

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2012, Riverside ESD's student achievement was lower than peer districts', on average, and its operations in noninstructional areas were reasonably efficient overall. Although the District's administrative costs were higher than peer districts', on average, the higher costs were primarily attributable to the District's small size and some one-time or no-longer-incurred costs. However, the District needs to strengthen some of its accounting and computer controls. The District's food service and transportation programs were reasonably efficient with a similar cost per meal as peer districts' and a much lower cost per mile and per rider, respectively. However, the District over-reported its mileage, resulting in the overfunding of its transportation program. The District's plant operations costs were mixed with a lower cost per square foot but a higher cost per pupil partly because the District's schools operated at only 65 percent of capacity and because of some higher-than-average electricity costs caused, in part, by several poorly structured solar power system contracts.



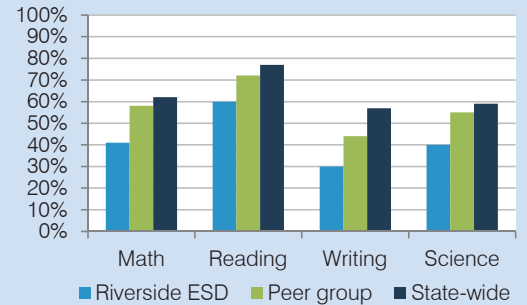
2015

Lower student achievement and reasonably efficient operations

Student achievement lower than peer districts'—In fiscal year 2012, Riverside ESD's student AIMS scores were lower than the peer districts' averages in the four tested areas. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of C. Four of the eight peer districts also received Cs, while the other four peer districts received Bs.

District's operations were reasonably efficient overall—In fiscal year 2012, Riverside ESD's operations were reasonably efficient overall. The District's high administrative costs per pupil resulted primarily from its small size and some one-time, or no-longer-incurred, costs. The District's food service and transportation programs were reasonably efficient with a similar cost per meal as peer districts' and a much lower cost per mile and per rider, respectively. The District's plant operations costs were mixed with a lower cost per square foot but a higher cost per pupil partly because the District's schools operated at only 65 percent of capacity and because of some higher-than-average electricity costs caused, in part, by poorly structured solar power system contracts.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2012



Comparison of per pupil expenditures by operational area
Fiscal year 2012

	Riverside ESD	Peer group average
Administration	\$1,654	\$796
Plant operations	1,020	811
Food service	683	523
Transportation	385	271

District lacked adequate accounting and computer controls

Payroll and purchasing controls need strengthening—The District needs to strengthen its controls over payroll and purchasing. More specifically, the District did not always have documentation supporting extra duty pay for employees and did not always require proper approval prior to purchases being made.

Inadequate computer controls—The District had an increased risk of errors, fraud, and misuse of information because it lacked adequate controls over its computer network and systems. For example, three of the District's five business office accounting system users had more access to the accounting system than they needed to perform their job duties. Additionally, the District's network had user accounts that were linked to employees who no longer worked for the District as well as some unnecessary generic accounts not assigned to specific users, making it difficult or impossible to hold anyone accountable if inappropriate activity occurred while using these accounts.

Recommendations

The District should:

- Implement proper payroll and purchasing controls.
- Implement proper controls over its computer network and systems.

District's solar power system contracts unlikely to meet cost-saving expectations

Between August 2010 and May 2011, the District entered into three 20-year solar power system contracts in an effort to help lower its electricity costs. However, the contracts are unlikely to meet expectations for saving energy costs because of high initial contract rates and oversized systems. In addition, the District did not have the statutory authority to enter into the long-term contracts.

High initial rates and oversized solar power systems reduce the likelihood of cost savings—The District pays 9 cents per kilowatt hour for solar power at two of its sites and 7.6 cents per kilowatt hour at its third site. These rates are higher than the 5.4 cents per kilowatt hour that the District was paying its utility for electricity generation, on average, at these sites, resulting in the District paying \$16,748 more for the electricity it used in fiscal year 2012. Further, because the solar power systems were designed too large, they generate more power than the District uses. This excess solar power is sold to the electric utility at a price far below what it costs the District to produce the electricity, resulting in an additional loss of \$31,700 for the District in fiscal year 2012.

District did not have the authority to enter into its long-term solar power system contracts—Riverside ESD's solar power system contracts are not guaranteed energy savings contracts under Arizona Revised Statutes (A.R.S.) §15-213.01. This statute provides certain protections for districts entering into long-term guaranteed energy-savings contracts, such as requiring vendors to establish the amount of money districts would save by implementing solar power and reimbursing districts for any savings shortfalls. This statute also provides the authority districts need to enter into contracts longer than 5 years. Therefore, the District not only does not have the protections afforded by A.R.S. §15-213.01, it also did not have the authority to enter into the three 20-year solar power system contracts.

Recommendation

The District should, in conjunction with its legal counsel, work with its solar power system vendor to revise its three contracts to conform to the requirements of A.R.S. §15-213.01 and consider what additional steps can be taken to reduce further losses.

District's transportation program overfunded by \$99,000

Riverside ESD over-reported its fiscal year 2011 route miles by 12,500 miles. Because transportation funding is based on miles reported in the prior fiscal year and does not decrease for year-to-year decreases in mileage, the errors in reported mileage for fiscal year 2011 resulted in the District being annually overfunded by more than \$33,000 in fiscal years 2012 through 2014, for a total of \$99,000 in overfunding. The District may continue to be overfunded until it corrects the misreported mileage.

Recommendation

The District should work with the Arizona Department of Education to correct its reported mileage and the resulting overfunding.