



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Creighton Elementary School District

July • 2010
Report No. 10-06



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

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July 20, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Creighton Elementary School District

Dr. Charlotte Boyle, Superintendent
Creighton Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Creighton 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 21, 2010.

Sincerely,

Debbie Davenport
Auditor General

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Creighton Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines five aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 5 through 10)

Creighton ESD's fiscal year 2008 per-pupil administrative costs of \$843 were 22 percent higher than comparable districts' average per-pupil costs of \$690. The higher costs were primarily due to higher staffing levels, higher salaries, and paying the full health insurance premiums for all full-time employees and for the dependents of some administrators. Additionally, the District spent over \$123,000 of public monies on meals for staff and Governing Board members, did not maintain adequate controls over its accounting and payroll system which resulted in a possible gift of public monies, and did not adequately safeguard sensitive student and district information.

Student transportation (see pages 11 through 16)

Creighton ESD spent more on salaries and benefits for transportation staff and more on fuel than comparable districts, on average. As a result, the District subsidized the transportation program with over \$658,000 in fiscal year 2008. The higher salary and benefit costs were primarily due to employing more office staff and bus aides and paying a larger amount of driver overtime. The District's higher supply costs may be due to a possible theft of fuel from the District's storage tanks. The District could not account for 8,700 gallons of missing fuel and its fuel tracking system showed fuel pumped in the middle of the night and was occasionally shut down overnight. Additionally, the District's failure to follow school bus loading and unloading policies, required by the Department of Public Safety's *Minimum Standards*, put students'

safety at risk. Lastly, the District did not maintain adequate documentation to demonstrate that its school buses had received required, systematic preventative maintenance.

Plant operation and maintenance (see pages 17 through 18)

Creighton ESD's plant costs per square foot were similar to comparable districts' but its per-pupil costs were 12 percent higher than the comparable districts' average because it operated more square footage per student. The additional square footage was due in part to the District operating its schools at 80 percent of capacity, on average. In the last 4 years, the District's enrollment has declined by 13 percent. If student enrollment and the corresponding building capacity usage continue to decline, the District will need to consider ways to reduce its excess building capacity.

Proposition 301 monies (see pages 19 through 22)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Creighton ESD spent most of its Proposition 301 monies according to its plan. However, the District paid Proposition 301 monies to two ineligible employees and paid performance monies to all employees for one of the goals without knowing whether it was met.

Classroom dollars (see pages 23 through 25)

Creighton ESD spent a similar dollar amount in the classroom as comparable districts', but its 52.1 classroom dollar percentage is far below the comparable districts', state, and national averages. The District was able to do this because the higher poverty rate of its students entitled the District to receive significantly more in federal grant revenues. The District spent part of these additional monies on teacher training and other activities associated with assisting students or the instructional staff. However, this audit identified inefficiencies in administration and transportation, and the need to monitor future years' plant operations' costs, so savings could be achieved in these operational areas and redirected towards the classroom.

TABLE OF CONTENTS



Introduction & Background	1
Chapter 1: Administration	5
Administrative costs were much higher than comparable districts'	5
District spent over \$123,000 of public monies for staff meals and personal hotel stays	7
District did not maintain adequate controls over its business processes and computer system	8
Recommendations	9
Chapter 2: Student transportation	11
Background	11
High costs and poor district oversight contributed to \$658,000 subsidization of transportation program	12
District fails to meet student safety standards, placing students at risk	14
Despite purchasing systems to help track preventative maintenance on buses, maintenance records were incomplete	14
Recommendations	15
Chapter 3: Plant operation and maintenance	17
Per-square-foot plant costs were similar to the comparable districts'	17
Recommendation	18

• continued



TABLE OF CONTENTS

Chapter 4: Proposition 301 monies	19
Background	19
District awarded performance pay to ineligible employees	21
Proposition 301 performance pay records were incomplete	22
Recommendations	22
Chapter 5: Classroom dollars	23
District did not accurately report its fiscal year 2008 costs	23
District spent a similar amount in the classroom and more in total	23
Recommendations	25
Appendix	a-1
District Response	

continued ♦

TABLE OF CONTENTS



Tables:

1	Total and Per-Pupil Administrative Cost Comparison Fiscal Year 2008 (Unaudited)	6
2	Comparison of Cost Per Mile by Category Fiscal Year 2008 (Unaudited)	12
3	Plant Costs and Square Footage Comparison Fiscal Year 2008 (Unaudited)	18
4	Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function Fiscal Year 2008 (Unaudited)	24

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Creighton Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines five aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Creighton Elementary School District is located in central Phoenix. In fiscal year 2008, the District had 9 schools that served 7,208 students in pre-kindergarten through 8th grade. A 5-member board governs the District, and a superintendent and two assistant superintendents manage it. In fiscal year 2008, the District employed 9 principals, 9 assistant principals, 474 certified teachers, 82 instructional aides, and 293 other employees, such as administrative staff, bus drivers, and custodians.

District programs, challenges, and recognitions

Creighton Elementary School District offers a wide range of instructional and extracurricular programs (see textbox). For example, the Newcomers Program focuses on English language development instruction for ELL students with limited English proficiency. The District's community education program is designed to encourage parents to play an active role in their child's education and to enhance community relationships. This program offers community members courses on English language development, parental involvement with their student's education, computers, nutrition, and family communication and wellness.

Creighton ESD has a high proportion of economically disadvantaged and at-risk students. In fiscal year 2008, 31 percent of the District's students were living at or below poverty, while the state-wide average was 19 percent. In addition, 51 percent of the District's student population was English Language Learner students. To address these challenges, the District has implemented extensive community education and after-school intervention programs.

The District offers:

- Junior Ambassadors
- Community Education
- Newcomers Program (ELL)
- Gifted Program
- Math Maniacs
- Reading Rocks
- Fine Arts (Art, Music, Band)
- Intramural Sports
- Student Council

In the 2008 school year, two of the District's nine schools received "performing" or higher ratings through the AZ LEARNS program. Six schools were labeled "underperforming" and one school "failed to meet academic standards." Additionally, seven schools failed to meet "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act. Whether a district meets AYP objectives depends on several factors, including AIMS reading and math test scores for the total student population and for subgroups of the population, such as special needs students, English Language Learners, or students from various ethnic groups. Each of the seven Creighton ESD schools that did not meet AYP objectives failed to do so because students in at least one subgroup did not demonstrate sufficient academic progress. As an alternative to being placed on an improvement plan after its third year failing to meet academic standards, ADE accepted the District's decision to partner with an education consultant group. In fiscal year 2008, the consultant services, which were provided at no cost to the District, resulted in revisions to the curriculum, bi-weekly student assessments, and strategies for teachers to individualize instruction based on those regular student assessments.

The District has faced challenges with both declining and unevenly distributed enrollment. From fiscal year 2005 to 2008, the District's enrollment declined from 8,268 to 7,208, or about 13 percent. Further, current enrollment is unevenly split within the District, with some schools operating near capacity and others well below their designed capacity. In fiscal year 2008, five of nine schools operated below 80 percent of capacity. In an effort to maintain an adequate level of student enrollment at one school, the District transported students to the school from several locations across the District. As a result, the school operated at 90 percent of capacity in fiscal year 2008. However, according to district officials, enrollment at this school declined to 42 percent of capacity in fiscal year 2009 when the District discontinued this practice of transporting students across school boundaries. According to district officials, in fiscal year 2010, to increase enrollment at this school, the District made it a "traditional academy" with a more structured, orderly environment and accelerated curriculum.

Scope and objectives

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 three operational areas: administration, student transportation, and plant operation and maintenance. 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. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2008, such as salaries, benefits, supplies, and purchased

services, were considered.¹ The methodology used to meet these objectives is described in this report's Appendix.

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

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.

CHAPTER 1

Administration

Creighton Elementary School District's fiscal year 2008 per-pupil administrative costs were 22 percent higher than the comparable districts' average costs and higher than the state average. As a result, the District spent a higher percentage of its available operating dollars on administration than the comparable districts' average and the state average.¹ Costs were higher primarily because the District employed more administrative employees than comparable districts, paid several of these positions higher salaries, and paid the full health insurance premiums for all of its full-time employees and for the dependents of certain administrative employees. Additionally, the District spent over \$123,000 of public monies for staff meals and personal hotel stays, did not maintain adequate controls over its accounting and payroll system which resulted in a possible gift of public monies, and did not adequately safeguard sensitive student and district information.

Administrative costs were much higher than comparable districts'

As shown in Table 1 on page 6, the District's administrative costs per pupil were much higher than the comparison districts', on average. Creighton ESD spent \$843 per pupil on administrative costs, which was 22 percent more than the \$690 average-per-pupil amount spent by the comparable districts. These higher costs resulted from the District's higher administrative salary and benefit costs.

Administrative costs are monies spent for the following items and activities:

- **General administrative expenses** are associated with governing board's and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- **School administrative expenses** such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- **Central support services** such as business support services, planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and administrative technology services.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Available operating dollars are those used to make current expenditures as defined in footnote 1 on page 3.

Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2008
(Unaudited)

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil
Creighton ESD	\$6,073,414	7,208	\$843
Isaac ESD	6,064,629	7,498	809
Crane ESD	4,679,924	5,935	789
Avondale ESD	4,209,653	6,101	690
Casa Grande ESD	4,730,626	7,155	661
Litchfield ESD	4,493,786	8,946	502
Average of the comparable districts	\$4,835,724	7,127	\$690

Source: Auditor General staff analysis of district-reported fiscal year 2008 accounting data and average daily membership information obtained from the Arizona Department of Education.

Several factors contributed to higher salary and benefit costs—The District spent over \$1.2 million, or \$153 per pupil, more on administration than the comparable districts, on average. All of these higher administrative costs were for salaries and benefits. Specifically:

- **Higher staffing levels and pay for certain administrative positions**—While Creighton ESD had a slightly higher number of total administrative positions as other districts, it had more of these positions at higher levels and in the business office. In particular:
 - *More assistant principals*—Because of its school structure, Creighton ESD employed almost twice as many full-time equivalent (FTE) assistant principals than the comparison districts' average. This resulted in the District's paying approximately \$842,000 in salaries to assistant principals, or twice the comparison districts' average. According to district officials, assistant principals are needed at schools with middle school students. Eight of the District's nine schools included middle school students. In contrast, although they served a similar number of middle school students, only half of the comparable districts' schools—four schools, on average—served middle-school students. Most of the comparable districts grouped all middle-school students into schools serving only grades four through eight.
 - *More business office staff*—The District employed 60 percent more accounting staff than the comparison districts' average and paid the staff 14 percent more per FTE, on average. This resulted in the District's spending about \$255,000 more on accounting positions than the comparison districts' average. The District also spent about \$115,000 more

on human resources than comparable districts because it employed 70 percent more human resources staff.

- **District paid full medical insurance premiums for all employees and administrators' dependents**—The District paid \$38 more per pupil, or 31 percent more, for administrative benefit costs than comparable districts, in part because it paid the full medical and dental insurance premiums for its full-time employees. Only two of the comparable districts paid the full insurance premium costs for all of their full-time employees. Additionally, the District paid the full medical and dental insurance premiums for the dependents of 15 administrators if they opted to enroll, including principals, directors, assistant superintendents, and the superintendent. The monthly costs for dependents to have medical and dental coverage ranged between \$443 and \$635 per covered employee. None of the comparable districts paid insurance costs for employees' dependents.
- **More administrators received stipends for expenses**—In addition to regular salary, 29 of the District's 70 administrative employees received monthly stipends of set amounts to pay for personal car use, community relations, and other out-of-pocket costs. Monthly car stipends for the superintendent, assistant superintendents, administrative directors, principals, assistant principals, and Information Technology managers ranged from \$140 to \$867. In addition, community relations stipends for the superintendent, assistant superintendents, and principals ranged from \$107 to \$671 per month. In fiscal year 2008, these stipends totaled \$108,000, or over \$15 per pupil. In contrast, the comparable districts spent \$16,000, on average, on stipends for between one and six administrators.

District spent over \$123,000 of public monies for staff meals and personal hotel stays

In fiscal year 2008, the District spent over \$123,000 on food, drinks, and personal travel costs for staff. These expenditures appear to have limited educational value and the public monies spent for this purpose could otherwise have been spent in the classroom. Specifically, the District made the following administrative purchases:

Food and water purchases while not on travel status—In fiscal year 2008, the District spent \$123,000 on food, drink, catering staff, and related supplies for staff while they attended various meetings and trainings within the District. These purchases were not for staff in travel status and were not paid for by gifts or grant awards for such purpose. They included \$54,483 of food and supplies provided by the District's food service department, \$18,123 of food purchased from grocery stores and clubs, and \$8,789 of food purchased from restaurants. The District employed a full-time catering coordinator at a cost of approximately \$32,000 to

oversee these catering services rendered within the District. Additionally, the District spent \$9,316 on bottled and filtered water for staff members.

Travel expenses in excess of limits—The District did not follow its travel policies and incurred inappropriate lodging and food costs as a result. For example, a sample of employee claims found that the District authorized lodging for an employee to attend a 3-day conference in Flagstaff. However, the employee stayed at the hotel for two additional days after the conference ended at a cost of \$287 to the District. On another occasion, the District reimbursed 4 Governing Board members and 2 district employees \$362 for the cost of a single meal during an out-of-state conference where, according to the State of Arizona’s travel policy, only \$237 should have been reimbursed for the entire day.¹

District did not maintain adequate controls over its business processes and computer system

In fiscal year 2008, Creighton ESD exposed itself to increased risk of gift of public monies, errors, theft, and fraud because it failed to maintain adequate controls over its payroll processing and did not properly limit access to its computerized accounting system. Additionally, the District’s poor controls over its computer network and servers increased the risks of loss of sensitive information and damage to equipment. Specifically, auditors observed the following:

Failure to follow payroll procedures resulted in overpaying employees—The District’s failure to use the appropriate forms to request pay changes for employees resulted in an erroneous overpayment to employees and may constitute a gift of public monies. According to Attorney General Opinion I84-034, districts may only pay amounts to employees that are provided for in the employees’ contracts or other formal documents, such as employment letters or payroll action forms, prior to the time that the services are rendered. On many occasions, the District used e-mails or spreadsheets in place of addendums or payroll action forms. In one case, a Governing Board-approved salary increase for all nonadministrative employees was mistakenly applied twice and included incorrect calculations for the pay increases. As a result, 161 employees were overpaid by approximately \$150 each, about \$26,000 in total. Since the appropriate documentation was not used, there is no record in the employees’ files of this one-time payment. In addition to the business office’s error in applying the increase, the District’s failure to establish the increase prior to the employees’ contract period may constitute an unconstitutional gift of public monies. Therefore,

¹ A.R.S. §15-342 requires school districts to adopt travel policies that prescribe amounts for reimbursing lodging and meals incurred for district purposes that do not exceed the maximum amounts established by the Arizona Department of Administration. These maximum amounts are included in the travel policy section of the *Arizona Accounting Manual*.

the District should seek counsel to determine the legality of the increase and whether any repayments are required.

Broad access to accounting system increased risk of errors and fraud—Creighton ESD did not establish proper security for its computerized accounting system, exposing the District to an increased risk of errors, misuse of sensitive information, and fraud. Specifically, auditors identified several accounting personnel who had more access to the accounting system than necessary to perform their job duties, including the ability to initiate and complete transactions without an independent supervisory review. Two employees had the ability to create and approve purchase requisitions and purchase orders, create and modify vendors, and pay vendor invoices without any independent review to ensure that purchases and payments were reasonable and accurate. Other employees had the ability to create and change employee payroll information, approve payments, make journal entries, and print checks. In both instances the District is exposed to an increased risk of fraud, such as the potential to process false invoices or add nonexistent vendors or employees. In addition, 6 of 12 employees who left the District during fiscal year 2008 still had access to the accounting system 19 to 61 days after termination.

Computer network, servers, and sensitive information were not adequately safeguarded—Creighton ESD did not adequately protect sensitive student information and accounting data, or the District's computer servers. Specifically, the District did not enforce its policies requiring employees to establish adequate passwords and periodically change them. It did not properly store backup tapes of sensitive student information and district accounting data, leaving them at risk for theft or damage. It also did not ensure its computer server rooms had proper air conditioning and fire suppression equipment. Finally, the District's disaster recovery plan did not list who is responsible for what tasks in restoring the systems back to operation following an emergency, and it was not safely stored in a separate location from the computer systems.

Recommendations

1. The District should evaluate whether it can reduce its number of administrative positions to produce cost savings.
2. The District should determine whether and to what extent using public monies for purchasing meals and bottled water for staff not in travel status serves a public purpose and has educational value.
3. The District should document salary changes by preparing contract addendums or payroll action forms. Also, it should seek the advice of counsel to determine

the legality of the one-time pay increase in 2008 and whether any repayments are required.

4. The District should limit access to the accounting and payroll systems to the minimum necessary for employees to complete their job duties.
5. To protect student information, accounting data, and the District's computer servers, the District should:
 - a. Require employees to regularly change their computer passwords;
 - b. Monitor access to the accounting system for appropriate access periodically and remove access immediately when employees leave employment with the District;
 - c. Ensure server rooms are adequately air conditioned, if possible, and equipped with fire-suppression equipment;
 - d. Store backup tapes offsite in a secure location; and
 - e. Ensure its disaster recovery plan specifies appropriate employees, their contact information, and responsibilities in case of an emergency. Copies of the plan should be stored offsite.

CHAPTER 2

Student transportation

Creighton ESD had a higher cost per mile than the comparable districts in fiscal year 2008. As a result, the District subsidized its transportation program with over \$658,000 that potentially could otherwise have been spent in the classroom. Contributing factors include Creighton ESD's having more office staff and bus aides than comparable districts, inadvertently employing unnecessary bus aides, paying a large amount of overtime pay, and a possible theft of fuel from the District's storage tanks. Additionally, the District's failure to follow school bus loading and unloading policies required by the Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers*, put students' safety at risk. Lastly, the District did not maintain adequate documentation to demonstrate that its school buses had received required, systematic preventative maintenance.

Background

During fiscal year 2008, Creighton ESD transported 2,846 of its 7,208 students to and from all nine of its schools. Two of these schools are walking campuses that transport only special needs or homeless students because all of the regular education students live nearby and walk to school. In addition to special needs transportation, the District provided transportation for field trips, athletic events, and routes for students participating in after-school programs. Creighton ESD used staggered start and stop times for its schools in order to allow the same buses and bus drivers to make multiple morning and afternoon trips.

Transportation Facts for Fiscal Year 2008

Riders ¹	2,846
Bus drivers*	27
Mechanics*	2
Average daily route miles ¹	1,375
Total miles ¹	263,938
Total noncapital expenditures	\$1,866,890

¹ Auditor-calculated rider counts and mileage using district records.

*Full-time Equivalent Positions.

High costs and poor district oversight contributed to \$658,000 subsidization of transportation program

In fiscal year 2008, Creighton ESD spent about \$1.9 million to operate its student transportation program, over \$658,000 more than it received in transportation funding. The District's transportation routes were efficient, averaging 79 percent in bus capacity, but its high salaries, benefits, and fuel costs resulted in a cost per mile of \$7.07, 33 percent higher than the comparable districts' average of \$5.31. These higher costs and the District's lack of oversight contributed to the subsidized amount that could have otherwise been used in the classroom.

Table 2: Comparison of Cost Per Mile by Category
Fiscal Year 2008
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total Cost Per Mile
Isaac ESD	\$7.09	\$2.41	\$0.83	\$10.34
Creighton ESD	5.58	0.39	1.10	7.07
Crane ESD	4.18	0.14	0.88	5.20
Avondale ESD	3.10	0.20	0.72	4.03
Litchfield ESD	2.83	0.12	0.62	3.57
Casa Grande ESD	2.67	0.13	0.58	3.38
Average of the comparable districts	\$3.98	\$0.60	\$0.73	\$5.31

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2008 district mileage reports and district-reported fiscal year 2008 accounting data.

Higher staffing levels, salaries, and overtime costs—As shown in Table 2, Creighton ESD spent \$1.60, or 40 percent, more per mile on salaries and benefits than the comparable districts averaged. The District employed more office staff and bus aides and also paid higher salaries to the bus drivers and aides. Specifically, Creighton ESD employed 4 office staff and 13 bus aides while comparable districts employed fewer than 2 office staff and about 8 bus aides, on average. The higher number of aides was primarily due to the District's decision to provide a bus aide on each of its four Head Start program routes. However, because of poor district oversight, each Head Start route contained not only a district bus aide, but also a teacher aide provided by the Head Start program; thus, the District's expenditures for those bus aides were unnecessary. District officials were not aware that these routes had duplicate bus aides. In addition, Creighton ESD's bus drivers' and bus aides' salaries were 10 and 16 percent higher, respectively, than the average salaries at the comparable districts.

The District also paid its transportation employees, primarily bus drivers, over \$96,000 in overtime in fiscal year 2008. According to district officials, overtime is common at the District and is typically needed to pay bus drivers for running extracurricular activity routes. However, only two of the comparable districts paid their transportation employees overtime, and they spent significantly less when they did, spending between \$1,800 and \$5,300 in total in fiscal year 2008. Creighton ESD should review bus driver staffing levels and scheduling to reduce the amount of paid overtime.

Higher supply costs reflect possible theft of fuel—In fiscal year 2008, the District spent approximately \$221,000 on fuel, 63 percent more per mile than comparable districts. Based on fiscal year beginning and ending fuel tank levels and district-documented fuel usage, the District could not account for about 8,700 gallons of diesel fuel, worth approximately \$27,000. Creighton ESD has a fueling system that allows monitoring of fuel usage. The system stores information such as fueling times, amounts pumped, users, and types of fuel pumped. However, on seven occasions, the fuel monitoring system was deactivated for at least a 12-hour period of time. Auditors and district officials could not determine whether the monitoring system was intentionally deactivated during these times. Further, in reviewing 3 months of fueling transactions, auditors identified 167, or 23 percent of the 721 total transactions, as occurring during unusual times, such as midnight or 2 a.m.¹ These transactions were attributed to 42 different user IDs. District officials could not explain why there were fueling transactions at these times and whether 42 different users pumped fuel at these times or a fewer number of employees used multiple user IDs. Although there were security cameras at the fueling site, the tapes were not regularly reviewed and were replaced weekly. Because the District cannot account for several thousands of gallons of fuel, and because of the unusual fueling times and the suspicious deactivations of the fuel monitoring system, the District should take additional precautions to ensure that fuel is not stolen in the future.

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. And although the District has efficient routes, monitoring bus capacity utilization rates can help to further identify route segments that may be combined or buses that have low ridership or are overcrowded. With such performance measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

¹ Unusual fueling times were between 9 p.m. and 5 a.m. for buses and between 11 p.m. and 4 a.m. for other district vehicles.

District fails to meet student safety standards, placing students at risk

The Department of Public Safety's (DPS) *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)* includes certain school bus operational standards for the loading and unloading of students. At all seven of the district schools that receive regular education transportation, Creighton ESD failed to follow some of the required standards, putting the students' safety at risk. In order to help ensure its students' safety, Creighton ESD should follow all requirements for school bus operations in accordance with the *Minimum Standards*.

- **Unauthorized vehicles present in school bus-loading areas**—According to *Minimum Standards*, school bus-loading/unloading areas must be restricted to only school buses, passengers, and school employees helping load or unload students. However, at all seven district schools, auditors observed vehicles other than school buses such as personal vehicles dropping off students and a district delivery van present in the loading/unloading area. This is a safety risk for students.
- **School buses backing up in loading area**—*Minimum Standards* require a school bus driver to sound the horn in order to warn motorists and pedestrians before backing up a school bus. At two of the seven schools, auditors observed a school bus backing up in the bus loading/unloading area without honking the horn. This presents a risk to student safety as it is difficult for drivers to see what may be behind the bus, and with no warning given, pedestrians are unaware of the bus driver's intention to back up.
- **Inadequate supervision by staff and parents**—At six of the seven schools, auditors observed students unloading without any school staff supervision. Auditors also observed many instances in which students did not use a crosswalk, but instead ran across the street or through the bus and parent drop-off locations, which placed the students directly in the path of a vehicle that was unloading passengers.

Despite purchasing systems to help track preventative maintenance on buses, maintenance records were incomplete

To meet *Minimum Standards*, districts must be able to demonstrate that their school buses receive systematic preventative maintenance, such as changing the oil and

inspecting the brakes. These standards are designed to help ensure the safety and welfare of school bus passengers and address issues such as bus maintenance and driver qualifications. Creighton ESD did not retain sufficient documentation of the maintenance of its buses and did not use either of its two software systems that could have assisted with the tracking of preventative maintenance work.

Creighton ESD's available documentation for preventative maintenance was incomplete. According to district officials, the District does not have a formal policy regarding preventative maintenance on buses but performs preventative maintenance every 5,000 miles. However, auditors were unable to find documentation to consistently support that each bus received the required maintenance. Further, the documentation that was found did not include a description of what maintenance was done, but only stated that preventative maintenance was performed. Because mechanics may not consistently check the same components of a school bus body and chassis for preventative maintenance, the District cannot ensure that all required checks are performed.

A ready solution is available, but the District was not using it. The District has two computer programs that can help to improve its preventative maintenance program. Both programs can notify district mechanics when vehicles are due for preventative maintenance and can provide a checklist of work to be done. The District does not currently use either system to notify mechanics that a school bus is due for preventative maintenance because it was unaware of this capability. Using one or both of the computer systems would help to ensure that district vehicles are systematically receiving preventative maintenance. Providing adequate preventative maintenance will help to extend the life of the school buses, improve student safety, and reduce future repair costs that may have otherwise been needed.

Recommendations

1. To improve the efficiency of its student transportation program, the District should:
 - a. Evaluate its office and bus aide staffing levels to determine if the number of staff can be reduced;
 - b. Review bus driver staffing levels and scheduling to reduce the amount of overtime paid;
 - c. Establish better controls over the fuel inventory; and
 - d. Develop and monitor performance measures, such as cost per mile, cost per rider, and bus capacity usage.

2. To ensure the safety of students and compliance with *Minimum Standards*, the District should:
 - a. Ensure that only buses are allowed in the bus loading/unloading areas and direct parents to the parent drop-off areas;
 - b. Ensure that bus drivers are exhibiting the proper procedures when backing up;
 - c. Ensure that school employees help load/unload students; and
 - d. Monitor the use of cross-walks.
3. The District should ensure that bus preventative maintenance is conducted and documented as specified in *Minimum Standards*.

CHAPTER 3

Plant operation and maintenance

In fiscal year 2008, Creighton ESD spent 10.8 percent of its total available operating dollars on plant operation and maintenance costs, slightly less than the 11.1 percent spent by the comparable districts. The District's per-square-foot costs were similar to the comparable districts' average. However, looking forward, the District needs to monitor its possible excess square footage as its enrollment is declining.

Per-square-foot plant costs were similar to the comparable districts'

As shown in Table 3 on page 18, Creighton ESD's plant costs per square foot of \$7.47 were similar to the comparable districts' average of \$7.25. The District's per-pupil costs were 12 percent higher than the comparable districts' average because it operated more square footage per student. The District had 121 square feet per student, compared to the comparable districts' average of 111 square feet. The additional square footage was due in part to the District's operating its schools at 80 percent of capacity, on average. Performance audits have recommended that districts operating at less than 75 percent of their building capacity should consider ways to reduce their excess space and the related costs.

The District's building capacity usage is affected by its student enrollment which has declined by 13 percent in the last 4 years. If the enrollment continues to decline and the District's building capacity usage drops below 75 percent, the District should consider ways to reduce its excess building capacity. According to district officials, they already minimize the costs of maintaining their additional square footage by shutting down as much space as possible during the summer and by conserving energy and water usage through centrally programmed thermostats, waterless urinals, and energy-efficient lighting.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

Table 3: Plant Costs and Square Footage Comparison
 Fiscal Year 2008
 (Unaudited)

District Name	Plant Costs				
	Total	Per Student	Per Square Foot	Total Gross Square Footage	Square Footage Per Student
Isaac ESD	\$7,577,682	\$1,011	\$8.62	878,828	117
Litchfield ESD	7,699,529	861	8.26	932,619	104
Creighton ESD	6,505,023	902	7.47	871,075	121
Casa Grande ESD	6,202,024	867	6.92	896,731	125
Crane ESD	4,294,619	724	6.50	660,881	111
Avondale ESD	3,571,542	585	5.94	601,703	99
Average of the comparable districts	\$5,869,079	\$809	\$7.25	794,152	111

Source: Auditor General staff analysis of district-reported fiscal year 2008 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2008 gross square footage information obtained from the Arizona School Facilities Board.

Recommendation

If student enrollment continues to decline and the District's building capacity usage drops below 75 percent, the District should consider ways to reduce its excess building capacity and the related costs.

CHAPTER 4

Proposition 301 monies

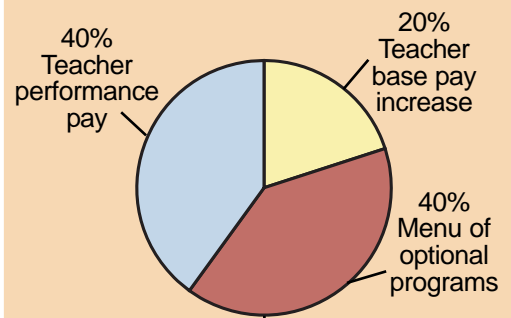
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. For fiscal year 2008, Creighton ESD spent most of its Proposition 301 monies according to its plan. However, the District paid Proposition 301 monies to two ineligible employees and paid performance monies to all employees for one of the goals without knowing whether one of the specific performance goals was met.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the State Classroom Site Fund for distribution to school districts and charter schools. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options, such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

During fiscal year 2008, the District received a total of \$3,504,792 in Proposition 301 monies and distributed \$3,036,317 to employees. Unspent Proposition 301 monies remain in the District's Classroom Site Fund for future years.

Required apportionment of Proposition 301 monies



- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

A committee of district administrators, teachers, and one classified employee developed the District's plan, which the Governing Board approved. The District identified employees eligible to receive Proposition 301 monies as certified employees.

The District spent Proposition 301 monies as follows:

Base pay—Each certified employee received a maximum 3.2 percent base pay increase that was incorporated into the District's certified salary schedule and paid throughout the year in employees' regular paychecks. Depending on their placement on the salary schedule, eligible employees could receive up to \$2,023 each, plus related benefits. In fiscal year 2008, eligible employees received an average of \$1,196, plus related benefits.

Performance pay—Certified employees were eligible for performance pay and could earn up to \$2,360. The average amount of performance pay earned was \$2,002, and the performance pay plan was divided into the following seven parts:

- **Student Achievement Site Goals (40 percent)**—Eligible employees could receive 40 percent of the performance pay monies if their school met its academic goals. Specifically, each school set goals related to literacy activities (15 percent), parental involvement or improving the teaching and learning environment (15 percent), and language acquisition (10 percent). The superintendent was responsible for reviewing and approving each school's academic goals and determining to what degree the goals were accomplished.
- **Adequate Yearly Progress (20 percent)**—Eligible employees earned 20 percent of the eligible performance pay monies if their school met adequate yearly progress (AYP) towards federally mandated academic goals or if the school could demonstrate increased student achievement by the site percentage of AYP objectives met and the site percentage of students tested.
- **AZ LEARNS (15 percent)**—This goal was met if a school achieved a Performing or higher label, as described by AZ LEARNS. However, if a school did not earn a Performing or higher label, eligible employees were able to earn a portion of this award based on the number of AZ LEARNS objectives that were met.
- **AZELLA (10 percent)**—Eligible employees could earn a portion of these monies based on the percent of a school's English Language Learner (ELL) students who were reclassified as Fluent English Proficient.
- **Writing Assessments (5 percent)**—Eligible employees could earn these monies if student test data demonstrated a gain in the percentage of students moving towards mastery in writing from the previous year.

- **Identify and Meet Student Needs (5 percent)**—To meet this goal, eligible employees had to identify students with an academic need and implement an academic intervention or present data that showed all students were working at grade level.
- **Student Attendance (5 percent)**—These monies were earned if a school had an absence rate of less than 6 percent for the first 100 days of school or the absence rate improved from the previous year.

No school met 100 percent of the pay for performance goals, but one school met 99 percent, and eight schools met at least 84 percent. In the sample of three schools reviewed by auditors, the schools typically failed to meet portions of the AYP and AZ LEARNS goals.

Menu options—Statute allows school districts to choose among six different options for allocating the menu option monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

The District chose to use its menu monies solely for teacher compensation increases. Teachers received a maximum 6.8 percent base pay increase that was incorporated into the District's certified salary schedule and paid throughout the year in employee's regular paychecks. Depending on their placement on the salary schedule, eligible employees received up to \$4,300 each, plus related benefits. During fiscal year 2008, eligible employees received an average of \$2,540, plus related benefits.

District awarded performance pay to ineligible employees

In fiscal year 2008, the district paid Proposition 301 monies to teachers, contracted teachers, substitute teachers, psychologists, social workers, nurses, and speech therapists. However, in making the performance awards, the District granted \$2,048 in performance pay to an adult education teacher, who is not eligible under statute. According to Attorney General Opinion I01-014, only those employed to provide instruction to students related to the school's educational mission are eligible for these monies. In addition, a full-time-employee amount of \$2,094 was awarded to an employee who did not meet the District's eligibility criteria for the employee's length of employment during the school year.

Proposition 301 performance pay records were incomplete

Although all eligible employees received the full award amount for the performance goal “Identify and Meet Student Needs,” the District did not verify student needs had been met prior to payment. Specifically, the District did not request proof that an academic intervention had been provided to the students with an academic need, as stated in the pay for performance plan. In addition, the District was unable to provide documentation of intervention plans for any of the students with a need. Therefore, auditors could not verify if these employees were appropriately paid 5 percent of their performance pay monies.

Recommendations

1. The District should ensure that all eligible employees and only eligible employees receive Proposition 301 monies.
2. The District should ensure that adequate documentation is retained to demonstrate that Proposition 301 monies were spent in accordance with the District’s plan.

CHAPTER 5

Classroom dollars

After adjusting for numerous classification errors, Creighton ESD's classroom dollar percentage increased slightly to 52.1 percent, but remains far below the comparable districts', state, and national averages. Despite its low classroom dollar percentage, Creighton ESD spent a similar dollar amount in the classroom. The District was able to do this because it received significantly more revenue than comparable districts, primarily from federal grants. The District received these additional grant monies, in part, because of the higher poverty rate of its students. Although the District spent part of these additional monies on teacher training and other activities associated with assisting students or the instructional staff, this audit's findings indicate the District can examine costs in various operational areas, such as administration, transportation, and physical plant, to see if classroom expenditures can be increased.

District did not accurately report its fiscal year 2008 costs

The District did not consistently classify its payroll and other expenditures in accordance with the Uniform Chart of Accounts for School Districts. We found errors totaling approximately \$1.9 million, or 3.3 percent, of the District's \$60 million in total current expenditures. Adjusting for these and other misclassifications increased the District's classroom dollars percentage slightly from 51.9 to 52.1 percent.

District spent a similar amount in the classroom and more in total

As shown in Table 4 on page 24, Creighton ESD's \$4,344 per-pupil spending in the classroom is similar to the amount of classroom spending by comparable districts and the state average. However, the District spent approximately \$1,000 more per

pupil in total than comparable districts. As a result, the District's classroom dollar percentage of 52.1 percent was about 5 points lower than both the comparable districts' average of 56.8 and the state average of 57.3 percent.

Table 4: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2008
(Unaudited)

	Creighton ESD		Comparable Districts' Average		State Average 2008		National Average 2006	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total spending per pupil		\$8,344		\$7,351		\$7,813		\$9,155
Classroom dollars	52.1%	\$4,344	56.8%	\$4,168	57.3%	\$4,480	61.0%	\$5,583
Nonclassroom dollars								
Administration	10.1	843	9.4	690	9.2	720	10.8	991
Plant operations	10.8	902	11.1	810	11.3	881	9.9	902
Food service	6.4	531	6.3	468	4.8	373	3.8	352
Transportation	3.1	259	4.1	295	4.4	346	4.2	384
Student support	8.3	696	6.6	494	7.4	577	5.2	476
Instructional support	9.2	769	5.7	426	5.4	425	4.9	446
Other	0.0	0	0.0	0	0.2	11	0.2	21

Source: Auditor General staff analysis of fiscal year 2008 school district Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Educational Statistics' data from the *Digest of Education Statistics 2007*.

District received more funding—The higher total per-pupil spending is attributable to the District's having more revenues per pupil than the comparable districts. The most significant of these additional revenues was federal grant monies. In fiscal year 2008, the District spent \$708 more per student in federal program monies, nearly twice the amount spent by the comparable districts on average. Many federal programs, such as Title I, target at-risk students and distribute the majority of monies based on the number of district students living at or below the poverty level. Thirty-one percent of Creighton ESD's students were living at or below the poverty level, compared to 18 percent at the comparable districts and the state average of 19 percent.

District spent more on student and instructional support services and more on nonclassroom operational areas—The District spent about \$200 more per-pupil on student support services, such as student resource officers, counselors, and nurses. Many of these services are directed toward disadvantaged populations. As noted previously, 31 percent of the District's students were living at or below poverty. Instructional support costs were also higher and accounted for 9.2 percent of the Creighton ESD's total available dollars, compared to 5.7 percent spent by comparable districts and 5.4 percent state-wide. Instructional support services include teacher training and other activities associated with assisting the instructional staff. Most of the instructional support

expenditures were paid from federal program monies and, according to district officials, were spent on teacher professional development to address challenges in improving student achievement. In fiscal year 2008, seven schools failed to meet "Adequate Yearly Progress" for the federal No Child Left Behind Act.

While some of the District's additional nonclassroom costs were related to higher spending in student and instructional support services, this audit identified areas for improvement in the District's nonclassroom operational areas. As discussed in Chapter 1, the District spent more on administration primarily because of higher administrative staffing levels, salaries, and benefit costs. Chapter 2 also identifies higher costs in salaries and benefits, and the need to improve how the District monitors its transportation costs. Lastly, Chapter 3 identifies the need to monitor plant operation costs that may be related to potential increases in excess space.

Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
2. The District should closely analyze its spending in nonclassroom operational areas, such as administration and transportation, to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

APPENDIX

Methodology

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2008 summary accounting data for all districts and the Creighton Elementary School District's fiscal year 2008 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 develop comparative data for use in analyzing the District's performance, auditors selected a group of comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected the comparable districts based primarily on having a similar number of students and schools as Creighton ESD, and secondarily on district type, location, classroom dollar percentage, and other factors. 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 interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2008 administration costs and compared these to similar 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 utilization. Auditors also reviewed fiscal year 2008 transportation costs and compared them to similar districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2008 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.

- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2008 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 accuracy of the District's classroom dollars and financial accounting data, auditors evaluated internal controls related to data processing and tested the accuracy of fiscal year 2008 expenditures by reviewing and testing internal controls over financial transaction processing and reviewing relevant transactions for proper account coding and reasonableness.

DISTRICT RESPONSE



CREIGHTON
SCHOOL DISTRICT

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Superintendent

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Assistant Superintendent

Quality Instruction...
Caring Teachers...
Successful Students...

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June 29, 2010

Debra Davenport, Auditor General
State of Arizona
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Creighton Elementary School District has received the results of the Performance Audit conducted by your office pursuant to ARS §41-1279.03(A)(9). We have read and understand the categories, methodologies, and results of that audit.

We understand the source and reason for each recommendation. In many cases improvements have been implemented since the audit year 2007/2008. In other cases improvements were underway or were being planned as a result of an internal audit conducted in 2006/2007.

The enclosed document describes in more detail our response to each recommendation.

The District appreciates the value of this feedback and looks forward to implementing further improvements to our processes.

Sincerely,

Dr. Charlotte Boyle
Superintendent

Enc.

RESPONSE

ADMINISTRATION

1. The District should evaluate whether it can reduce its number of administrative positions to produce cost savings.

The District agrees with this recommendation.

Several Administrative reductions were implemented for fiscal year 2010. One Assistant Superintendent position was eliminated. Administrators' pay and benefits were reduced. The contract year was reduced for some Administrators. Budgets were reduced for all Administrative departments.

Additional Administrative reductions have been implemented for fiscal year 2011. Administrators' pay was further reduced. Budgets were again reduced for all Administrative departments.

Finally, the Auditor General, in its report "Dollars Spent in the Classroom/Proposition 301 Results, (Fiscal Year 2009)" reports that Administrative Costs for Creighton School District are "Comparable" to its Peer Average.

2. The District should determine whether and to what extent using public monies for purchasing meals and bottled water for staff not in travel status serves a public purpose and has educational value.

The District agrees with this recommendation.

On September 18, 2008 the District issued a memo and discontinued the practice of offering food during lengthy or after hours meetings. The general procurement of bottled water was discontinued on September 1, 2009.

3. The District should document salary changes by preparing contract addendums or payroll action forms. Also, it should seek the advice of counsel to determine the legality of the one-time pay increase in 2008 and whether any repayments are required.

The District agrees with this recommendation.

The district is seeking legal counsel in order to update our contract language to reflect the possibility of earning merit pay or pay for performance for our ESP staff.

Steps have been taken to improve communication and verification across departments. Additionally, a more robust Human Resources/Finance software system that automates approval processes, separates duties, and limits access more effectively is in implementation and will come fully on-line July 1, 2010.

The District has requested a legal interpretation to assist in final resolution of any overpayment issue. Decisions will be made after a review of that interpretation as well as a review of what is best for the District from a long term perspective.

4. The District should limit access to the accounting and payroll systems to the minimum necessary for employees to complete their job duties.

The District agrees with this recommendation.

Three positions have been assigned to monitor and maintain the segregation of access to critical menus in our automated accounting system. Inservice was provided on February 8, 2010 to help implement these capabilities and ensure that segregation of duties remains a priority.

5. To protect student information, accounting data, and the District's computer servers, the District should:
 - a. Require employees to regularly change their computer passwords;
 - b. Monitor access to the accounting system for appropriate access periodically and remove access immediately when employees leave employment with the District;
 - c. Ensure server rooms are adequately air conditioned if possible, and equipped with fire-suppression equipment;
 - d. Store backup tapes offsite in a secure location; and
 - e. Ensure its disaster recovery plan specifies appropriate employees, their contact information, and responsibilities in case of emergency. Copies of the plan should be stored offsite.

The District agrees with this recommendation.

In November of 2009 the District implemented computer password procedures requiring all employees with network access to change passwords every 180 days.

A more robust Human Resources/Finance software system that automates approval processes, separates duties, and limits access more effectively is in implementation and will come fully on-line July 1, 2010. Employees separating from the system will automatically be removed from access at the time the separation is posted.

As schools are modernized as part of our long term facilities program, adequate fire suppression and air conditioning systems are planned for our server rooms.

District designated server rooms currently meet recommended requirements. Backup tapes have been moved to secure offsite locations in fireproof safes.

The Disaster Recovery Plan has been modified and copies are stored at multiple offsite and onsite locations.

STUDENT TRANSPORTATION

1. To improve the efficiency of its student transportation program, the District should:
 - a. Evaluate its office and bus aide staffing levels to determine if the number of staff can be reduced;
 - b. Review bus driver staffing levels and scheduling to reduce the amount of overtime paid;
 - c. Establish better controls over the fuel inventory; and
 - d. Develop and monitor performance measures, such as cost per mile, cost per rider, and bus capacity usage.

The District agrees with this recommendation.

Bus aides have been reduced by two for fiscal year 2010 and by an additional two 2011. Of the office staff many also drive routes regularly or as needed to substitute. This may skew the appearance of the office staffing level.

Overtime paid by the Transportation Department decreased by a third in fiscal year 2009 and stabilized at that level in 2010.

Software will be added in the summer of 2010 that makes the District's fuel monitoring and security system complete. Weekly fuel usage is now monitored and evaluated, and reports kept on file.

Cost benchmarks will be established and monitored beginning fall 2010.

2. To ensure the safety of students and compliance with *Minimum Standards*, the District should:
 - a. Ensure that only buses are allowed in the bus loading/unloading areas and direct parents to the parent drop-off areas;
 - b. Ensure that bus drivers are exhibiting the proper procedures when backing up;
 - c. Ensure that school employees help load/unload students; and
 - d. Monitor the use of cross-walks.

The District agrees with this recommendation.

On June 18th, 2009 all concerned parties were briefed. A corrective action plan followed and was implemented for the 2009/2010 school year. Prior to the beginning of the 2010/2011 school year, Principals, Assistant Principals and District Bus Drivers will be inserviced on all applicable student transportation procedures. The Director of Transportation has been assigned to monitor drop-off and pickup zones throughout the year to ensure compliance.

3. The District should ensure that bus preventative maintenance is conducted and documented as specified in *Minimum Standards*.

The District agrees with this recommendation.

Procedures have been put into place to ensure preventative maintenance for buses is in compliance with state Minimum Standards.

PLANT OPERATIONS AND MAINTENANCE

1. If student enrollment continues to decline and the District's building capacity usage drops below 75 percent, the District should consider ways to reduce its excess building capacity and the related costs.

The District agrees with this recommendation.

Creighton School District is in the early stage of a long-term facilities update program. A bond authorization was recently passed. School size will continue to be a front line consideration as schools are modernized.

PROPOSITION 301 MONIES

1. The District should ensure that all eligible employees and only eligible employees received Proposition 301 monies.

The District agrees with this recommendation.

A written procedure was implemented on October 27, 2009, to define eligibility and coding for classroom site fund payments. We have added a specific line noting that educators of adults do not qualify for Classroom Site Fund dollars. We have reviewed the process for determining time of service eligibility to prevent future payments to employees who have not met that requirement.

2. The District should ensure that adequate documentation is retained to demonstrate that Proposition 301 monies were spent in accordance with the District's plan.

The District agrees with this recommendation.

As a part of our Response to Intervention framework, the District will develop specific data collection procedures to meet the requirements of Prop 301 recordkeeping for the 5% of performance pay monies in the "Identifying and Meeting Student Needs" section. For fiscal year 2011 payments, demonstration of appropriate recordkeeping will be a requirement for receiving payment.

CLASSROOM DOLLARS

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

The District agrees with this recommendation.

Some of these inconsistencies represent clerical oversights and some represent differences in interpretation of the text of the USFR. The Auditor General provides evidence to this end in that after corrections Dollars in the Classroom were higher than before. The District consults the USFR on a very regular basis and implements that guidance. Updated software to be fully implemented July 1, 2010 will make the classification of expenditures more easily audited.

2. The District should closely analyze its spending in nonclassroom operational areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

The District agrees with this recommendation.

Parameters used to construct the District budgets, for at least each of the last two years, have included a directive to seek efficiency in services and to keep reductions as far from the classrooms as possible. All adjustments to District budgets are evaluated for both classroom impact and for effect on classroom support.

The District receives a higher than average amount of state and federal assistance due to its high at-risk population. This creates a disadvantaged situation with regard to dollars in the classroom.