

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

Cottonwood-Oak Creek Elementary School District's student achievement is similar to the averages of its peer districts' and the State, and the District generally operates efficiently. The District has slightly lower administrative costs than its peer districts, but needs to improve controls over its accounting system and computer network. The District also operates an efficient food service program by reducing food supply costs and by selling meals to other school programs. The low-cost operations allow the District to provide free breakfast to all of its students. Separately, the District has identified cost savings in a proposed unification plan with a neighboring union high school district.



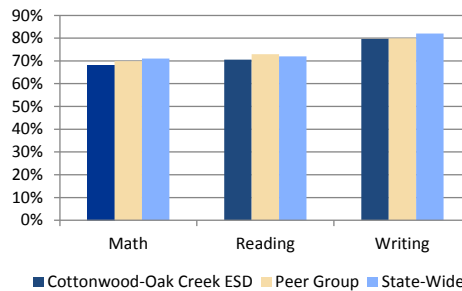
2010

Student achievement similar to state and peer averages, and efficient operations

In fiscal year 2009, Cottonwood-Oak Creek ESD's student AIMS scores were similar to those of peer districts' and state averages. Also similar to peer districts, one of the District's five schools failed to meet "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act because some of its students did not demonstrate sufficient academic progress.

District operates efficiently overall with similar or lower costs—In fiscal year 2009, the District spent about the same per pupil as peer districts, but spent slightly more in the classroom. Costs for administration, food service, and transportation were lower than the peer districts' averages, and plant operation costs were similar.

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



Expenditures by Function
Fiscal Year 2009

Per Pupil	Cottonwood-Oak Creek ESD	Peer Group Average
Administration	\$823	\$882
Plant operations	894	863
Food service	458	518
Transportation	272	353

Inadequate accounting and IT controls

Controls over the accounting system ensure that transactions are authorized and accurate and that duties are segregated between employees. However, several employees had more access to the District's accounting system than their job responsibilities required. Although no improper transactions were found in our sample, such broad access increases the risk of errors, fraud, and misuse of monies.

Auditors also reviewed access to the District's computer network and discovered that three former employees

still had access even though they had left district employment 3 months earlier. In addition, IT network users are not required to change passwords periodically to avoid unauthorized use of the network.

Recommendations—The District should:

- Limit IT access to each employee's assigned functions.
- Remove former employees' IT network access.
- Create and implement policies to require password changes.

Food service program operates efficiently

In fiscal year 2009, Cottonwood-Oak Creek ESD offered free breakfast to all students. Although only 55 percent of the District's students qualified for free breakfast under a federal program, the District was able to extend this program to all students because of its food service program's self-sufficiency. The District achieved a cost-savings of 14 cents per meal by using more United States Department of Agriculture (USDA) food commodities than its peer districts. In addition, the District maximized its savings by planning meals around the availability of USDA commodities. As a result, the District's \$2.12 cost per meal was 11 percent less than the \$2.37 average for peer districts. The District also

generated additional revenue by selling meals to preschool programs and a charter school.

Examples of Commodity Savings Fiscal Year 2009 (Unaudited)

Commodity (Weight Per Case)	Market Value	District Cost
Frozen peas (30 lbs.)	\$21.24	\$2.79 shipping per case
Beef patties (40 lbs.)	83.30	
Canned peach slices (39.75 lbs.)	27.82	
Total	\$132.36	\$8.37

Unification being considered to increase efficiency and instructional spending

Cottonwood-Oak Creek ESD has been discussing unification with a neighboring union high school district, which would increase efficiency. The districts have identified almost \$372,000 in administrative cost savings by eliminating duplicate and other administrative positions such as a superintendent, business manager, assistant principal, and warehouse supervisor. The districts would save an additional \$319,000 by eliminating duplicate positions in other areas such as student transportation and plant operations and maintenance.

However, the districts would need to implement the cost-saving measures they had identified to realize those cost savings. Auditors reviewed the fiscal year 2002 unification of two districts similar to

Cottonwood-Oak Creek and the union high school district. Not only did that unification not result in any cost savings, but expenditures in the classroom actually decreased from the percentage that had occurred in both districts prior to the unification. The reason for the lack of savings and fewer dollars spent in the classroom was that the districts failed to implement any of the staff reductions they had identified.

Recommendations—The District should:

- Continue to consider all opportunities for cost savings as part of its unification planning.
- Follow through on proposed reductions in non-instructional staffing levels if unification occurs.