



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Nadaburg Unified School District

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December • 2009  
Report No. 09-08



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**Debra K. Davenport**  
Auditor General

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AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

December 10, 2009

Members of the Arizona Legislature

The Honorable Jan Brewer, Governor

Governing Board  
Nadaburg Unified School District

Dr. Greg Riccio, Superintendent  
Nadaburg Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Nadaburg Unified School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with 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 December 11, 2009.

Sincerely,

Debbie Davenport  
Auditor General

DD:bl  
Enclosure

# SUMMARY

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

## Administration (see pages 5 through 8)

In fiscal year 2008, Nadaburg USD's administrative costs per pupil were similar to those of other districts with a similar number of students. However, because the District did not maintain adequate controls over its payroll and expenditure processes and access to its computerized accounting system, it exposed itself to increased risk of errors, fraud, and misuse of sensitive information.

## Student transportation (see pages 9 through 13)

In fiscal year 2008, Nadaburg USD spent 12.6 percent of its available operating dollars on student transportation, compared to 4.9 percent spent by the comparable districts and the state-wide average of 4.4 percent. Although the District's total transportation costs were also significantly higher, its program appeared to operate efficiently with adequately filled buses and a cost per mile of \$2.58, which was lower than the comparable districts' average. The District's high transportation costs were the result of traveling extra miles to transport its high school students to other districts, since Nadaburg USD did not have a high school of its own. Because the District's transportation costs are increasing at a faster pace than its transportation funding, the District needs to monitor its costs and establish performance measures to regularly evaluate its program efficiency. The District should also implement better controls over its fuel pumps to reduce the risk of unauthorized fuel usage.

## Plant operation and maintenance (see pages 15 through 17)

In fiscal year 2008, Nadaburg USD spent 18 percent more per square foot on plant operation and maintenance than comparable districts', on average. The higher costs were primarily the result of the District's employing more plant operations and maintenance staff and spending more on general supplies and energy costs. Nadaburg USD had lower purchased service costs than comparable districts because it performed most repair and maintenance in-house and used inexpensive well water. However, these savings were offset by higher supply costs. The District also had slightly higher energy costs than comparable districts. Although the District has begun making some changes to reduce its energy consumption, it should also develop an energy conservation plan to ensure that energy consumption is monitored and staff is aware of policies and procedures to reduce energy usage. Implementing an energy conservation plan is especially important since the District's utility costs have increased substantially with the opening of its second school in fiscal year 2009 and the anticipated reduction in funding for utility costs.

## 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 purposes. Nadaburg Unified School District spent its Proposition 301 monies for purposes authorized by statute. However, some of its performance pay goals did not promote improved performance, and the District paid some employees without evaluating whether all performance goals were achieved.

## Classroom dollars (see pages 23 through 24)

Nadaburg USD's fiscal year 2008 classroom dollar percentage was 51.8 percent, significantly lower than the comparable districts' average and the state and national averages. The primary cause of the District's low classroom dollar percentage was its very high student transportation costs, which were three times those of the comparable districts, on average. Because the District transported students significantly more miles than comparable districts, it received and spent more transportation funding, which in turn lowered its classroom dollar percentage. The District spent its other monies in the classroom at about the same rate as comparable districts. As a result, Nadaburg USD spent \$4,462 per-pupil in the classroom, an amount similar to that spent by comparable districts and the state average in fiscal year 2008.

## English Language Learner programs, costs, and funding (see pages 25 through 29)

In fiscal year 2009, Nadaburg USD failed to provide English language development services for 31 of its 96 identified English Language Learner (ELL) students. The District misunderstood ADE's policy regarding parent notification and consent forms and therefore did not provide services unless the forms were returned. Further, the District's Structured English Immersion program and its Compensatory Instruction program did not meet state requirements. The District did not provide 4 hours of English language development to all ELL students, did not properly use Individual Language Learner Plans, and mainstreamed ELL kindergarten students in regular classrooms. Further, the District's Compensatory Instruction program inappropriately included non-ELL students and was not limited to improving English proficiency.



# TABLE OF CONTENTS



Introduction & Background	1
Chapter 1: Administration	5
Administrative costs were similar to comparable districts'	5
Inadequate controls over expenditure processing and overly broad access to computerized accounting system	6
Recommendations	8
Chapter 2: Student transportation	9
Background	9
High transportation costs related to transporting students out of District	10
District needs to monitor rising costs	11
Inaccurate rider counts hinder program monitoring and increase risk of inaccurate funding	12
Inadequate controls over fuel inventory increase risk of theft	12
Recommendations	13
Chapter 3: Plant operation and maintenance	15
High plant costs due to higher staffing levels and supply costs	15
District should develop and implement an energy conservation plan	17
Recommendations	17

• continued





# TABLE OF CONTENTS

<b>Chapter 4: Proposition 301 monies</b>	<b>19</b>
Background	19
District's Proposition 301 Plan	20
Individual goals did not promote improved performance	21
Most performance pay goals not evaluated or evaluated after payment of monies	21
Recommendations	22
<b>Chapter 5: Classroom dollars</b>	<b>23</b>
District spends similar amount in the classroom despite lower classroom dollar percentage	23
<b>Chapter 6: English Language Learner programs, costs, and funding</b>	<b>25</b>
Background	25
Misunderstanding of state requirement results in District's failing to provide ELL program services to one-third of its ELL students	26
District's ELL program not in compliance with the SEI model	26
Fiscal year 2010 SEI budget request provides \$121,000 in additional funding	28
District's compensatory instruction program did not meet requirements	28
Recommendations	29
<b>Appendix</b>	<b>a-1</b>
<b>District Response</b>	

continued ♦

# TABLE OF CONTENTS



## Tables:

1	Total and Per-Pupil Administrative Cost Comparison Fiscal Year 2008 (Unaudited)	5
2	Students Transported, Mileage, and Costs Fiscal Year 2008 (Unaudited)	10
3	Comparison of Cost Per Square Foot by Category Fiscal Year 2008 (Unaudited)	15
4	Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function Fiscal Year 2008 (Unaudited)	24

## Figures:

1	Transportation Revenues and Expenditures Fiscal Years 2004 through 2008	11
2	Structured English Immersion Model Requirements	27

• concluded



# INTRODUCTION & BACKGROUND

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

Nadaburg Unified School District is located in Wittmann, Arizona, 35 miles northwest of Phoenix. The District encompassed about 117 square miles and served 781 students in pre-kindergarten through 8th grade in one elementary school during fiscal year 2008. The District opened an additional elementary school in fiscal year 2009, but does not have a high school so it buses 179 high school students to Wickenburg and Peoria Unified School Districts. Student counts used throughout this report exclude these high school students and the related tuition costs.

A five-member board governs the District, and a superintendent manages it. In fiscal year 2008, the District employed 1.5 principals, 1 assistant principal, 4 directors, 44 certified teachers, 15 instructional aides, and 45 other employees, such as administrative staff, bus drivers, and custodians.

## District programs and services

Nadaburg Unified School District offers a variety of extracurricular activities such as after-school athletic programs and student clubs (see textbox). The District is able to offer these additional programs by actively fundraising for extracurricular tax-credit donations. In fiscal year 2008, the District raised more than \$280,000 in tax credit donations while comparably-sized districts used as a comparison group for this audit averaged only about a tenth of that in donations. Using these and prior year tax credit monies, the District spent approximately \$417,000 in fiscal year 2008 on

### The District offers:

- Open gym and intramural sports
- Student clubs (art, science, history, theater, and K-3rd-grade speech)
- Spanish lessons (4th-8th grade)
- Saturday activities (cheer, piano, and photography)

after-school programs such as tutoring; fine arts; athletics, including intramural golf; and school field trips, including a trip to Catalina Island in California.

For the 2008 school year, the District's school received a "performing plus" label through the Arizona LEARNS program and met "Adequate Yearly Progress" for the federal No Child Left Behind Act. In addition, Nadaburg Elementary School was 1 of 19 Arizona schools in fiscal year 2008 that received the recognition of being an A+ school from the Arizona Educational Foundation. The A+ School Recognition Program was created to identify "outstanding public schools" in Arizona. Schools submit applications summarizing their programs, practices, achievements, and community involvement. A panel of judges reviews the applications and conducts site visits before making selections. The selected schools are recognized for their ability to meet or exceed the needs of their student populations.

According to district officials, its isolated location creates staffing challenges because most of its teachers commute from Surprise, Glendale, and Peoria; areas that typically offer higher teacher salaries. The Governing Board approved an average increase of about 7 percent in the certified teacher salary schedule early in fiscal year 2009 to make the District's salaries more competitive. The District believes that this has helped to attract and retain certified teachers. The District also believes that its rural location with extensive dirt roads makes controlling its transportation costs more difficult.

## 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*, 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 the District accounted for dollars spent in the classroom. In addition, auditors reviewed the District's English Language Learner programs to determine the District's compliance with program and accounting requirements. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2008, were considered.<sup>1</sup> 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

<sup>1</sup> 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.

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



# CHAPTER 1

## Administration

Nadaburg USD's fiscal year 2008 administrative costs were similar to those of comparable districts<sup>1</sup> and medium-size districts, on average. However, because the District did not maintain adequate controls over its payroll and expenditure processes and access to its accounting system, it exposed itself to increased risk of errors, fraud, and misuse of sensitive information.

### Administrative costs were similar to comparable districts'

As shown in Table 1 below, in fiscal year 2008, Nadaburg USD's \$966 per-pupil administrative cost was similar to the \$930 comparable districts' average and the \$982 state-wide average for medium-sized districts.

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.

**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
Palo Verde ESD	\$615,152	431	\$1,428
<b>Nadaburg USD</b>	<b>754,444</b>	<b>781</b>	<b>966</b>
Wellton ESD	344,241	365	942
Riverside ESD	720,148	801	899
Clarkdale-Jerome ESD	285,973	396	723
Toltec ESD	908,314	1,385	656
<b>Average of the comparable districts</b>	<b>\$574,766</b>	<b>676</b>	<b>\$930</b>
<b>Statewide medium districts' average</b>			<b>\$982</b>

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.

<sup>1</sup> The five comparable districts were selected primarily on the basis of their similarity in number of students and schools.



## Inadequate controls over expenditure processing and overly broad access to computerized accounting system

In fiscal year 2008, Nadaburg USD exposed itself to increased risk of errors and fraud because it failed to maintain adequate controls over its payroll and expenditure processing and did not properly limit access to its computerized accounting system. Specifically, auditors observed the following:

**Inadequate controls over payroll processing**—The District's procedures for reviewing payroll and authorizing extra pay for additional duties need improvement.

- **Payroll process lacked independent review**—The District had an increased risk of errors and fraud—such as processing false time sheets and modifying employee pay rates—because it did not sufficiently review or separate the payroll and personnel functions. One district employee, with little or no supervisory review, was responsible for entering new employees, modifying employee information, entering and editing employee's time sheets, recording payroll expense, and distributing pay checks. Allowing an individual the ability to initiate and complete a transaction without an independent review and approval creates unnecessary risks for the District.
- **Authorization and pay for additional duties inadequately documented**—The District's process for approving pay for extracurricular duties created a risk for errors and improper payments. Typically, the assistant principal reviews employees' monthly, extracurricular calendars and approve the additional hours worked. However, the calendars do not indicate what extra duties were performed making it difficult to evaluate the appropriateness of the expenditures. For example, one teacher was paid additional pay for teaching a Spanish class during the last period of the school day and for tutoring after school. Because the last period is covered in her contract time, she should have been paid additional pay for the tutoring only. To ensure that extra work is properly authorized and employees are paid correctly, the District should use payroll or personnel action forms to document employment terms and changes to employment terms as recommended by the *Uniform System of Financial Records for Arizona School Districts*. This documentation should be maintained in employee personnel files.

**Inadequate controls over the purchasing process**—For 10 of 30 expenditures examined, the District did not maintain some or all required supporting documentation, such as purchase requisitions, receiving documents, and invoices. Lack of proper documentation creates the risk of the District's paying for items that are inappropriate or never received. For example, in one purchase

reviewed for about \$2,200 in T-shirts, no requisition was completed, no invoice was provided, and there was no documentation supporting that the District received the items. In three other instances, approvals of purchases were given after the purchases were already made.

Additionally, the District did not ensure that all receipts for its fuel charge card were submitted and all purchases were authorized. Nadaburg USD maintains a charge account with a local gas station to fuel district maintenance vehicles, special education vans, and one regular education bus. Over \$18,000 was charged on the fuel card in fiscal year 2008. Because the District wanted the fuel charge card to be used only at this local gas station, it allowed the gas station to hold the charge card. According to district officials, gas station attendants check staff identification cards and allow only approved district staff to purchase fuel with the card. District staff are supposed to return fuel purchase receipts to the district office. However, two monthly invoices reviewed by auditors showed that about 28 percent of the purchases were missing receipts. Because the District was missing receipts, it could not verify that these purchases were appropriate. Furthermore, because the District did not hold the fuel card, the District could not verify that these undocumented purchases were made by authorized district staff. To ensure that purchases are appropriate, the District should require additional documentation of fuel purchases from the vendor, obtain all receipts from district staff, and verify that all purchases are appropriate prior to paying the vendor.

**Overly broad access to computerized accounting system—**Nadaburg USD did not establish proper security for its computerized accounting system. Four employees had access to more accounting system functions than necessary to perform their job duties. For example, two support staff, who were not involved in business office activities, had access rights which allowed them to approve purchase requisitions, revise purchase orders, and view employee personnel action requests. Two other staff had access to accounting and human resource functions that were not related to their daily duties. Although no improper transactions were detected in the sample reviewed by auditors, access beyond what is required for job duties exposes the District to increased risk of errors, misuse of sensitive information, and fraud, such as processing false invoices or adding nonexistent vendors.

Lastly, the District does not have procedures in place to remove a terminated employee's access to the district network and accounting system. As a result, two business office employees who left the District during fiscal year 2008 still had access to the accounting and payroll system as of the beginning of the 2009 school year. To reduce the risk of unauthorized access to the network and accounting system, the District should establish policies outlining steps to take when an employee is no longer employed.

## Recommendations

1. The District should implement proper controls over its payroll process, ensuring adequate segregation of duties, supervisory review of time sheets, and proper documentation and approval of extra-duty pay.
2. The District should maintain required supporting documentation for all expenditures, including proof that the purchase was properly approved and the items or services were received.
3. The District should improve controls over its fuel card purchases by:
  - a. Requiring additional documentation from the vendor, such as a log of district vehicle license numbers and odometer readings completed by district staff at the time of the fuel purchase;
  - b. Obtaining all receipts from district staff; and
  - c. Verifying the accuracy of billings.
4. The District should limit employees' access to only those accounting system functions needed to perform their work.
5. The District should implement a system of formal written procedures to ensure that access is promptly removed when employees leave the District's employment.

# CHAPTER 2

## Student transportation

In fiscal year 2008, Nadaburg Unified School District spent 12.6 percent of its available operating dollars on transportation, significantly higher than the state-wide average of 4.4 percent.<sup>1</sup> The program is costly because the District transports its riders over twice as far as the comparable districts. However, the program appears to be efficient based on performance indicators such as bus capacity usage and cost per mile. The District traveled more miles because it transported its high school students and some special needs students to other school districts that were over 20 miles away. Because the program is already costly and cost increases are outpacing increases in transportation funding, the District needs to improve its management of the program by monitoring performance measures. In addition, the District needs to ensure it reports the correct number of riders for state reimbursement and improve the controls over its fuel inventory.

### Transportation Facts for Fiscal Year 2008

Riders	730
Bus drivers*	15
Mechanic*	1
Average daily route miles	1,820
Total miles	330,522
Total noncapital expenditures	\$851,169

\*Full-time equivalents.

## Background

During fiscal year 2008, Nadaburg USD transported approximately 538 of its students to and from its one elementary school, 13 students to special education programs outside of the District, and 179 of its high school students to neighboring school districts. The District transported its high school students to other districts because it did not have a high school of its own. Of the high school students, 115 were transported to Wickenburg USD located 22 miles north of the district and 64 were transported to Peoria USD located 25 miles south of the District. On average, the high school buses traveled about twice as many miles per day as the District's regular elementary school buses. The District also contracted out one of its three special education routes for a student to attend a school approximately 24 miles outside the District. In addition to regular and special needs transportation, the District provided transportation for field trips, athletic events, and after-school activities.

<sup>1</sup> Available operating dollars are those used to make current expenditures as defined in footnote 1 on page 2.

## High transportation costs related to transporting students out of District

Nadaburg USD operated a very costly transportation program that used 12.6 percent of its available operating dollars, almost three times the state average. However, these higher transportation costs appear to be caused more by the distance traveled by its riders than by program inefficiencies. Although the District's cost per rider and total transportation costs were much higher than the comparable districts' averages, its \$2.58 cost per mile was lower and its routes were efficient, filling its buses to 76 percent of capacity, on average. The District's high transportation costs appear to be the result of its traveling extra miles to transport its high school students to other districts, since Nadaburg USD did not have a high school of its own.

**Table 2: Students Transported, Mileage, and Costs**  
Fiscal Year 2008  
(Unaudited)

District Name	Total Riders	Total Miles	Total Noncapital Expenditures	Cost Per Mile	Cost Per Rider	Miles Per Rider
<b>Nadaburg USD</b>	<b>730</b>	<b>330,522</b>	<b>\$851,169</b>	<b>\$2.58</b>	<b>\$1,166</b>	<b>453</b>
Palo Verde ESD	355	122,170	257,405	2.11	725	344
Toltec ESD	747	136,601	530,761	3.89	711	183
Clarkdale-Jerome ESD	308	30,415	126,993	4.18	412	99
Riverside ESD	627	61,144	223,944	3.66	357	98
Wellton ESD	261	44,151	81,727	1.85	313	169
<b>Average of the comparable districts</b>	<b>460</b>	<b>78,896</b>	<b>\$244,166</b>	<b>\$3.14</b>	<b>\$504</b>	<b>179</b>

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

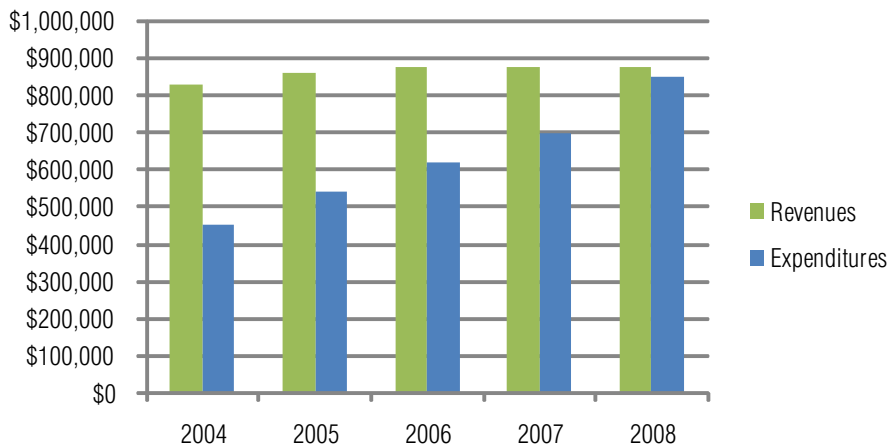
Transportation to nondistrict schools accounts for higher miles and costs—Nadaburg USD is a unified district without a high school and must transport its high school students to neighboring school districts. In fiscal year 2008, the District had five routes to take its high school students to two neighboring districts. These routes averaged approximately 730 miles per rider, while the elementary routes averaged only 210 miles per rider. While high school riders composed only about 25 percent of Nadaburg USD's ridership, their transportation accounted for about 40 percent of its total route miles. Additionally, the District operated two routes to transport some of its special needs students to specialized nondistrict schools that were 24 to 39 miles away. Three of the comparable districts reported providing little or no transportation to special needs schools outside of the district, and none of the comparable districts transported high school students. On average, the comparison districts transported their students 179 miles annually, 61 percent less than Nadaburg USD's average of 453 miles.

Routes were efficient—Districts with efficient bus routes will typically use 75 percent or more of bus capacity. Nadaburg USD’s regular elementary school routes operated at near full capacity while its high school routes operated at 69 percent of capacity. According to district officials, the high school routes were operated with lower bus capacity to reduce the time students spent on the bus since they must travel 20-25 miles to schools located outside the District.

## District needs to monitor rising costs

As Nadaburg USD grows and expands operations to new schools, the District should seek ways to further improve the efficiency of its transportation program. Between fiscal years 2004 and 2007, Nadaburg USD’s transportation revenues, determined by the state funding formula, exceeded the District’s transportation expenditures by \$180,000 to \$380,000 each year. The District’s high number of miles contributed to this high level of funding. However, as seen in Figure 1 below, the District’s transportation expenditures have risen rapidly in recent years, so that by fiscal year 2008 they were within \$25,000 of transportation revenues. The increase in expenditures between fiscal years 2007 and 2008 was caused primarily by costs associated with adding two drivers for two new routes and secondarily by higher fuel costs. According to district officials, Nadaburg USD added a regular education route to reduce student ride-times and a special education route to meet student needs. In addition, both the District’s fuel costs and the average annual diesel fuel prices increased by 28 percent in that time period. If costs in staffing, supplies, or other areas increase further, it is likely the District will need to subsidize its transportation program in future years with monies that could otherwise be spent in the classroom. Therefore, it is important that the District look for ways to reduce its transportation costs.

Figure 1: Transportation Revenues and Expenditures  
Fiscal Years 2004 through 2008



Source: Auditor General staff analysis of Arizona Department of Education apportionment funding reports for fiscal years 2004 through 2008 and district-reported accounting data for fiscal years 2004 through 2008.

As the District continues to grow, its transportation department needs to establish performance measures to regularly evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. Additionally, monitoring data on driver productivity, rider counts, and student ride times can help identify route segments with low ridership, segments that may be effectively combined, or buses that are overcrowded.

## Inaccurate rider counts hinder program monitoring and increase risk of inaccurate funding

The District inaccurately reported its ridership to the Arizona Department of Education by reporting all students enrolled in the District on the 100th day of school instead of eligible students transported daily during the first 100 days of school, as required by A.R.S. §15-922. As a result, the District overstated its ridership by approximately 30 percent. While state transportation funding is primarily determined by miles driven, rider counts are also a factor in determining the State's funding rate. In this instance, it does not appear that overstating riders caused the District to be incorrectly funded, although such errors increase this risk. Lack of accurate rider counts also prevents the District from using rider based performance measures, such as bus capacity utilization, to evaluate its program efficiency.

## Inadequate controls over fuel inventory increase risk of theft

The District did not implement proper controls over its fuel inventory. The District maintains a 10,000 gallon underground diesel fuel tank for its buses. Access to the fuel pumps is not restricted during the day, and although it is turned off after hours, all district maintenance employees have keys to the bus barn where the power switch for the pump is located. Furthermore, the District has a verbal agreement allowing the Wittmann Fire Department to use the fuel pumps. Under the agreement, the fire department can fuel its vehicles at the District's pump and is then billed for gallons pumped at a rate equal to what the District pays. The District relies on fuel logs to determine how much to bill the fire department. Both district employees and fire department users are supposed to complete the fuel logs; however, the logs were not reconciled with the amount of fuel used each month. In fact, during the third quarter of fiscal year 2008, fuel logs did not document 6 percent, or 787 gallons, of fuel that was actually pumped, with an approximate value of \$2,300. The lack of controls over its fuel pump access and logs placed the District at risk for unauthorized fuel usage.

## Recommendations

1. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per rider, cost per mile, driver productivity, bus capacity utilization, and ride times.
2. The District should accurately track and report ridership to ensure it receives proper transportation funding.
3. The District should evaluate its controls over fuel inventory to restrict access to fuel pumps and ensure proper accounting of all fuel use.





# CHAPTER 3

## Plant operation and maintenance

Nadaburg USD's plant operations and maintenance costs per square foot were 18 percent higher than the comparable districts' primarily because it employed more plant operations and maintenance staff and spent more on general supplies and energy costs. The District's opening of a second school in fiscal year 2009 significantly increased its budgeted amounts for utility costs. Because of this increase in projected utility costs and the anticipated reduction in school district funding for utility costs, it is important that the District evaluate its energy usage and implement an energy conservation plan to help reduce these costs.

### 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.

## High plant costs due to higher staffing levels and supply costs

As shown in Table 3, the District's \$6.63 per-square-foot plant costs were 18 percent higher than the comparable districts' average of \$5.60. The higher costs appear to be caused by the District's higher staffing levels and higher costs for energy and general repair and maintenance supplies.

Table 3: Comparison of Cost Per Square Foot by Category  
Fiscal Year 2008  
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Clarkdale Jerome ESD	\$3.66	\$1.55	\$1.44	\$6.65
<b>Nadaburg ESD</b>	<b>3.30</b>	<b>1.12</b>	<b>2.21</b>	<b>6.63</b>
Toltec ESD	2.24	2.23	1.52	5.99
Palo Verde ESD	1.67	2.12	1.90	5.69
Wellton ESD	2.31	0.83	1.76	4.90
Riverside ESD	1.75	1.74	1.30	4.79
<b>Average of the comparable districts</b>	<b>\$2.33</b>	<b>\$1.69</b>	<b>\$1.58</b>	<b>\$5.60</b>

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

**Higher salary and benefit costs due to higher staffing levels**—As shown in Table 3 on page 15, Nadaburg USD's \$3.30 salary and benefit cost per square foot was 42 percent higher than the comparable districts' average of \$2.33 per square foot. Excluding two comparable districts, Palo Verde ESD and Riverside ESD, that outsourced part of their custodial services, Nadaburg USD's salaries and benefits were still 20 percent higher than the comparable districts' average. These higher costs were largely due to Nadaburg USD's employing slightly more plant operations and maintenance staff, which included a full-time plant supervisor and a part-time maintenance clerk. In contrast, four of the five comparable districts employed the equivalent of a part-time plant supervisor, and none employed a clerk. In addition, each of Nadaburg USD's custodians maintained 17,000 square feet, on average, which is below the national average of approximately 26,800 square feet per custodial position.<sup>1</sup> The District employs about 11 full-time equivalent (FTE) plant employees, 6 of whom are custodians. If the District employed custodians at a similar rate as the national average, it would have about 2 fewer FTE custodians.

**Low purchased services costs offset by higher costs in general supplies and energy**—According to district officials, the District performed the majority of repairs and maintenance in-house rather than using outside vendors because few vendors wanted to travel to its rural location. As a result, as seen in Table 3, on page 15, the District had lower purchased services costs than the comparison districts, on average, but higher supplies costs, which include energy and supplies for repairs and maintenance. The District's purchased service costs were lower not only because of in-house repairs and maintenance, but also because it had access to well water and qualified for a federal program that reduced communications costs by 80 percent. In fiscal year 2008, the District was able to use well water for all its water needs rather than purchasing water through a public utility company. Additionally, the E-Rate program through the Federal Communications Commission offset the majority of the District's communications costs, including costs such as local and long distance phone lines, digital voice and high speed data communication lines, and Internet access. However, while the District spent \$0.57 less per square foot on purchased services such as water, communications, and repair and maintenance service, it spent \$0.63 more per square foot on energy and repair and maintenance supplies.

1 "37th Annual Maintenance & Operations Cost Study-SCHOOLS." The American School and University, April 2008. [[http://asumag.com/Maintenance/37th\\_annual\\_maintenance\\_schools](http://asumag.com/Maintenance/37th_annual_maintenance_schools)]

## District should develop and implement an energy conservation plan

The District's energy costs per square foot were 15 percent higher than comparable districts, on average. However, the District has begun making some changes to help reduce energy costs, such as installing lighting sensors at both schools and an irrigation management system at the new school. It had previously installed programmable thermostats and replaced older light bulbs with more efficient fluorescent light bulbs. Despite these actions, it can take additional steps to reduce energy costs. For example, the District sets the classroom thermostats, but according to district staff, some teachers are still able to change the temperature settings. Developing a formal energy conservation plan would help ensure that staff members are aware of the District's policies regarding energy conservation and apply those methods more consistently. The District has not developed and implemented an energy conservation plan, which typically requires that energy consumption be monitored, establishes minimum or maximum temperatures for certain times and seasons, or sets criteria regarding equipment use, such as not allowing teachers to keep mini-refrigerators in their classrooms.

Monitoring its costs and creating a plan for reducing energy and other utility costs will become even more important for the District because of the anticipated reduction in funding for utilities costs. According to Nadaburg USD's fiscal years 2008 and 2009 Excess Utilities Reports and Expenditure Plans, the District's excess utilities budget increased from \$11,000 in fiscal year 2008 to over \$316,000 in fiscal year 2009 because of the addition of the second school. This additional funding composed about two-thirds of the District's estimated utilities expenditures for fiscal year 2009. However, the law authorizing additional funding for excess utilities expired at the end of fiscal year 2009. This is another reason for the District to adopt an energy conservation plan and require schools to follow it. According to district officials, the District is shifting available funding resources to cover the additional costs in fiscal year 2010.

## Recommendations

1. The District should review staffing levels to determine whether the number of plant operations and maintenance positions can be reduced.
2. The District should evaluate its energy usage and implement an energy conservation plan to help reduce costs.



# CHAPTER 4

## Proposition 301 monies

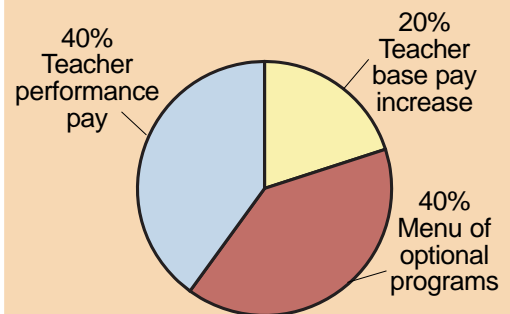
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Nadaburg Unified School District spent its Proposition 301 monies for purposes authorized by statute. However, some of its performance pay goals did not promote improved performance, and the District paid some employees without evaluating whether all performance goals were achieved.

### 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 \$339,225 in Proposition 301 monies and distributed \$296,353 to employees. Unspent Proposition 301 monies remain in the District Classroom Site Fund for future years. During fiscal year 2008, eligible employees could earn up to \$5,400 each from Proposition 301 monies.

### Required apportionment of Proposition 301 monies



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

### Eligible employees could earn:

Base pay	\$1,200
Performance pay	\$2,700
Menu option pay	\$1,500

## District's Proposition 301 Plan

Nadaburg USD's performance pay plan was developed by the District's administrators and approved by the teaching staff and the Governing Board. Proposition 301 monies were paid to teachers, speech pathologists, and a counselor.

The District spent Proposition 301 monies as follows:

**Base Pay**—The District incorporated base pay increases into the salary schedule and paid eligible employees throughout the year in their regular paychecks. Eligible employees received an increase of \$1,200 plus related benefits.

**Performance Pay**—In fiscal year 2008, all eligible employees received the full allotment of performance pay monies, amounting to \$2,700 each, plus related benefits. The District plan outlines the following five goals, each worth 20 percent of the total performance pay:

- Achieving a school-wide student attendance rate of at least 90 percent
- Meeting or exceeding the school-wide academic target on AIMS
- Achieving an Arizona LEARNS school rating of "performing" or higher
- Other measures of academic progress related to the employee's position
- Sending out parent and student surveys

**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

In fiscal year 2008, the District used its menu monies for professional development and classroom size reduction. Each eligible employee could earn up to \$1,500 for professional development by attending up to four in-service trainings. Employees were paid \$375 per day and were given the option to participate. In addition, the District used menu monies to hire an additional second grade teacher beginning in the 2006 school year to achieve reduced class sizes. The District continued to maintain this position in the 2008 school year.

## Individual goals did not promote improved performance

Forty percent of the performance pay was based on individual-level employee goals that generally included activities already performed by employees. For example, in order to meet the academic progress goal, special education teachers were required to fill out student Individual Education Programs (IEPs), which are already mandated by statute.<sup>1</sup> Similarly, the music, art, and physical education teachers were required to conduct activities such as annual field day, musical concerts, and art shows that district officials reported had been conducted prior to the availability of the performance pay monies. In addition, the plan did not establish how this academic progress goal could be met by other staff such as the counselor and speech therapists, even though these positions received performance pay for this goal. The other individual-level goal required teachers to send out parent and student surveys. However, the results for these surveys were not shared with individual teachers as part of their performance pay evaluations and therefore the results did not impact teacher performance.

When adopting performance-based compensation systems, A.R.S. §15-977 requires school districts to include goals addressing student achievement, student attendance, parent satisfaction ratings, dropout rates, student satisfaction ratings, and teacher development. While the statute allows districts to modify these measures if approved by the governing board in a public hearing, Nadaburg USD should consider revising its academic progress goal to promote sustained or improved employee performance, including activities that surpass the typical work performed by staff.

## Most performance pay goals not evaluated or evaluated after payment of monies

Only one goal, the district attendance rate, was verified as accomplished prior to payment of performance pay monies. Completion of individual teacher goals, such as the academic progress goal and sending out parent and student surveys, was not evaluated or documented on an individual basis. Further, as mentioned above, some employees such as counselors and speech pathologists did not have individual goals, but were still paid this portion of performance pay. School-wide goals, such as meeting the AIMS targets and Arizona LEARNS ratings, cannot be evaluated until test scores are received, generally in September of the following school year. Although the District did meet these goals for fiscal year 2008, it paid eligible employees for these goals in June 2008, before determining they had been met.

<sup>1</sup> A.R.S. §§15-766 and 15-767 and the federal Individuals with Disabilities Education Act require districts to track each special education students' progress in meeting annual goals as provided in the child's individualized education program.



To ensure that Proposition 301 monies are paid only to eligible employees, the District should evaluate and document the accomplishment of stated goals prior to awarding performance pay monies. If Nadaburg USD receives school-wide academic results after the school year is over, then the District should delay payment to eligible staff accordingly.

## Recommendations

1. The District should review its performance pay plan to ensure that all of its goals promote improved performance.
2. The District should evaluate all performance goals and maintain documentation to demonstrate that employees receiving performance pay have successfully completed their performance goals.
3. The District should ensure that performance pay is awarded only after determining the related goals have been met.

# CHAPTER 5

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## Classroom dollars

Nadaburg USD's \$4,462 per-pupil spending in the classroom was similar to the amount spent by comparable districts and the state average in fiscal year 2008, despite the District's very low classroom dollar percentage. The District's fiscal year 2008 classroom dollar percentage was 51.8 percent, significantly lower than the comparable districts' average and the state and national averages. The primary cause of the District's low classroom dollar percentage was its very high student transportation costs, which were three times those of the comparable districts, on average.

### District spends similar amount in the classroom despite lower classroom dollar percentage

As shown in Table 4 (on page 24), Nadaburg USD's \$4,462 per-pupil spending in the classroom is similar to the amount of classroom spending by comparable districts and the state average. However, the District's \$8,619 total per pupil spending was nearly 15 percent higher, primarily because of its very high transportation costs. As a result, even though the District's classroom dollar percentage of 51.8 percent was 5.5 points lower than both the comparable districts' and the state averages of 57.3 percent, it still spent a comparable amount of dollars in the classroom.

**Costly transportation program increases noninstructional and total spending**—Nadaburg USD's student transportation costs were about three times higher than comparable districts' average costs and the state and national averages. As discussed in Chapter 2, these higher transportation costs were primarily due to the District's not operating a high school and therefore needing to transport its high school students to neighboring districts. The higher noninstructional spending on transportation increases the district's total spending level, resulting in a lower classroom dollar percentage despite similar per-pupil spending on instruction.

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

	Nadaburg USD		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		\$8,619		\$7,521		\$7,813		\$9,155
Classroom dollars	51.8%	\$4,462	57.3%	\$4,313	57.3%	\$4,480	61.0%	\$5,583
Nonclassroom dollars								
Administration	11.2	966	12.3	930	9.2	720	10.8	991
Plant operations	9.9	857	11.1	833	11.3	881	9.9	902
Food service	5.1	436	6.4	478	4.8	373	3.8	352
Transportation	12.6	1090	4.9	361	4.4	346	4.2	384
Student support	6.6	565	5.0	378	7.4	577	5.2	476
Instructional support	2.8	243	3.0	228	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 of Education Statistics' data from the *Digest of Education Statistics 2007*.

# CHAPTER 6

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## English Language Learner programs, costs, and funding

In fiscal year 2009, Nadaburg USD failed to provide English language development services for at least 31 of its 96 identified English Language Learner (ELL) students. Further, the District's Structured English Immersion program and its Compensatory Instruction program did not meet state requirements. The District's Structured English Immersion program did not meet the required 4 hours of daily instructional time, used Individual Language Learner Plans inappropriately, and did not provide English language development to ELL kindergarten students. The District's Compensatory Instruction program inappropriately included non-ELL students and was not limited to improving English proficiency.

### Background

English Language Learners (ELLs) are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. ELL students are identified through a state-adopted language proficiency test. School districts are required to administer this test to students if the primary language spoken in the student's home is other than English, and then retest annually those students identified as ELL. School districts must then report the test results to the Arizona Department of Education (ADE).

Incremental costs are the costs, as defined by the ELL Task Force, that are associated with an SEI program and that are in addition to the normal costs of conducting programs for English proficient students.

### Levels of English Language Proficiency:

**Pre-emergent**—Student does not understand enough language to perform in English.

**Emergent**—Student understands and can speak a few isolated English words.

**Basic**—Student may understand slower speech, and speak, read, and write simple words and phrases, but often makes mistakes.

**Intermediate**—Student can understand familiar topics and is somewhat fluent in English, but has difficulty with academic conversations.

**Proficient**—Student can read and understand texts and conversations at a normal speed, and can speak and write fluently with minor errors.

Source: Arizona Department of Education.

By reporting their numbers of ELL students, districts are eligible for additional monies for ELL programs through the State's school funding formula (known as ELL Group B Weight monies) and the federal Title III program. In addition, school districts may submit budget requests to ADE for monies to implement Structured English Immersion (SEI) and Compensatory Instruction (CI) programs.<sup>1</sup> However, if a district's Group B Weight monies are sufficient to cover the incremental costs of its SEI program, no additional SEI monies are awarded through the budget request process.

## Misunderstanding of state requirement results in District's failing to provide ELL program services to one-third of its ELL students

In fiscal year 2009, Nadaburg USD identified 96, or about 11 percent, of its students as English Language Learners. However, because the District misunderstood ADE's policy regarding parent notification and consent forms, the District delayed providing, or did not provide, language acquisition services for 31 of these students. According to ADE policy, a school district is required to send notifications to ensure that parents are aware of their child's placement in the SEI program. However, the district does not have to wait for the forms to be returned before placing the student in the program. Further, when parents do not return the forms, the district needs to document that it attempted to notify the parent at least three times but should not withhold services. In fact, according to statute, the district must provide ELL program services to each eligible ELL student unless the student's parent or guardian signs a bilingual waiver. The District made a similar mistake in fiscal year 2008, resulting in 74 of its 111 eligible ELL students not receiving language services in that year.

## District's ELL program not in compliance with the SEI model

For the remaining ELL students who received program services, the District's ELL program did not meet general requirements of the SEI model related to English Language Development (ELD) instructional hours and Individual Language Learner Plans (ILLP). Figure 2 on page 27 provides an overview of the SEI model requirements that all Arizona school districts must comply with.

<sup>1</sup> SEI provides English language development during the normal school day, while CI provides English language development outside the normal school day, in programs such as after-school tutoring or summer school.

District did not provide required hours of ELD instruction—The District's fiscal year 2009 ELL program varied during the school year and between grades levels. For example, while ELL students in 1st through 3rd grades were placed in SEI classrooms with ELD teachers, ELL students in kindergarten did not receive ELD instruction, and ELL students in 4th through 8th grades received inconsistent services and sometimes no ELD instruction at all.

During the beginning of the 2008-2009 school year, the District was transporting its 1st- through 8th-grade ELL students to one of its two schools for the SEI program. However, this was discontinued after the first quarter because some students were losing about 1.5 hours of instruction each day while en route to the other school. The District restructured its program and created SEI classrooms for the 1st- through 3rd-grade ELL students at both schools after October 2008. However, the 4th through 8th graders did not receive any ELL services until January, when the District began using ILLPs for these students. According to district officials, this delay is also related to the District's procedures requiring consent forms before providing language services.

ILLPs were not individualized and did not ensure ELD instruction—In January 2009, when the District developed ILLPs for its 4th-through 8th-grade students, it failed to follow three important requirements of the State model. First, the District created a universal Individual Language Learner Plan for all 4th- through 8th-grade ELL students. ILLPs are supposed to be tailored to meet the individual needs of students. Second, the ILLPs did not indicate who would provide the ELD instruction and how the student would receive the required ELD instruction. Most ILLPs had identical wording that did not indicate how ELD hours would be provided, a few ILLPs reviewed by auditors were blank, and one ILLP stated only that the student would attend an English class for at least 30 minutes. Seventeen ILLP students (of approximately forty 4th- through 8th-grade ELL students) receive small group instruction with a teacher for half an hour to 2 hours each day. However, the ILLPs and one of the teachers indicated that the time was used to go over lessons that had been taught in the grade-level classroom, not additional ELD instruction. Additionally, one of the teachers is not SEI endorsed as required by the SEI model. Third, the time spent covering ELD material was not documented in the ILLP. Teachers were only required to mark in a notebook when the required language standards were used, not how much time was spent on the ELD areas or details of how the instruction was provided.

### Figure 2: Structured English Immersion Model Requirements

- **English language development (ELD) components**—Students receive 4 hours of ELD Instruction daily in the following instructional areas: Oral English and Conversation, Grammar, Reading, Writing, and Vocabulary.
- **Grouping requirements**—ELL students are placed into SEI classrooms according to ELL proficiency level in class sizes not exceeding the non-ELL average class size in the district. In addition, the following maximum class sizes apply:
  - Pre-Emergent and Emergent—23
  - Basic and Intermediate—28
- **Teacher qualifications**—All teachers in SEI classrooms must be Highly Qualified and have an SEI, English as a Second Language, or Bilingual Endorsement. Additionally, SEI teachers at the middle school and high school level must be Highly Qualified in English or Language Arts.
- **Individual Language Learner Plans (ILLP)**—Schools with 20 or fewer ELL students within a three-grade span may choose to create ILLPs for those students. These students may be placed in classrooms with English-proficient students. The ILLPs should detail how each individual student will receive the 4 hours of ELD instruction in this setting.

Source: *Structured English Immersion Models of the Arizona English Language Learners Task Force-5/14/08* and *Arizona Department of Education Guidance on ILLP 8/2008*.

Kindergarten ELL students taught in mainstream classrooms—The District’s kindergarten ELL students did not have ILLPs and did not receive ELD instruction in a separate SEI classroom. According to district officials, they chose to include ELL kindergarten students in mainstream classrooms so that ELL students would not be separated from non-ELL students. This fails to follow the SEI model which requires that districts place all eligible ELL students into SEI classrooms according to ELL proficiency level and grade or provide services to those students through ILLPs.

### Approved SEI Budget Fiscal Year 2010

**Costs:**

Incremental teacher salaries	\$107,921
Incremental teacher benefits	24,980
Textbooks, instructional aids, and assessments	0
Transportation for itinerant teachers	0
Travel expenses for training—administrators	0
Travel expenses for training—teachers	750
Travel stipends for training time outside of regular school days	0
Classroom substitute	2,160
Other expenses	0
Total incremental costs	\$135,811

**State and Local Offsets:**

ELL “Group B Weight”	\$14,585
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**Net Budget Request**      \$121,226

Source: District submitted budget request to the Arizona Department of Education

### Fiscal year 2010 SEI budget request provides \$121,000 in additional funding

Nadaburg USD’s SEI budget request included salaries and related benefits for 2.4 additional teachers and training related expenses (see textbox). The District’s budgeted incremental cost to implement its fiscal year 2010 SEI model is \$135,811. Of this amount, \$14,585 is expected to be paid from ELL Group B Weight monies, leaving the District with an approved SEI net budget request of \$121,226. Auditors reviewed the average class size information submitted by the District and used by ADE to calculate the number of incremental teachers needed to implement the SEI model and found the amounts to be reasonable and supported.

### District’s compensatory instruction program did not meet requirements

The District did not apply for Compensatory Instruction (CI) monies and did not offer a CI program in fiscal year 2009. The District did provide a CI program in fiscal year 2008 but spent most of the money on unallowable expenditures. For fiscal year 2008, the District requested and received \$39,224 of CI monies, for after-school tutoring and summer school instruction for ELL students and students that had been reclassified as English proficient in the prior 2 years. The District spent about \$21,000 of these monies but most of these expenditures were unallowable because the District’s CI program included English-proficient students and was not limited to improving English proficiency. Specifically,

- **After school tutoring**—According to Nadaburg USD’s budget request, the after-school program would provide extended day classes for its ELL students, four

times a week for 1 hour each day. However, according to the teachers in the program, after-school tutoring included assistance to ELL students with class work in non-ELD content areas such as math and science, and Spanish instruction to 7th- and 8th-grade English-proficient students. About \$5,400 of CI monies were inappropriately spent for this purpose.

- **Summer School**—The District also spent \$4,700 of CI monies on a 3-week summer school program that did not meet CI funding requirements. According to statute, CI funded programs are limited to improving the English proficiency of ELL students and those who have been reclassified as proficient within the previous 2 years. However, the program actually provided both ELL and English-proficient students with content-area instruction in math, reading, and language arts.

## Recommendations

1. The District should promptly provide language acquisition services to all students identified as English language learners unless the parent or guardian formally requests that such services not be provided.
2. The District should ensure its SEI program meets all state requirements, including developing ILLPs for each individual student, providing ELL students with the required hours of ELD instruction, and ensuring that all teachers working with ELL students have the required endorsement.
3. The District should use Compensatory Instruction monies only for authorized purposes.





# APPENDIX

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## 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 Nadaburg Unified 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 Nadaburg Unified School District, and secondarily on district type, location, classroom dollar percentage, and other factors. Although Nadaburg USD is a unified district, it did not operate a high school in fiscal year 2008. Therefore, auditors excluded the tuition costs related to its high school students and compared the District's operations to those of five elementary districts. 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 other expenditures, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2008 expenditures.
- To assess the District's compliance with ELL program and accounting requirements, auditors examined the District's testing records for students who had a primary home language other than English, interviewed appropriate district personnel about the District's ELL programs and observed the programs, and evaluated the District's ELL-related revenues and costs.

# DISTRICT RESPONSE

**NADABURG UNIFIED SCHOOL DISTRICT No. 81**  
**“Our Mandate is Excellence”**

**32919 Center Street, Wittmann, Arizona 85361 Phone: (623) 388-2321 Fax: (623) 388-2915**

December 1, 2009

Debra Davenport, Auditor General  
State of Arizona  
2910 N 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Re: Response to the Nadaburg Unified School District No. 81 Performance Audit

Dear Ms. Davenport:

Respectfully submitted herewith is the District's response to the Performance Audit for fiscal year 2008 conducted by your office's School District Audit Team.

We realize it is a difficult task to fairly compare and evaluate a number of school districts when each faces myriad and unique circumstances, and we appreciate the consideration and professionalism displayed throughout the process by your staff.

The District has brought a new elementary school online since the year for which the Performance Audit was conducted. As the District continues to grow, so will our need to formalize processes and procedures in all areas, many of which came to light in the course of the Performance Audit.

Thank you for acknowledging that the District's transportation routes are efficient. Transportation will continue to command a disproportionate share of our operating budget until the District is able to provide instruction for its high school students and expand services to its exceptional students.

If you have any further questions after reading our responses to your recommendations, please feel free to contact us.

Sincerely,

Greg Riccio, Ph.D.  
Superintendent

## Recommendations

### Administration

1. *The District should implement proper controls over its payroll process, ensuring adequate segregation of duties, supervisory review of time sheets, and proper documentation and approval of extra duty pay.*

The District agrees with this recommendation. Job duties will be reassigned to ensure adequate segregation of duties. Time sheets now must be reviewed, approved and signed by the supervisor prior to being processed. Proper written documentation is now required prior to processing extra duty pay.

2. *The District should maintain required supporting documentation for all expenditures, including proof that the purchase was properly approved and the items or services were received.*

The District agrees with this recommendation and will ensure that its procurement procedures are followed by all employees.

3. *The District should improve controls over its fuel card purchases by:*
  - a. *Requiring additional documentation from the vendor, such as a log of district vehicle license numbers and odometer readings completed by District staff at the time of the fuel purchase.*
  - b. *Obtaining all receipts from district staff; and*
  - c. *Verifying the accuracy of billings.*

The District agrees with this recommendation and has made arrangements for the vendor to hold all copies of signed fuel receipts and drivers will be required to log every time a vehicle is fueled. The logs and the receipts will be reviewed monthly and verified for accuracy of billing as well as appropriateness.

4. *The District should limit employees' access to only those accounting system functions needed to perform their work.*

The District agrees and has complied with this recommendation.

5. *The District should implement a system of formal written procedures to ensure that access is promptly removed when employees leave the District's employment.*

The District agrees and has complied with this recommendation.

## **Transportation**

1. *To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per rider, cost per mile, driver productivity, bus capacity utilization, and ride times.*

The District agrees with this recommendation. The District purchased a transportation software program to help improve the efficiency of its routes, and will develop and utilize other measures to further increase departmental efficiencies.

2. *The District should accurately track and report ridership to ensure it receives proper transportation funding.*

The District agrees and has trained staff to accurately track and report ridership.

3. *The District should evaluate controls over fuel inventory to restrict access to fuel pumps and ensure proper accounting of all fuel uses.*

The District agrees with this recommendation and has implemented scheduled fueling times, outside of which the fuel pump switch is locked and inaccessible to all but key personnel.

The District's agreement to allow the local fire department to fuel its vehicles was terminated upon the opening of a local gas station in the fall of 2009.

## **Plant Operation and Maintenance**

1. *The District should review staffing levels to determine whether the number of plant operations and maintenance positions can be reduced.*

The District agrees with this recommendation and believes that the opening of a second elementary school in August 2008 has helped ameliorate the overstaffing issue. Our custodians now average about 22,328 square feet per FTE, which is more in line with the national average cited by the Audit Team.

The District has combined the Maintenance and Transportation Departments under one Director who now oversees two school campuses plus the District and Transportation facilities. The Maintenance Clerk position has been combined with the Dispatcher to eliminate .5 FTE.

We believe that the service longevity of some plant personnel is a contributing factor to higher-than-average salary and benefit costs compared to similar-size districts.

- 2. The District should evaluate its energy usage and implement an energy conservation plan to help reduce costs.*

The District agrees with this recommendation and has been making energy conservation efforts. A lighting retrofit project to upgrade T-10 and older lamps to newer, more energy efficient lamps was completed at the end of fiscal year 2009. Sensors also were installed so lights automatically turn off in vacant rooms after 20 minutes.

Water usage at the District's new elementary school had been a concern because it was to be the District's first experience with an outside water system provider. Costs came in lower than projected for the initial year. As of the end of October 2009, we have completed a full service year and now have a basis of comparison for future consumption.

The District will continue to monitor its energy usage and seek to implement additional conservation measures. A plan is being developed to help ensure that conservation measures are enacted district-wide.

### **Proposition 301 Monies**

- 1. The District should review its performance pay plan to ensure that all of its goals promote improved performance.*

The District agrees with this recommendation. District administrators and teachers have reviewed the performance pay plan and will submit a revised plan for Governing Board approval in December 2009.

- 2. The District should evaluate all performance goals and maintain documentation to demonstrate that employees receiving performance pay have successfully completed their performance goals.*

The District agrees with this recommendation and will maintain all such documentation.

- 3. The District should ensure that performance pay is awarded only after determining the related goals have been met.*

The District agrees and will ensure this practice is followed.



## **English Language Learner Programs**

1. *The District should promptly provide language acquisition services to all students identified as English language learners unless the parent or guardian formally requests that such services not be provided.*

The District agrees with the above recommendation and will promptly provide services to all students identified as ELL. The District will follow up with any formal request declining language acquisition services and maintain a copy of the follow up in the student cumulative file.

2. *The District should ensure its SEI program meets all state requirements, including developing ILLPs for each individual student, providing ELL students with the required hours of ELD instruction, and ensuring that all teachers working with ELL students have the required endorsements.*

The District agrees with the above recommendation. The District confirms that all teachers working with ELL students do have the required endorsements and that documentation is now on file in the District office. The District will ensure that its SEI program meets all state requirements, including developing ILLPs for each individual student, and providing ELL students with the required hours of ELD instruction.

3. *The District should use Compensatory Instruction monies only for authorized purposes.*

The District agrees with the above recommendation and will ensure that only eligible students participate in any future CI-funded programs the District may receive.