscal year 2008. These positions were funded primarily through the District's Title I program. Although this is an allowable use of these federal grant monies, the District had previously used a larger portion of these monies for instruction, but between fiscal years 2007 and 2008, the District began spending more of these grant monies for student support.

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. As shown in Table 4, between fiscal years 2007 and 2008, the District's spending for instructional support increased by 1 percentage point. Similar to student support, one reason for this increase is that the District shifted its use of Title I monies from the classroom to instructional support. These monies were used for teacher mentoring, support, and professional development.

Student and instructional support activities are necessary and closely tied to the classroom; however, the increase in student and instructional support spending should not come at the expense of classroom spending. Classroom Site Fund legislation was designed to increase classroom spending, not to allow districts to reduce their level of classroom support and use monies elsewhere.

Recommendation

To avoid supplanting, the District should direct more of its non-CSF monies back into the classroom as it did prior to fiscal year 2008.

FINDING 4

District had an excessive number of cell phones and lacked proper oversight

Although Coolidge USD's fiscal year 2009 plant operations costs were similar to peer districts' average costs, its telephone costs were 75 percent higher. Coolidge USD's telephone costs were \$77 per pupil, while peer districts averaged \$44 per pupil. The District spent \$88,000 in fiscal year 2009 for cell phone expenses, contributing to these higher costs. In comparison, a neighboring district in its peer group spent about \$13,000 for cell phone expenses in fiscal year 2009. Auditors' review of cell phone invoices showed more than half of the District's cell phones were not being used, and that the District was paying for very expensive calling plans and not recovering costs when employees were using cell phones for personal use.

District maintained an excessive number of cell phones

In fiscal year 2009, the District provided cell phones to 180 employees, about 1 phone for every 4 employees. The cell phones were provided to board members and school district staff such as the superintendent, directors, principals, assistant principals, business office staff, administrative assistants, plant and transportation employees, nurses, coaches, and some support staff. Auditors reviewed 1 month of billings and found that 94 of the 180 phones were not used during the month, but the District still had to pay over \$2,500 in monthly charges for them. Additionally, 13 phones were listed as "vacant" and not assigned to any one individual, and seldom used. The statement for the 1 month auditors reviewed was 336 pages. Maintaining so many cell phones makes it difficult for the District to adequately oversee the use of the phones to ensure they are being used according to district policy.

District lacked oversight over its cell phones

In addition to maintaining an excessive number of cell phones, Coolidge USD provided some employees with very expensive calling plans and did not enforce its own board-approved cell phone policy. As a result, some employees accumulated additional charges, used their district-provided phones for personal calls without reimbursing the District, and exceeded agreed-upon

minute limits. Additionally, some employees who were not eligible based on district policy were provided with cell phones.

Expensive calling plans and extra charges—In addition to the large number of cell phones, the District provided very expensive calling plans for some employees. For example, six employees had calling plans that cost the District over \$150 per month, per phone. These plans provided the employees with 4,500 minutes a month each, but during the month auditors reviewed, the employees used an average of only 494 minutes each with one employee using only 1 minute. The plans also provided the employees with unlimited e-mail and Web browsing. The District also sustained additional charges for some of its phones. For example, one employee accumulated \$146.78 in directory assistance charges in just the 1 month reviewed. Although the District's user agreement does not specifically address directory assistance charges, these extra charges appear excessive.

District did not enforce cell phone policy—The District has a cell phone policy and user agreements, but did not ensure that its policy was followed. For example, the policy lists the positions approved for cell phones, but the District provided phones to 24 employees who held positions that were not listed in its policy. According to district officials, supervisors could approve individuals for a cell phone if they thought it was necessary. However, the District's written policy did not include such a provision. Further, the District's policy allows employees to use their phones for personal calls but states that "charges identified as personal will be the responsibility of the employee." However, the District did not monitor this personal-use policy or request payment when employees made personal calls. Additionally, the District's policy states the number of business-use allowable minutes for each type of position. However, many individuals exceeded these limits during the month reviewed. As with personal calls, the District did not review the invoices for adherence to the allowable number of minutes or require reimbursement when employees exceeded the limit.

Recommendations

1. The District should review whether employees currently provided cell phones actually require these phones as a necessary part of their job duties.
2. The District should cancel the cell phones that are not being used or that are not assigned to a specific individual.
3. The District should limit employees' cell phone plans to those allowable minutes needed to fulfill district responsibilities.
4. The District should review invoices to ensure individuals are using cell phones according to district policy and that individuals reimburse the District for any nondistrict use.

OTHER FINDINGS

In addition to the four main findings presented in this report, auditors identified two other, less significant areas of concern that require district action. These additional findings and their related recommendations are as follows:

1. District should strengthen controls over access to IT resources and data

The District needs to strengthen controls over access to its student information system to ensure that staff have access only to the information required for them to perform their job duties. Auditors found that nine employees had access to student information, such as grades, test scores, student behavioral incidents, lunch eligibility, and health information, which they did not need to carry out their duties. Additionally, auditors reviewed network access for 14 terminated employees and found that 5 of them still had access to the District's system. Finally, physical access to the District's server rooms was not adequately restricted. The District's master key opened the locks to the server rooms, giving over 75 staff physical access to these rooms.

Recommendation

The District should limit employees' student information systems access to only those functions needed to perform their work, ensure that access to the District's computer system is promptly removed when employees leave the District's employment, and limit physical access to its server rooms.

2. District did not accurately report its costs

Coolidge USD 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 almost \$1.2 million of the District's total \$36 million in current spending

that decreased its reported instructional expenditures by over \$680,000, or 1.5 percentage points. The figures presented in this report reflect the corrected amounts.

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 has conducted a performance audit of the Coolidge Unified School District 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, plant operation and maintenance, food service, and student transportation. 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 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 Coolidge USD'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 Coolidge USD'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 Coolidge USD and the other 21 unified or union high school districts that also served between 2,000 and 7,999 students and were located in town/rural 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. Coolidge USD's student achievement peer group includes Coolidge USD and the 12 other districts that also served between 2,000 and 7,999 students, were located in town/rural areas, and had poverty rates at or below 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 operations. 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 operational peer group excludes two districts that received high levels of additional funding and skewed the peer-spending averages. Although Coolidge USD also received higher levels of federal support than many districts in its peer group, these two districts received funding from several other sources that were not available to Coolidge USD.

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 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 and capacities 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', and reviewed the Arizona Department of Education's food service monitoring reports.
- 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 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. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and reviewed transactions for proper account classification and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

The Auditor General and her staff express their appreciation to the Coolidge Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

DISTRICT RESPONSE

Governing Board

Kristi Freader
President

Thomas Shope Jr.
Vice President

Thomas Bagnall
Member

Lisa Garrett
Member

Jack Malpass
Member

Superintendent

Dr. Cecilia E. Johnson

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April 11, 2011

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

Re: Response to Coolidge Unified School District#21 Performance Audit

Dear Ms. Davenport,

Coolidge Unified School District respectfully submits our response to the Performance Audit for the fiscal year 2008-2009. The Performance Audit lists four findings along with recommendations.

Attached is the District's response to each of the findings in the report. The District concurs with all findings and will implement the recommendations suggested in order to maximize all available resources in the Coolidge Unified School District.

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,

Dr. Cecilia E. Johnson
Superintendent

Coolidge Unified School District #21

Performance Audit Responses

Finding 1: District had high administrative costs and lacked adequate procedures to protect it from errors.

Recommendations:

- 1.1 The District should continue to review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced.
- 1.2 To help ensure that employees are paid accurately, the District should establish a delayed payroll system.
- 1.3 The District should continue to attempt to collect the remaining monies it overpaid to its employees.
- 1.4 The District should maintain documentation in personnel files, such as payroll or personnel action forms, to support additional duties and pay rates.
- 1.5 The District should require a district official to review and approve all of its purchases of goods and services prior to the purchase being made and document that approval on the purchase orders.
- 1.6 In order to properly safeguard its cash, the District should ensure that cash and checks are deposited in a timely manner.

Response:

- 1.1 The District concurs with this finding, and has taken Governing Board Action to reduce excessive administrative costs for the past two fiscal years.
- 1.2 The District concurs with this finding, and has implemented a two week delay in pay effective FY 2010-11.
- 1.3 The District concurs with this finding, and continues the attempt to collect overpaid monies through the county attorney's office.
- 1.4 The District concurs with this finding, and has taken steps to ensure that proper documentation is filed in personnel files. Par forms are currently being filled out for extra approved hours of work.
- 1.5 The District concurs with this finding, and is currently implementing internal controls that utilize improved purchasing procedures. In addition, the District continues to reinforce training efforts to ensure employees comply with requirements.
- 1.6 The District concurs with this finding, and has held cash handling training meeting with sites and implemented cash control webinars to ensure the proper handling of funds.

Finding 2: District paid high costs to contract out part of its transportation program and over-reported mileage for state funding purposes.

Recommendations:

- 2.1 To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, and bus capacity utilization.

- 2.2 The District should accurately calculate and report the data needed for state transportation funding.
- 2.3 The District should contact the Arizona Department of Education and correct its transportation funding report.

Response:

- 2.1 The District concurs with this finding, and is currently utilizing the Transportation Performance formula and will monitor quarterly.
- 2.2 The District concurs with this finding, and has implemented written procedures with appropriate steps to accurately account for the reporting of data for the Transportation Route Report.
- 2.3 The District concurs with this finding, and has contacted the Arizona Department of Education (ADE) with the corrected transportation funding report. A 15-915 letter has been sent and ADE has adjusted state aid and general budget limit for the district.

Finding 3: Shift in spending indicates possible supplanting violations.

Recommendation:

- 3.1 To avoid supplanting, the District should direct more of its non-CSF monies back into the classroom as it did prior to fiscal year 2008.

Response:

- 3.1 The District concurs with this finding. The district will continue reviewing all out of classroom monies to redirect towards instructional programs.

Finding 4: District had an excessive number of cell phones and lacked proper oversight.

Recommendations:

- 4.1 The District should review whether employees currently provided cell phones actually require these phones as a necessary part of their job duties.
- 4.2 The District should cancel the cell phones that are not being used or that are not assigned to a specific individual.
- 4.3 The District should limit employees' cell phone plans to those allowable minutes needed to fulfill district responsibilities.
- 4.4 The District should review invoices to ensure individuals are using cell phones according to district policy and that individuals reimburse the District for any non-district use.

Response:

- 4.1 The District concurs with this finding. Cells phones are paid by the number of minutes in the plan not by the number of cell phones issued. The plan is e-rated at 80%. The majority of those cell phone numbers, the district is taking steps to ensure that they are utilized for radio connectivity only. Currently only 54 cell phones are assigned to district personnel. The District will review the employee usage of district cell phones.

4.2 The District will cancel all but six cell phones not in use. The minutes are bundled for all cell phone numbers assigned to the district. As staff change, this will keep the numbers in the 520 series grouped for CUSD.

4.3 The District concurs with this finding. The District will review the number minutes used with the number paid and reduce accordingly.

4.4 The District concurs with this recommendation. The district monthly bill should be reviewed monthly. Out of state numbers should be randomly called to verify the calls were business related.

Other Findings:

1. District should strengthen controls over access to IT resources and data.
2. District did not accurately report its costs. Coolidge USD 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 cost, including both classroom and non-classroom expenditures. Auditors identified errors totaling \$1.2 million of the District's total \$36 million in current spending that decreased its reported instructional expenditures by over \$680,000, or 1.5 percentage points. The figures presented in this report reflect the corrected amounts.

Recommendations:

1. The District should limit employees' student information systems access to only those function needed to perform their work, ensure that access to the District's computer system is promptly removed when employees leave the District's employment, and limit physical access to its server rooms.
2. The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts.

Response:

1. The District concurs with this finding. The District will implement procedures to review access by job description to determine the appropriate accessibility to student information. The District will quickly remove someone from access to the computer system when leaving the district. Human Resources will send IT a listing of all personnel within 48 hours of leaving the district and IT will remove them from access.
2. The District concurs with this finding. When coding payroll, the District will ensure the proper function code for support service personnel. Payroll and the Director of Business will review the coding of personnel monthly to insure proper coding.

