



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

St. Johns Unified School District

MARCH • 2008



Debra K. Davenport
Auditor General

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Ann Orrico, Manager and Contact Person

David Winans, Team Leader

Ryan Miller

Stephanie Smith

Jennie Snedecor

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

March 19, 2008

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
St. Johns Unified School District

Mr. Larry Heap, Superintendent
St. Johns Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the St. Johns 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 most 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 March 20, 2008.

Sincerely,

Debbie Davenport
Auditor General

SUMMARY

The Office of the Auditor General has conducted a performance audit of the St. Johns Unified School District pursuant to Arizona Revised Statutes §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.

Administration (see pages 5 through 9)

In fiscal year 2006, St. Johns USD's \$1,045 per-pupil administrative costs were 14 percent higher than the comparable districts' average costs. Costs were high in all areas, including salaries and benefits, purchased services, and supplies. For example, St. Johns USD's higher purchased service costs primarily related to two contracts for administrative consulting services, and the District also had high administrative supply costs. Further, the District lacked adequate controls to protect its computer hardware, software, and network, such as requiring employees to regularly change passwords. In addition, basic computer security awareness training could inform employees of the steps they can take to help protect the District's systems and data, such as locking their computers when away from their desks.

Student transportation (see pages 11 through 16)

St. Johns USD's fiscal year 2006 cost per rider of \$953 was 39 percent higher than the comparable districts averaged. The District's high per-rider costs resulted from several factors, including inefficient bus routes and high fuel costs, because it drove more route miles than the comparable districts. An additional cost resulted because the District paid the parents of 69 students, primarily open enrollment students, to transport their children to and from a district bus stop. These payments added approximately \$57,400 to the District's student transportation costs. Two of the comparable districts also paid parents to transport their children, but they did so for far fewer students and significantly less cost.

Further, because transportation revenues are based primarily on route miles, the District received significantly more revenues than it spent. In fiscal year 2006, St. Johns USD received approximately \$1.1 million, but it spent only \$445,800 on transportation operating costs. One reason why revenues were high is because, based on guidance from the Arizona Department of Education, the District may have over-reported parent-provided transportation mileage by including mileage for two round trips per day, including the portion when the student was not in the vehicle, while statute appears to only allow for mileage for one round trip per day. As a result, the District received approximately \$255,000 in extra transportation revenue. In addition, while the District paid parents from 30 to 44 cents per mile to transport their children, it received the state transportation rate of \$2.15 for each route mile reported and actually made a profit of more than \$452,500 from these miles in fiscal year 2006.

Plant operation and maintenance (see pages 17 through 21)

St. Johns USD's fiscal year 2006 per-pupil plant operation and maintenance costs of \$1,234 were 32 percent higher than the comparable districts' average, primarily because it operated and maintained larger facilities. St. Johns USD operates three schools encompassing a total of almost 290,000 square feet of space, and all three were operating significantly below capacity. For example, based on School Facilities Board calculations, the high school alone was designed for approximately 1,100 students. However, St. Johns USD had only a total of 940 students in fiscal year 2006. In addition, the District operated 59 percent more square footage per student than the comparable districts averaged. With its larger facilities, St. Johns USD had high per-pupil costs in all areas, including salaries and benefits, energy, and water costs. Because its plant operation staff maintained about 38 percent more square feet each than the comparable districts averaged, reducing staffing levels may not be an option. However, closing or leasing space may be an option that can potentially help reduce the District's plant costs.

Proposition 301 monies (see pages 23 through 25)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education purposes. While the District spent its Proposition 301 monies for purposes authorized under statute, its plan for spending those monies was incomplete in that it did not address how base pay and menu option monies were to be spent. On average, each eligible full-time employee received base pay increases of \$800, performance pay of \$2,118, and additional compensation from menu monies of \$1,219.

Classroom dollars (see pages 27 through 30)

Statute requires the Auditor General to determine the percentage of every dollar that Arizona school districts spend in the classroom. Therefore, auditors reviewed St. Johns USD's recording of classroom and other expenditures to determine their accuracy. After correction for classification errors, the District's fiscal year 2006 classroom dollar percentage decreased from 57.2 percent to 55.5 percent, which is almost 3 percentage points below the state average of 58.3 percent for the same fiscal year. Although it had a low classroom dollar percentage, St. Johns USD spent \$1,825 more per pupil in total and \$826 more per pupil in the classroom than the state averages. The District had more to spend because it received additional monies through transportation funding, budget overrides, and excess utilities, and because it had more special needs students.

English Language Learner programs, costs, and funding (see pages 31 through 35)

Statute requires the Auditor General to review school district compliance with English Language Learner (ELL) requirements. English Language Learners are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. During fiscal year 2006, St. Johns USD placed its 41 ELL students in mainstream classrooms and provided one full-time and two part-time bilingual instructional aides to assist them. Teachers scheduled the bilingual aides to assist in their classrooms based on the number of ELL students in the class and their proficiency levels. The District accounted for its fiscal year 2006 ELL costs separately and, based on its accounting records, the District received almost \$7,000 more in ELL-related revenues than the \$8,600 it spent for its ELL program. St. Johns USD's current mainstream model does not comply with the structured English immersion models adopted in September 2007. Therefore, the District's program will need to be substantially expanded to conform to new state requirements, which include 4 hours of English language acquisition for first-year ELL students.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the St. Johns Unified School District pursuant to Arizona Revised Statutes (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 (ELL) program.

The St. Johns Unified School District, located in St. Johns in Apache County, served 940 students in pre-kindergarten through 12th grade in fiscal year 2006. During that fiscal year, the District had three schools, with one elementary school serving students in pre-kindergarten through 3rd grade, one middle school serving students in 4th grade through 8th grade, and one high school serving students in 9th grade through 12th grade.

A 5-member board governs the District, and a superintendent and a director of finance manage it. In fiscal year 2006, the District employed 3 principals and 2 assistant principals. In addition, the District had approximately 64 certified teachers, 16 instructional aides, and 46 other employees, such as administrative staff, bus drivers, and custodians.

District programs and challenges

The District offers a wide range of instructional and extracurricular programs (see textbox), such as an Academic Decathlon Team, the Reading First reading program, and the Model Preschool program.

For the 2005-2006 school year, the elementary and high schools were labeled as "highly performing" and the middle school was labeled as "performing" through the

The District offers:

- Reading First reading program
- State-wide model preschool program
- Full inclusion special education program
- Academic Decathlon Team
- Love and Logic discipline and decision-making program
- Basic and accelerated math programs
- Accelerated reading
- Drama program
- Northern Arizona Vocational Institute of Technology classes

Arizona LEARNS program. Additionally, all three district schools met “Adequate Yearly Progress” for the federal No Child Left Behind Act.

In fiscal year 2006, the District served 58 open enrollment students. These students are primarily from Sanders USD, which is approximately 60 miles from St. Johns, but some were from Concho ESD and Round Valley USD, which are 15 to 30 miles from St. Johns.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General’s annual reports, *Arizona Public School Districts’ Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on 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. In addition, because of A.R.S. §15-756.02 requirements, auditors reviewed the District’s English Language Learner (ELL) program to review its compliance with program and accounting requirements.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2006 summary accounting data for all districts and the St. Johns Unified School District’s fiscal years 2006 and 2007 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. Additionally:

- To assess the District’s administrative costs’ accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2006 expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related 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 routing. Auditors also reviewed fiscal year 2006 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 2006 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 2006 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 reviewed accounting records to determine whether costs were properly recorded.
- To assess the District’s compliance with ELL program and accounting requirements, auditors reviewed and evaluated the District’s testing records for students who had a primary home language other than English, interviewed district personnel about the District’s ELL programs, and reviewed and evaluated the District’s ELL-related revenues and costs.

The audit was conducted in accordance with government auditing standards.

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

CHAPTER 1

Administration

The St. Johns Unified School District's per-pupil administrative costs were 14 percent higher than the comparable districts'. The District spent 12.1 percent of its current dollars on administration, which is almost 3 percentage points higher than the state average of 9.4 percent. Further, the District does not have adequate policies and practices to protect its computer network.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.¹

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

- General administrative expenses are associated with the 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 administration 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;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

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

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.

Per-pupil administrative costs were higher than comparable districts'

St. Johns USD spent \$1,045 per pupil on administrative costs, about 14 percent higher than the \$919 spent by comparable districts, on average. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that had a similar number of students and schools as St. Johns USD. As noted in the Auditor General's November 2002 special study, *Factors Affecting School Districts' Administrative Costs*, district type does not appear to be a significant factor influencing per-pupil administrative costs, and therefore district type was not a primary factor in selecting comparable districts. The following tables use fiscal year 2006 cost information because it is the most recent year for which all comparable districts' cost data was available.

As illustrated in Table 1 below, the District's \$1,045 administrative cost per pupil was approximately 14 percent higher than the comparable districts' average and approximately 20 percent higher than the \$870 state-wide average for medium-sized school districts, serving 600 to 4,999 students.

Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2006
(Unaudited)

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil
Williams USD	\$ 835,048	710	\$1,176
Miami USD	1,166,854	1,046	1,116
St. Johns USD	982,471	940	1,045
Benson USD	817,052	991	824
Nadaburg ESD	570,266	694	822
Willcox USD	876,647	1,332	658
Average of the comparable districts	\$ 853,173	955	\$ 919
State-wide average for medium districts			\$ 873

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education.

When these costs are further divided into categories, the District's higher administrative costs can be seen in all cost categories. Specifically, St. Johns USD's salary and benefit costs were 6 percent higher than the comparable districts' average, its purchased services costs were 91 percent higher, and its supply costs were 23 percent higher (see Table 2 on page 7).

Table 2: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2006
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Williams USD	\$1,022	\$129	\$25	\$1,176
Miami USD	1,020	76	20	1,116
St. Johns USD	869	149	27	1,045
Benson USD	717	78	29	824
Nadaburg ESD	716	85	21	822
Willcox USD	620	25	13	658
Average of the comparable districts	\$819	\$78	\$22	\$919

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education.

St. Johns USD had high purchased services and supplies costs

As shown in Table 2 above, St. Johns USD spent \$71 more per pupil on purchased services than the comparable districts averaged. For example, the District spent approximately \$17,000 on administrative consulting contracts, including the following:

- To ensure that its new business manager was properly trained, the District paid approximately \$12,000 to a former business manager to help the current business manager understand the school district finance and budgeting processes. The current business manager was formerly a teacher and did not have a background in school finance.
- The District paid \$5,000 for a consultant to create job descriptions for its classified positions. The consultant also conducted a salary survey and developed a classified salary schedule.

The District also spent approximately \$6,700 on conference, training, and workshop registration fees for administrative employees.

The District's policies do not adequately protect its computer network

St. Johns USD does not adequately control and monitor user access to its internal computer network, increasing the risk for fraud or theft of property and data. Proper control is important because of the sensitive nature of the data. For example, the District maintains confidential and sensitive student and employee information. However, several problems exist in how the District safeguards this information.

- **Access not monitored**—St. Johns USD does not adequately document and regularly review employees' access to ensure their access continues to be appropriate and to ensure that all persons with access are still employed by the District. Further, the District also does not disable certain access points to its computer network.
- **Password changes not required**—Employees are not required to regularly change their computer passwords. This control is commonly used to minimize the risk of unauthorized persons learning a user's password to gain access to the computer system.

In addition, auditors found examples of employee practices that point to employees' lack of basic computer security awareness. For example, auditors observed district staff, including teachers, leaving computers logged in to district systems and unlocked when they were away from their desks or classrooms. Failure to lock or turn off computers can allow unauthorized users access to the District's software and data, making it susceptible to being stolen, changed, or deleted. In addition, auditors also observed that some employees had installed games, screen savers, and music-related software on their work computers. Having unknown software or hardware attached could also compromise the security of the District's data and computer system.

While the District requires staff and students to sign an acceptable use policy to use district computers, networks, and Internet resources, the addition of a basic computer security awareness training could inform employees of the steps they can take to help protect the District's systems and data. Information on basic computer security is available through the IT Governance Institute's Control Objectives for Information and Related Technology (COBIT) that the District could use as a basis for developing an awareness training course.¹

¹ IT Governance Institute. *COBIT Security Baseline, An Information Security Survival Kit, 2nd Edition*. Rolling Meadows, IL: IT Governance Institute, 2007.

Recommendations

1. The District should adequately document and regularly review employees' access to its computer network to ensure their access is appropriate. The District should also minimize computer network access points to reduce the risk of network breach and loss of district data, and ensure that passwords are protected and changed periodically.
2. The District should implement basic computer security training for employees to inform them of the importance of security measures, such as locking computers when away from desks to prevent unauthorized users from accessing district software and data, and not installing unauthorized software and hardware on district computers.

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CHAPTER 2

Student transportation

St. Johns USD's fiscal year 2006 cost per rider was 39 percent higher than the comparable districts averaged. The primary reasons for higher costs were inefficient bus routes, high fuel costs, and the costs related to the District's paying the parents of certain students, primarily open enrollment students, to transport their children to a St. Johns' designated bus stop. Further, the District reported parent-provided transportation mileage to the Arizona Department of Education (ADE) that does not appear to be consistent with statute. The District received about \$255,000 in extra transportation funding for this mileage. The District also has not established performance measures or costs analyses that would help it better manage the program and lower its transportation costs. Finally, the District did not document preventative maintenance as required by the Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers*.

Background

During fiscal year 2006, St. Johns USD transported 468 of its 940 students to and from its three schools. The District's standard bus routes consist of seven routes. Four routes operate within the town of St. Johns and the surrounding area, two routes transport open enrollment students to and from Sanders USD, and one route transports district students from the western corner of the District. St. Johns USD contracted with the parents of 58 open enrollment students to transport their children to bus stops in or near the districts they live in. Besides its regular routes, the District provided one special needs route as well as transportation for field trips and after school activities.

Transportation Facts for Fiscal Year 2006

Riders	468
Bus drivers*	8
Mechanics	1
Regular routes	7
Special-needs routes	1
Total route miles ¹	415,716
Total noncapital expenditures	\$445,805

¹ This is estimated as the District did not maintain complete records of its fiscal year 2006 mileage.

* Full-time equivalents.

Per-rider transportation costs were 39 percent higher than the comparable districts'

As shown in Table 3 below, St. Johns USD's fiscal year 2006 student transportation costs of \$953 per rider were 39 percent higher than the comparable districts averaged. Costs were high because of three factors. Specifically, the District lacked formal routes resulting in inefficient methods for transporting local students to and from school, and the District had high fuel costs. In addition, the District incurred additional costs by reimbursing parents, including parents of the open enrollment students, to transport their children to and from district bus stops in the students' home district. While per-rider costs were high, the District's per-mile transportation costs were lower than the comparable districts' costs, in part because it reported more than the twice the amount of route miles than the comparable districts averaged.

Table 3: Students Transported, Route Mileage, and Costs
Fiscal Year 2006
(Unaudited)

District Name	Total Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
St. Johns USD	468	415,716¹	\$445,805	\$953	\$1.07
Benson USD	477	164,908	400,374	839	2.43
Willcox USD	610	241,131	463,191	759	1.92
Nadaburg ESD	938	242,448	619,992	661	2.56
Miami USD	458	122,274	268,424	586	2.20
Williams USD	505	164,001	295,937	586	1.80
Average of the comparable districts	598	186,952	\$409,584	\$686	\$2.18

¹ Total miles are auditor estimates as St. Johns USD did not maintain complete documentation supporting its reported mileage.

Source: Auditor General staff analysis of ADE fiscal year 2006 district mileage reports and district-reported fiscal year 2006 accounting data.

Inefficient routes increased costs—The District's local bus routes divide the town into quadrants, and each driver is assigned a quadrant. These bus routes are inefficient for two primary reasons. First, the routes often require buses to stop every 1 to 2 minutes to pick up students at their homes. These frequent stops were often fewer than 600 feet apart. Based on DPS Minimum Standards, the distance between stops should be at least 600 feet apart unless more frequent stops are

necessary for safety. However, auditors did not observe any safety reasons for stopping more frequently. Second, although they are supposed to be assigned different quadrants, auditors observed two district regular education buses picking up students along the same street at the same time. The two bus drivers discussed, via radio, which one should pick up which students.

Inefficient routes can increase a district's total route mileage and, as a result, increase its transportation costs. For example, St. Johns USD's buses transported 468 students approximately 214,000 miles in fiscal year 2006, while the comparable districts transported an average of 598 students about 187,000 miles. Largely because it drove more route miles, the District's \$217 per-rider fuel costs were 87 percent higher than the comparable districts' costs.

Added costs for paying parents' mileage—Further adding to the District's high transportation costs, during fiscal year 2006, the District paid approximately \$57,400 to the parents of 69 students to transport their children to and from a district bus stop. Of the 69 students, 58 attended a St. Johns USD schools through open enrollment. The remaining 11 students lived within the District's boundaries, but in more remote areas where it was not economical to have a bus route. The open enrollment students lived primarily in the Sanders Unified School District, and their parents drove them to a designated pick-up/drop-off point where they were then transported by a St. Johns USD bus. While two of the comparable districts also paid parents to transport their children, they did so for far fewer students. One of these districts paid a total of \$7,200 for parents to transport 7 students during fiscal year 2006, while the other district paid \$9,100 for parents to transport 5 students.

Payment rate exceeded the contract rate—St. Johns USD has a written contract with each student's parents, which spells out the mileage from the student's home to the school or designated drop-off/pick-up point and the per-mile rate. During fiscal year 2006, the District paid parents at the 30-cents-per-mile rate specified in the contracts. However, in November 2006, the District began paying parents at the current state reimbursement rate of 44 cents per mile, but did not obtain governing board approval or change the contracts. Therefore, the higher payments were inappropriate and increased the District's costs by approximately \$16,000. Further, the parent contracts were not updated with the new mileage reimbursement rate until fiscal year 2008.

The District received almost \$650,000 more transportation aid than it spent on the program

In fiscal year 2006, St. Johns USD received approximately \$1.1 million in state transportation revenues while spending only \$446,000 on its transportation program.

Almost \$510,000 of its transportation revenues resulted from route mileage associated with parent contract miles. In addition, the lack of formal bus routes discussed above further increased the District's route mileage and resulting transportation aid.

District may have improperly reported round-trip parent mileage—

Parent-contracted miles accounted for more than one half, or 237,000, of the District's total route miles and generated about \$510,000 of the District's \$1.1 million in state transportation revenues. The parent-contracted miles comprise such a large portion of the District's transportation aide because it is based primarily on the number of route miles driven. For example, a bus driven 20 miles will count as 20 route miles for reimbursement whether the bus is transporting 5 students or 50 students. The District reimbursed 41 different parents for transporting their 69 students, in essence creating 41 routes that received mileage reimbursement. Further, based on guidance from ADE, the District included the mileage for a parent to drive two round trips between a district bus stop and home each day, including the portion when the student was not in the vehicle.

However, when counting miles to report to ADE for funding purposes, statute appears to allow only the mileage to bring an open enrollment student to school from the student's residence or designated pick-up point and from school back to the student's residence or designated drop-off point. If St. Johns USD had reported only the mileage for which the student was in the vehicle, parent-provided transportation would have totaled about 118,600 miles rather than the 237,000 miles that were reported. These additional miles equated to approximately \$255,000 in extra state transportation funding.

Parent-provided mileage resulted in profit for District—

While St. Johns USD paid parents from 30 to 44 cents per mile, it received the state transportation rate of \$2.15 for each route mile reported. As a result, the District made a profit of more than \$452,500 from parent-contracted miles in fiscal year 2006. The additional monies were then available for the District to spend for any of its other day-to-day operating costs. This same issue has also been noted in a previous performance audit (see Auditor General report, *Performance Audit of Alpine Elementary School District*, October 2006). Because statute does not provide separate per-mile state transportation aid reimbursement rates for parent-contracted transportation, the Legislature should consider whether a separate reimbursement rate should be established.

Further, for a district to report any open enrollment route mileage, the open enrollment student must meet the economic eligibility requirements of the National School Lunch Program or be a special needs student who requires transportation. At least 5 of the 58 open enrollment students did not appear to meet this criterion, yet their associated mileage was included in the reports to ADE. As a result, the

District received approximately \$17,000 in transportation aid that it should not have received.

Performance measures were not established and monitored

The District's comparatively high costs and inefficient routes highlight 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. However, St. Johns USD has not established and monitored performance measures for the transportation program. Further, the District did not collect and maintain the data necessary to adequately monitor program operations. For example, although the District maintained an accurate count of riders, it did not summarize these counts by route to monitor its bus capacity and determine if routes needed to be reconfigured. To further assist in evaluating route efficiency, the District needs detailed documentation of its bus routes, such as streets, estimated times, and appropriate bus stops. As a result of insufficient data collection, the District is unable to evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Required preventative maintenance program is not documented

According to the DPS *Minimum Standards for School Buses and School Bus Drivers*, districts must be able to demonstrate that their school buses receive periodic preventative maintenance services. However, St. Johns USD did not have a documented preventative maintenance program. Although some basic maintenance work, such as periodic oil changes, was documented, the District was unable to show that systematic preventative maintenance activities were performed in fiscal years 2006 or 2007. Further, the District does not have a process or schedule in place to ensure that preventative maintenance is regularly performed. Other audited districts with documented systematic preventative maintenance programs required scheduled inspections by mechanics, such as quarterly inspections. During these inspections, not only did mechanics ensure that items such as oil changes, chassis lubes, and tire rotation occurred, they also evaluated the condition of items, such as each bus' brakes, tires, undercarriage, suspension, and body.

Recommendations

1. The Legislature should consider establishing a separate district reimbursement rate for parent-contracted mileage.
2. In reporting route mileage to ADE, the District should include only those miles that parents of eligible open enrollment students drive to and from the designated stop when the student is in the vehicle.
3. The District should ensure it updates parents' transportation contracts before paying a different per-mile reimbursement rate.
4. The District should discontinue reporting route mileage associated with parent-provided transportation for open enrollment students who do not meet the eligibility requirements for the National School Lunch Program (NSLP) or have individual education plans that require transportation.
5. The District should create and use effective bus routes to maximize use of bus capacity. The District should also develop and monitor other performance measures, such as cost per rider and cost per mile.
6. The District should ensure that bus preventative maintenance is conducted and documented as specified in the Arizona Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers*.

CHAPTER 3

Plant operation and maintenance

In fiscal year 2006, St. Johns USD spent 14.2 percent of its total current dollars on plant operation and maintenance costs, which is 3 percentage points more than the state average and almost 2 points more than the comparable districts averaged.¹ St. Johns USD operated and maintained 59 percent more square feet per pupil than the comparable districts averaged. As a result, the District had higher per-pupil costs in all cost categories, including salary and benefit costs and energy, water, and telephone 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 per-pupil plant costs related to having larger facilities

As shown in Table 4 (see page 18), St. Johns USD had lower-than-average per-square-foot plant costs. However, the District's \$1,234 per-pupil plant costs were 32 percent higher than the comparable districts' \$937 average. Further, the District spent 14.2 percent of its current expenditures on plant operations and maintenance, while the comparable districts averaged 12.3 percent, and the state-wide average was 11.2 percent. Although its cost per square foot is significantly below both the comparable districts' and the state-wide average, the District's large facilities result in high plant maintenance costs.

St. Johns USD's schools operate below capacity—One reason that plant operation and maintenance costs are high is that the District's schools are operating at considerably less than their designed capacities. For example, according to School Facilities Board reports, the high school was designed for approximately 1,100 students. Yet, in fiscal year 2006, the District had only about 300 high school students and only about 940 students in total. St. Johns USD's elementary and middle schools also operate well below capacity. In fiscal year

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.

Table 4: Plant Costs and Square Footage Comparison
Fiscal Year 2006
(Unaudited)

District	Plant Costs				
	Total	Per Student	Per Square Foot	Total Gross Square Footage	Square Footage Per Student
St. Johns USD	\$1,159,336	\$1,234	\$4.00	289,733	308
Williams USD	723,836	1,019	5.00	144,634	204
Benson USD	986,288	995	5.33	185,089	187
Miami USD	1,001,171	958	3.69	271,454	260
Nadaburg ESD	614,735	886	6.09	100,941	145
Willcox USD	1,103,074	828	4.69	235,062	176
Average of the comparable districts		\$ 937	\$4.96	187,436	194
State-wide average of medium-sized school districts		\$ 887	\$5.65		

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education, and fiscal year 2006 gross square footage information obtained from the Arizona School Facilities Board.

2006, the elementary school operated at approximately 43 percent capacity, and the middle school operated at 51 percent capacity.

The District has larger-than-average facilities—As shown in Table 4 above, the District operates and maintains 308 square feet per student, 59 percent more

than the comparable districts averaged. The District's schools were built during the 1970s and 1980s, when school construction was funded by each district's property taxes. An electrical power generating plant is located within the District's boundaries, which gave St. Johns USD a relatively high tax base. This allowed the District to build larger schools without significantly impacting the taxes of its residents. School construction is now funded by the State's School Facilities Board, which has construction limits based on providing a minimum square footage per student. As shown in Table 5, the District's schools were designed to provide more square footage per pupil than the State's minimum requirements. These larger facilities, coupled with the fact the schools are operating well below their design capacity, results in the District's having from

Table 5: Per-Pupil Square Footage Comparison to State Minimum Requirements
Fiscal Year 2006
(Unaudited)

School	Per-Pupil Square Footage	
	State Minimum Standard	St. Johns USD
Coronado Elementary School	80	209
St. Johns Middle School	84	181
St. Johns High School	125	513

Source: Auditor General staff analysis of the District's fiscal year 2006 average daily membership counts, the Arizona School Facilities Board building reports for the District, and A.R.S. §15-2011.

two to four times more square footage per pupil than the state minimum standards.

Because St. Johns USD has more space per student, it also has higher per-pupil plant costs. As shown in Table 6 below, per-pupil plant costs were high in all cost categories, including salaries and benefits, purchased services, and supplies. To help pay for these costs, in fiscal year 2006, the District received approximately \$88,200 in additional state and local funding known as “excess utilities” to help pay for energy, water, telephone, and sanitation costs.

Table 6: Total and Per-Pupil Plant Costs
Fiscal Year 2006
(Unaudited)

District Name	Per Pupil			Total
	Salaries and Benefits	Purchased Services	Supplies and Other	
St. Johns USD	\$428	\$340	\$466	\$1,234
Williams USD	464	249	306	1,019
Benson USD	379	307	309	995
Miami USD	286	356	316	958
Nadaburg ESD	416	155	315	886
Willcox USD	361	208	259	828
Average of the comparable districts	\$381	\$255	\$301	\$ 937

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education, and fiscal year 2006 gross square footage information obtained from the Arizona School Facilities Board.

Higher per-pupil salary and benefit costs—St. Johns USD’s per-pupil salary and benefit costs were 12 percent higher than the comparable districts averaged. St. Johns USD employed 13.5 plant FTE to maintain its larger-than-average facilities while the comparable districts averaged 12 FTE. Although each of St. Johns USD’s plant employees maintained about 38 percent more square feet than the comparable districts’ employees averaged, the extra employees still represented an additional cost for the District.

Higher per-pupil purchased service costs—St. Johns USD’s per-pupil purchased service costs, which include water, insurance, and telephone costs, were 31 percent higher than the comparable districts averaged.

- Water**—Despite using inexpensive district-owned well water and water from a nearby lake for part of its water needs, St. Johns USD’s per-pupil water costs were 75 percent higher than the comparable districts averaged. One factor in the high water consumption appears to be the high school’s four sports fields. According to the District, these fields require a large amount of watering, especially in the summer months, in order to maintain the grass. Further, district officials stated that May and June are two of the hottest, driest months

of the year, requiring the District to use both lake water and the more expensive city water for its fields.

- **Telephone**—Per-pupil telephone costs were more than three times the comparable districts' average, although the District had a similar number of phone and data lines. However, auditors could not identify specific reasons for the high costs. A total of five different vendors provide communications services to St. Johns USD and the comparable districts, and communications contract terms can vary from vendor to vendor and from district to district. Such variance makes district-to-district comparisons difficult.
- **Insurance**—Per-pupil insurance costs were 35 percent higher than the comparable districts' average, which appears related to St. Johns USD's larger-than-average facilities.

Higher per-pupil energy costs—The District's per-pupil energy costs were 47 percent higher than the comparable districts' average. These higher costs appear to be related primarily to high energy usage. For example, St. Johns USD used 27 percent more electricity and 30 percent more natural gas in volume than the comparable districts averaged. According to the District, its energy consumption is related to its location and climate. Specifically, the comparable districts have a combined average annual temperature of 66 degrees, while St. Johns' average annual temperature is 54 degrees.

According to the District's Excess Utilities Report and Expenditure Plan that it completes each year, pursuant to A.R.S. §15-910.03, it has taken or plans to take several initiatives to reduce utility costs, such as installing thermostats that can limit temperature variations by staff and turning lights off in rooms when not in use. The plan also includes other cost-reduction measures, such as drilling additional wells to reduce the amount of city water the District uses to irrigate fields.¹

Closing or leasing space can help reduce costs—Because St. Johns USD's plant operation and maintenance staff maintain an average of 38 percent more square footage than the comparable districts, reducing the number of plant staff may not be the best solution for reducing plant costs. However, as demonstrated above, each of the District's three schools are operating at 27 to 51 percent of capacity. Therefore, the District should consider whether some of its excess building space could be closed or leased to reduce its plant operation and maintenance costs. According to a district official, closing or leasing space had not been considered previously. However, the District plans to evaluate these options in the future.

¹ A.R.S. §15-910.03 requires school districts to annually develop, adopt, and certify Excess Utilities plans that include districts' proposed plans for reducing Excess Utilities costs.

Recommendations

1. The District should evaluate whether some building space could be closed or leased to reduce facilities' costs.
2. The District should continue with its plans to reduce utility costs, as described in its annual Excess Utilities Report and Expenditures Plan, and continue identifying ways to lower utility usage based on each school's particular facilities and equipment. Further, the District should educate staff and students about energy conservation and encourage them to conserve energy.

CHAPTER 4

Proposition 301 monies

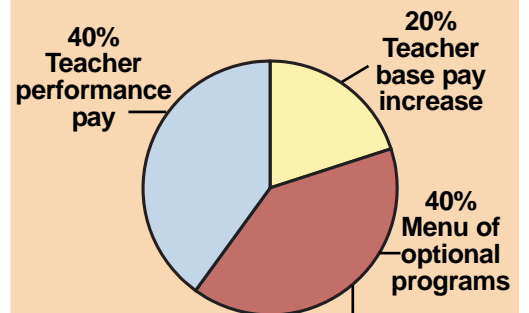
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. While St. Johns USD spent its Proposition 301 monies for purposes authorized under statute, its plan for spending these monies was incomplete in that it did not address how base pay and menu option monies were to be spent.

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 Classroom Site Fund. 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 2006, the District received a total of \$448,481 in Proposition 301 monies and distributed \$434,940 to approximately 76 employees. Unspent Proposition 301 monies remain in the District 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

Proposition 301 plan was incomplete

While the District's Proposition 301 plan specified performance goals, it did not specify how performance pay would be allocated, which positions would be eligible for increases, or how base pay and menu monies would be spent. Proposition 301 monies were paid to the District's 72 teachers, a librarian, a speech pathologist, and a counselor. The District spent Proposition 301 monies as follows:

Base Pay—Although not specified in its plan, each eligible full-time employee could receive a base pay increase of \$800 plus related benefits. St. Johns USD also paid an administrative employee \$800 from these monies although they are restricted to teacher pay increases.

Performance Pay—Each eligible full-time employee could earn up to \$2,118 plus related benefits. Performance pay was based on district-wide performance for the following goals:

- **Academic Achievement (50 percent of performance pay)**—To meet this goal, each of the three schools had to earn an Arizona LEARNS label of “performing” or better. The District met this goal in fiscal year 2006 as its middle school received a “performing” label and its high school and elementary school received “highly performing” labels.
- **Parent Satisfaction Survey (50 percent of performance pay)**—The District achieved its goal to have at least 20 percent of parents complete an annual parental satisfaction survey and give the District at least a 75 percent overall satisfaction rating.

Because both goals were met, all eligible employees received the full amount of available performance pay.

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

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

A.R.S. §15-977 specifies that these monies cannot be used for administration. Further, beginning in 2004, the Legislature also specified that Classroom Site Fund

monies spent for AIMS intervention, class size reduction, and drop-out prevention be spent only on instruction, except that they cannot be spent for athletics.

Although not specified in its plan, St Johns USD used its menu monies for additional teacher compensation increases. Each eligible full-time employee received \$1,219 in additional salary plus related benefits.

Recommendation

1. The District should ensure that its Proposition 301 plan describes the positions that are eligible for each type of pay increase, the expected amount of each type of pay increase, and the allowable menu option(s) being addressed.

CHAPTER 5

Classroom dollars

A.R.S. §41-1279.03(A)(9) requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Because of this requirement, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After adjusting for accounting errors, St. Johns USD's classroom dollar percentage decreased from 57.2 percent to 55.5 percent. This revised percentage is almost 3 percentage points below the state-wide average and 6 points below the national average. Reducing spending in noninstructional areas, such as administration and plant operation and maintenance, would allow the District to direct more of its available resources into the classroom.

The District did not accurately report instruction and other costs

St. Johns USD did not consistently classify its fiscal year 2006 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs. For example:

- Approximately \$137,000 of payroll expenditures for positions such as bus aides, librarians, assistant principals, and custodians were misclassified as instruction costs. Instead, these costs should have been classified to other areas such as transportation, instruction support services, administration, or plant operation and maintenance.
- Approximately \$17,000 of instructional staff support service expenditures, such as teacher travel costs and conference registration fees, were misclassified as instruction costs.

- Approximately \$15,000 of student support service expenditures, such as student travel costs, including meals and lodging, and counselors' conference registration fees, were misclassified as instruction costs.

Adjusting for these and other errors decreased the District's instructional expenditures by approximately \$150,000 and increased its administrative expenditures by approximately \$55,000. As shown in Table 7 below, the District's corrected classroom dollar percentage of 55.5 percent is 1.5 percentage points lower than the comparable districts' average, almost 3 points lower than the state average, and 6 points lower than the national average. Additionally, while St. Johns USD's 12.1 percent spent on administration is similar to the comparable districts' average, it is almost 3 percentage points higher than the state average for the same fiscal year.

Table 7: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2006
(Unaudited)

Spending	St. Johns USD		Comparable Districts' Average		State Average 2006		National 5-Year Average	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total Per Pupil		\$8,658		\$7,729		\$6,833		\$8,576
Classroom dollars	55.5%	\$4,807	57.0%	\$4,414	58.3%	\$3,981	61.5%	\$5,274
Nonclassroom dollars								
Administration	12.1	1,045	11.9	919	9.4	643	11.0	943
Plant operations	14.2	1,234	12.3	937	11.2	768	9.6	823
Food service	4.7	409	4.3	333	4.7	323	3.9	334
Transportation	5.5	474	5.9	463	4.2	290	4.0	343
Student support	4.8	411	6.3	488	7.2	490	5.1	438
Instructional support	3.2	278	2.2	170	4.8	327	4.7	403
Other	0.0	0	0.0	5	0.2	11	0.2	18

Source: Auditor General staff analysis of fiscal year 2006 School District Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics' (NCES) annual report, *Digest of Education Statistics*, and fiscal years 2000 through 2004 NCES Common Core of Data [<http://nces.ed.gov/ccd/>].

St. Johns USD spent more per pupil in the classroom than the comparable districts' and state averages

As also shown in Table 7 (see page 28), although St. Johns USD spent a smaller proportion of its current dollars in the classroom, it spent \$8,655, or \$926 more on a per-pupil basis, than the comparable districts averaged. As a result, its \$4,807 per pupil in the classroom was about \$400 higher than comparable districts averaged. Similarly, the District spent more than \$1,800 over the state average of \$6,833 per pupil and \$826 more per pupil in the classroom than the state average. St. Johns USD was able to spend more per pupil because it received more state funding and funding through a budget override than the comparable districts, as outlined below.

- **Transportation Funding**—St. Johns USD received \$548 more per pupil in transportation funding than the comparable districts because it reported driving 1,361 more daily route miles than the comparable districts averaged. The state transportation funding formula is based on district-reported miles and riders, with more miles resulting in higher funding. However, as noted previously, more than one-half of the total route miles were driven by parents who transported 69 of the District's 940 students under contracts with the District.
- **Excess Utilities**—The District received \$94 per pupil in excess utilities monies, while the comparable districts averaged only \$53 per pupil. Statute provides additional budget capacity to districts to pay for the cost of utilities above a base year amount. St. Johns USD's higher utility costs result in a higher amount of additional funding.
- **Additional Special Needs Monies**—Through the state budgetary funding formula for school districts, St. Johns USD received \$148 more per pupil in additional special needs funding than the comparable districts averaged. Because the District reported a higher percentage of its students as having special needs, such as hearing impairments, autism, and mental retardation, it received a higher amount of funding.

In addition, St. Johns USD received \$110 more per pupil in budgetary overrides than the comparable districts. An override is voter-approved additional budget capacity that allows a district to budget to spend higher amounts than otherwise would be authorized. The District's boundaries encompass a large utility power plant; therefore, any property tax increase, such as result from overrides, has minimal impact on individual property owners.

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 noninstructional areas to determine if savings can be achieved and whether some of these monies can be redirected to the classroom.

CHAPTER 6

English Language Learner programs, costs, and funding

A.R.S. §§15-756.12 and 41-1279.03(A)(9) require the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2006, St. Johns USD identified 41 English language learners among its 940 students. In fiscal years 2006 and 2007, St. Johns USD placed all its ELL students in a mainstream environment and had one full-time and two part-time bilingual instructional aides who were responsible for providing support to all of the classrooms. Based on its accounting records, the District received adequate funding to cover its fiscal year 2006 incremental costs (e.g., the salary costs for the instructional aide), but due to its own reporting error, it did not receive adequate funding in fiscal year 2007. The District will need to make substantial changes in the future to comply with the requirement to provide 4 hours of daily English language acquisition instruction for first-year ELL students.

Background

English Language Learners 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 and charter schools 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 ADE.

By reporting their numbers of ELL students, districts are eligible for additional monies for ELL programs through the State's school funding formula, the federal Title III program, and other sources. In addition, effective in September 2006, HB 2064 (see Figure 1 on page 32) established the Structured English Immersion (SEI) and Compensatory Instruction (CI) funds and programs. Among other things, this law

Figure 1: ELL Requirements for School Districts and Charter Schools
House Bill 2064 Provisions

School districts and charter schools are required to:

- Assess the English proficiency of new students when it is indicated that the primary language spoken in the home is other than English. In addition, students already identified as ELL must be tested annually.
- Monitor former ELL students who have been reclassified as English proficient and retest their language proficiency annually for 2 years.

School districts and charter schools with ELL students can:

- Submit a CI budget request to ADE and use these monies as specified to supplement existing programs.
- Adopt an SEI model and submit an SEI budget request to ADE, then use the monies as specified to supplement existing programs.

Source: Auditor General staff analysis of Laws 2006, 2nd Regular Session, Chapter 4 (HB 2064).

established an English Language Learners Task Force to develop and adopt research-based, cost-efficient SEI program models and establish procedures for determining the models' incremental costs, that is, the costs incurred that are in addition to those associated with teaching English-fluent students. The law also requires the Office of the Auditor General to biennially audit the State's ELL program, review ELL requirements in school district performance audits, and conduct financial audits of the SEI and CI budget requests of school districts that ADE has selected for monitoring.

Types of English Language Learner programs in Arizona

During fiscal year 2006, school districts and charters offered ELL programs that were described in statute as Structured or Sheltered English Immersion, bilingual, and mainstream.¹

- Structured English Immersion, or Sheltered English Immersion, is an English language acquisition process providing nearly all classroom instruction in English, but using a curriculum designed for children who are learning the language.

¹ These programs are described in A.R.S. §15-751.

- Bilingual education/native language instruction is a language acquisition process providing most or all of the instruction, textbooks, and teaching materials in the child’s native language. Many bilingual programs were eliminated after Proposition 203 was approved in November 2000.¹ However, some districts still maintain these programs for parents who sign waivers to formally request that their child be placed in a bilingual program.
- Mainstream involves placing ELL students in regular classrooms along with English-fluent students, when the student is close to becoming English proficient or when there are not enough ELL students to create a separate SEI class. Generally, ELL students in mainstream classrooms receive the same instruction as English-fluent students, but receive additional support, such as small group lessons or assistance from an instructional aide.

Effective in fiscal year 2007, ELL compensatory instruction programs are defined as programs that are in addition to normal classroom instruction, such as individual or small group instruction, extended-day classes, summer school, or intersession, and that are limited to improving the English proficiency of current ELL students and those who have been reclassified within the previous 2 years.

District’s ELL program

In fiscal year 2006, St. Johns USD administered the state-adopted Stanford English Language Proficiency (SELP) exam to its applicable students, those with a primary home language other than English, and identified 41 of them as English language learners. Based on the available test scores, 37 of these ELL students were at the intermediate proficiency level, 3 were at the basic level, and only 1 was emergent. These 41 students, whose primary language generally was either Spanish or Navajo, were spread across all grade levels.

District’s mainstream program—In fiscal years 2006 and 2007, St. Johns USD placed all ELL students into mainstream classrooms. One full-time and two part-time bilingual instructional aides were responsible for providing support to all of the classrooms. Teachers scheduled a bilingual aide to assist in their classrooms based on the number of ELL students in the class and their proficiency levels. According to district officials, the instructional aide primarily interpreted the teacher’s instructions and helped the ELL students understand assignments.

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.

¹ In November 2000, voters passed Proposition 203, requiring that schools use English to teach English acquisition and that all students must be placed in English classrooms. The new law required that schools use SEI programs and eliminate the use of bilingual programs unless approved by parents with signed waivers.

Although district officials indicated that they had no plans to modify the program for 2008, substantial changes will be needed in the future. Statute requires districts to provide first-year ELL students with 4 hours of English language acquisition in accordance with models developed by the ELL Task Force.¹ Complying with the models, which were adopted in September 2007, means the District will have to do the following:

- Restructure the current program to include the model's English Language Development components, such as oral English, grammar, and reading.
- Provide the instruction using a qualified teacher rather than an instructional aide.

The ELL Task Force provided two options for implementing an SEI model in a district with a small population of first-year ELL students that are spread across all grade levels, such as St. Johns USD. First, the district can group each school's students into a single classroom for language instruction for 3 hours a day with a fourth hour of reading. Second, if the District's schools have 16 or fewer ELL students, it can provide English Language Development instruction through Individual Language Learner Plans created for each student. These plans must adhere to the same language development requirements for scheduling and time allocations specified in the regular SEI models. Additionally, the models specify that regardless of the SEI classroom configuration that applies, pre-emergent and emergent level ELL students have to be grouped together, and kindergarten students have to be grouped separately from students in other grades.

Compensatory instruction—In fiscal years 2006 and 2007, St. Johns USD did not offer a compensatory instruction program to provide English language acquisition and development classes outside typical classroom hours, such as summer school or after-school tutoring. However, the District has applied for Compensatory Instruction Fund monies so that it can implement a program in fiscal year 2008. According to the District, it plans to provide extended day English language development classes after school for elementary school students, during the lunch period for middle school students, and before school for high school students.

District's ELL funding and costs

In fiscal year 2006, St. Johns USD received approximately \$15,500 in ELL B-weight monies through the State's budgetary funding formula for school districts. However, the District recorded spending only \$8,600 on its ELL program, which consisted of salary costs for the instructional aide who assisted ELL students.

¹ A.R.S. §15-756.01(C) requires the ELL Task Force to develop models that include a minimum of 4 hours per day of English Language Development for the first year that a student is classified as an English language learner. The adopted models describe the required content for English language development, both for the 4 hours in the first year.

The District incorrectly reported its number of ELL students, which reduced its fiscal year 2007 funding. It reported that it had 11 ELL students rather than the 41 actually identified through language proficiency testing in the prior year. As a result, the District only received about \$3,900 in ELL B-weight monies, but would have received about \$11,000 more had it correctly reported its ELL students. Because of the error, the District's fiscal year 2007 funding was not sufficient to cover its \$7,300 incremental ELL costs, which again consisted solely of salary costs for the bilingual instructional aide.

St. Johns USD also made other errors in reporting its ELL students' progress to ADE. Specifically, the District reported three students who were reclassified as English proficient as withdrawn from school although they had not. Besides not accurately identifying students' proficiency gains, these errors also potentially caused teachers to receive less pay. In fiscal years 2003 through 2006, district teachers may have been eligible to receive additional monies from the state Classroom Personnel Bonus program. The Legislature appropriated \$3 million for \$250 bonuses to instructional staff for each ELL student who became English proficient in fiscal years 2003 through 2005. Almost \$1.7 million of these monies remained available for payments in fiscal year 2006.

New fiscal year 2007 accounting requirements—Although its current ELL costs are minimal, as it implements the recently adopted SEI models, St Johns USD will likely incur additional ELL-related costs. Starting in fiscal year 2007, statute requires that structured English immersion and compensatory instruction costs be accounted for incrementally; that is, only reflecting incurred costs that are in addition to those associated with teaching English-fluent students. Further, the ELL Task Force is required to provide the basis for determining incremental costs that are eligible for SEI Fund monies. While the Task Force has not yet provided specific guidance, districts are already required to begin accounting for the incremental portion of their ELL costs. Therefore, St. Johns USD will need to identify the portion of costs associated with its ELL students that are in addition to the normal cost of educating its English proficient students and maintain appropriate documentation to support how the incremental cost allocation was determined.

Recommendations

1. The District should accurately report its ELL student information, such as proficiency-testing results, in a timely manner.
2. By fiscal year 2009, the District should develop its ELL program to comply with statutory requirements and the newly adopted SEI models to provide 4 hours of English language acquisition to first-year ELL students.

DISTRICT RESPONSE

***St. Johns
Unified
School
District #1***

P O Box 3030
St. Johns, AZ 85936

Phone: 928-337-2255
FAX: 928-337-2263

*Mr. Larry Heap
Superintendent*

*Mr. Quinn Ashton
Business/Finance*



February 26, 2008

Ms. Debbie Davenport
Auditor General
2910 N. 44th Street Suite 410
Phoenix, AZ 85018

Re: Response to Performance Audit Fiscal Year 2005-2006

Dear Ms. Davenport;

Enclosed you will find the District's response to the Performance Audit performed by your staff for the 2006 fiscal year. The District would like to thank you for the professionalism with which your staff conducted the audit. The team that was sent to our District was polite and professional throughout their multiple visits. The District staff and its administrators will use the report as a tool to help strengthen the fiscal responsibility of our school.

In our response, we feel it is important to enlighten you with many of the changes that have already occurred since the audit visits began. Likewise, the scope of this audit took place during a time period when SJUSD was undergoing major changes in the business office. We also want you to know that St. Johns Unified School District will analyze, discuss and implement all recommendations that are in the best interest of the State, the County, the Community, and the District.

Please thank your staff for their efforts and consideration while working with the St. Johns Unified School District.

Thank you,

Larry Heap

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SUMMARY

As a randomly selected district, St. Johns Unified School District (SJUSD) prepared itself for this audit in several ways. The District contracted with a private firm to come in and look at the same areas that the audit team would be looking at, conducted internal audits of several areas, studied reports issued on other districts, and talked with personnel at other districts who had been through a performance audit. With this preparation the actual audit visits went very well, but the tone of the report does not lend itself to cooperative understanding. For instance, there are several sections where the report finds a lot of minor things that need to be adjusted and addresses them at length. Then at the end of the section, a major positive finding is stated in a single phrase or sentence. If the purpose of the audit is to try and change the behaviors of schools to conform to current statutes and best practices, research has proven that positive reinforcement intertwined with constructive criticism will promote the change you are seeking. Also, properly trained business staff members in each district would lead to efficiently run schools. Currently, no state agency offers training courses to properly train district business personnel, therefore districts are left to expend their own funds on training these staff members.

SCOPE AND METHODOLOGY

SJUSD recognizes and understands the scope and methodology of the performance audit. However, there are some areas of concern with the schools that were selected as comparables for this audit. At times the comparables do not make any difference, but other times, the comparables need to be selected according to what is being analyzed. For instance, in the chapter regarding plant and operation costs, high per-pupil energy costs are discussed. If you look at the comparable districts, most of them are from the desert regions of the state. When considering energy costs of these schools, it is important to remember that school is not in session during the summer when most of the comparable districts would be using high amounts of energy. Because SJUSD is located in the colder region of the state, SJUSD uses high amounts of energy in the winter months for heating the buildings when school is in session.

Also, an elementary district was chosen as a comparable. Depending on several factors pertaining to this particular elementary school, the numbers generated by the elementary district could skew the results of this study. Some of those factors include, but are not limited to, number of buildings, distance between buildings, athletic programs, and other extracurricular activities. All of those factors add costs to a unified district that might not be applicable for an elementary district.

CHAPTER 1: Administration

This report fails to mention that SJUSD has lower administrative salaries than all the comparable districts and state average.

The administrative costs for SJUSD are high, in part, because of the regulations and requirements set forth by other government reporting agencies. It is common knowledge among school officials that administrative requirements have increased ten-fold over the last few years. The requirements and reporting regulations can be attributed to a greater public demand for accountability of public school districts in Arizona. Accountability is a good thing, but it must be recognized that along with accountability, comes costs associated with tracking and reporting that accountability. For example, this

very audit has created work and demands on administrative personnel that didn't exist before this audit division was created. As quoted from Superintendent Horne in a recent article in the Arizona Republic, "If the legislature wants to save money, all they have to do is give us more auditors." (*The Arizona Republic*, 12/21/2007) An increase in auditors only creates more demand on schools to meet the requirements of these audits. A more favorable solution would be to create a training program for people who manage money for schools so that they are properly trained in fiscal responsibility of taxpayer funds. Keeping the mistake from happening is better than recognizing the mistake after it happens.

Looking at a large vs. small school can help the reader understand the complexity of this issue as it relates to economy of scale. For example, a district with 3000 students has the same number of reporting requirements and regulations as a district with 1000 kids. When number of pupils is used to create a baseline for comparison, the numbers are slighted in favor of a district that has more students attending. A smaller district is still required to do the same number of reports as a larger district, in respect to number of students. Therefore, using per-pupil numbers to compare districts across the state is unfair.

- Per-pupil administrative costs were higher than comparable districts
 - In an independent study done by a consulting firm, 7 out of 11 districts of medium size had higher than state average per-pupil administrative costs. This demonstrates that the state average of per-pupil administrative costs may be skewed due to economy of scale.
- St. Johns USD had high purchased services and supplies costs
 - The main factor in this number being high has a very long history and is tied directly to what is stated above. This District had been in a situation where the efficiency of the business office was not maximized. Because of this, the current administration realized the importance of proper training for individuals who handle the business affairs of the district. Training a business manager became a top priority, and in looking at current data, it is evident that the costs associated with training a person who is vested in the community and District, were a one time cost for a long term solution!
- The District's policies do not adequately protect its computer network
 - SJUSD Technology Director does a periodic monitor of employee access. SJUSD has not had an unauthorized breach of network at any time. The District currently offers basic computer classes for all staff free of charge, and the participation has been very limited. The SJUSD Technology department continues to explore ways to educate and train staff on basic computer concepts.

Recommendations

1. *The District should adequately document and regularly review employees' access to its computer network to ensure their access is appropriate. The District should also minimize computer network access points to reduce the risk of network breach and loss of district data, and ensure that passwords are protected and changed.*

- a. The District agrees with this recommendation. The SJUSD Technology Director already does periodic monitoring of the network, but will increase those to weekly. Open access points will also be blocked in unused rooms by the Technology Director, and network passwords will be reset every 90 days.
2. *The District should implement basic computer security training for employees to inform them of the importance of measures, such as locking computers when away from desks to prevent unauthorized users from accessing district software and data, and not installing unauthorized software and hardware on district computers.*
 - a. The District agrees and will continue to provide basic computer security training for all employees.

CHAPTER 2: Student Transportation

While this report states that the District “appears” to not be consistent with state statute in regards to parent provided transportation, it fails to report that this issue is currently at the Attorney General’s office for a formal opinion. There is a difference of opinion between The Arizona Department of Education Finance Division and the Auditor General’s office regarding the interpretation of this statute. ADE is of the opinion that route miles for buses are reported when the bus is full and empty, therefore route miles from parent provided transportation that is contracted should be reported when the car is full and empty. The Auditor General’s office is of the opinion that mileage should only be reported when the child is in the car. Currently the District is reporting route mileage for contracted carriers only when the student is in the automobile. This was changed upon the recommendation of the Auditor General’s staff in October of 2007. The District is anxiously awaiting further clarification of this statute.

Furthermore, the District does maintain preventative maintenance documentation. Currently, the District has a policy that all bus drivers perform a daily safety inspection of their bus before beginning their route, all buses pass a yearly inspection done by the Department of Public Safety, and software and written documentation are currently being used to document preventative maintenance.

- Per-rider transportation costs were 39 percent higher than comparable districts
Because of the remote rural location of many of our students, the District is unable to maintain an efficient number of students in regards to route miles. Because the District contracts many of its route miles with parents who transport one or two students, this cost is driven up. A full bus reduces this cost tremendously. In turn, the extra revenues gained from this unique circumstance are funneled into the classroom for educational gains.
 - Inefficient routes increased costs
 - Added costs for paying parents’ mileage
 - The disagreement in interpretation of this statute between ADE and the Auditor General’s office creates this issue. It is important for the District to contract miles with parents to efficiently operate its’ transportation. Sending a bus designed for the highway down a bumpy dirt road to pick up one child is far from economical. Also, when comparing the numbers available from

this report, the District expensed less money per contracted student than any of the other comparable districts. SJUSD expended \$831.88 per student, while the next closest comparable district spent \$1028.57 per student.

- Payment rate exceeded the contract rate
 - The District changed the amount paid to contracted carriers to be in compliance with the Arizona Department of Administration (DOA) guidelines for mileage reimbursement.
- The District received almost \$650,000 more transportation aid than it spent on the program

This money was obtained according to statute and upon recommendations from ADE. All of the revenues received were expended across the District, most importantly on classroom needs.

 - District may have improperly reported round-trip parent mileage
 - The District followed the advice of ADE who interprets the statute differently than the Auditor General's office. Because there are still unanswered questions about this statute between these two governing bodies, the school feels this section should be removed from the report.
 - Parent-provided mileage resulted in profit for District
 - As stated earlier, the "profit" gained from transportation was directed back to the classroom and other areas for increased educational gains.
- Performance measures were not established and monitored
 - Post fiscal year 2005-2006, which is the date scope of this report, the District has instituted software that will help us analyze and monitor our transportation department. The procedures for monitoring student riders on each bus has been changed to include summaries by route, and the evidence presented from governing board minutes shows the District has established routes with marked stops and estimated pick-up and drop-off times.
- Required preventative maintenance program is not documented
 - The definition of "preventative maintenance" seems to come into question in this section. The District can demonstrate that it has written records that show routine oil changes, filter changes, chassis lubes, brake changes, daily safety inspections, and yearly Department of Public Safety inspections. These items appear to meet the DPS Minimum Standards for School Buses and School Bus Drivers.

Recommendations

1. *The Legislature should consider establishing a separate district reimbursement rate for parent-contracted mileage.*
 - a. The District agrees with this recommendation.
2. *In reporting route mileage to ADE, the District should include only those miles that parents of eligible open enrollment students drive to and from the designated stop when the student is in the vehicle.*

- a. The District disagrees with this recommendation. This is in direct conflict with what ADE has instructed the school to do. Please provide us with written documentation that clarifies the interpretation of this statute. However, the District has changed the way it reports route miles for contracted carriers to be in line with the opinion of the Auditor General so as to prohibit any fiscal liability.
- 3. *The District should ensure it updates parents' transportation contracts before paying a different per-mile reimbursement rate.*
 - a. SJUSD agrees with this recommendation. The District will update the contracted carrier contracts upon changing the mileage reimbursement rate in accordance with DOA standards and guidelines.
- 4. *The District should discontinue reporting route mileage associated with parent-provided transportation for open enrollment students who do not meet the eligibility requirements for the National School Lunch Program or have individual education plans that require transportation.*
 - a. Upon written clarification of this statute, the District immediately changed this procedure effective October 1st, 2007, therefore the District agrees with this recommendation.
- 5. *The District should create and use effective bus routes to maximize use of bus capacity. The District should also develop and monitor other performance measures, such as cost per rider and cost per mile.*
 - a. The District agrees and currently has governing board approved bus stops. The District will continue to monitor performance measures to ensure the efficiency of our transportation department.
- 6. *The District should ensure that bus preventative maintenance is conducted and documented as specified in the Arizona Department of Public Safety's Minimum Standards for School Buses and School Bus Drivers.*
 - a. The District agrees and will continue to do routine oil changes, filter changes, chassis lubes, brake changes, daily safety inspections, and yearly Department of Public Safety inspections.

CHAPTER 3: Plant operation and maintenance

The report states that SJUSD has a high per-pupil plant cost. However, SJUSD is actually running well below the state average when you consider cost per square foot. When analyzing the areas of plant operation and maintenance, there is no substance for evaluating these areas using per-pupil criteria. The costs in these areas are driven solely by the number of square feet you have to operate and maintain. The amount of square footage SJUSD maintains is not something that District officials can control at this point.

The report mentions some of the history that is pertinent to this chapter. The buildings in the District were built before "state funding equalization" went into effect. Because we have a large utility company in our district boundaries, the tax burden on the public tax payer for these incredibly nice facilities was at a minimum. Also, the fluctuation of employees at that utility company required that the community should have a school that could handle an unexpected influx of student population, therefore the need for a bigger school than the current population base dictated, was apparent.

It is important to understand that all figures used in this chapter were derived by the State School Facilities Board (SFB). The SFB determines the amount of square footage

each student needs, what is considered classroom square footage, and even measured SJUSD to provide square footage numbers. Including gymnasiums, auditoriums, and cafeterias as classroom square footage, and combining that with the explanation of state funding equalization, it is easy to understand why SJUSD operates below capacity.

- St. Johns USD's schools operate below capacity
 - When looking at this section of the report, it is important to understand the numbers used to determine "capacity". What is considered "capacity" for a classroom? What is considered "capacity" for a school? What is considered "capacity" for the District? "Capacity" is a formula driven number in which SFB controls all factors within the formula. If the District was to consider closing some buildings in the District to ensure it were operating at "capacity", that would mean the District would also be considering how to teach children in a gymnasiums, auditoriums and/or cafeterias that are not designed for instructional delivery.

The SJUSD governing board has always stressed the importance of having small class sizes to promote higher learning in the lower grade levels. At the upper grade levels, the District has carefully considered its' open enrollment policies and does all it can to attract students to its' schools. The District even offers transportation, up to 20 miles outside our district boundaries, which is legal by statute, for these students. The SJUSD governing board approved the opening of an alternative program in our District to attract students that it had lost to charter schools, home schooling, virtual schools or drop-outs. SJUSD is currently doing all it can to ensure that as many students as possible walk through the school doors each and every day.

- The District has larger than average facilities
 - Even with larger than average facilities, the maintenance and operation crew, administration, teachers and staff of the SJUSD do a phenomenal job of keeping the "cost per square foot significantly below both the comparable districts' and state-wide average...". (Auditor General Performance Audit, pg 17) Keep in mind that the amount of square footage the District maintains is not under its control.
- High per-pupil salary and benefit costs
 - If the District has a "cost per square foot significantly below both the comparable districts' and state-wide average...", one can deduce that the District has significantly lower salary and benefit costs per-square foot.
- Higher Per-pupil purchased service costs

Please see the explanation above. It applies to this area as well.

 - Water
 - As the report states, existing fields drive water costs in the District. The District has drilled another water well and has plans for a third one to alleviate some of these costs. The District also tracks monthly water bills to ensure that costs from prior years are being reduced, even with water rates increasing.
 - Telephone
 - After the date range of this report, the District upgraded its phone system which drastically reduced telephone bills by eliminating

various charges for multiple lines and long distance. Also, since deregulation of utilities went into effect, the District is now able to use state contract pricing for various telephone services that has and will continue to reduce costs. Finally, the District has maximized its use of e-rate in regards to telephone services, which won't reduce costs, but will increase revenues from e-rate vendors which can be spent in these, and other areas throughout the District.

- Insurance
 - The insurance company charges the District based off of square footage. Therefore this is directly linked to previous responses in this chapter.
- Higher per-pupil energy costs
 - Please refer to the explanation in the summary and other areas of this chapter regarding per-pupil numbers versus per square foot numbers.
 - Aside from using different numbers to look at this category, the District has done several things to ensure it is maximizing every dollar it spends on energy. The District has gone through all of its lighting and as bulbs go out, they are replaced with lower wattage bulbs. Ballasts in gym and classroom lights have been replaced with updated, more efficient models. Automatic light sensors have been installed in most of the buildings in the district. Old boiler units used for heating have been abandoned and replaced with a more efficient gas-pac unit that handles both heating and cooling duties. Finally, digital thermostats that are controlled only by building administrators and maintenance staff have been installed and programmed to heat and cool at opportune times.
 - Currently, the District uses the plan that is developed for the excess utilities report to research and implement utility cost saving ideas.
 - Currently, the Director of Finance tracks all energy bills to look for anomalies on a month to month basis.
- Closing or leasing space can help reduce costs
 - When the audit team came to District officials with this concern, the Superintendent immediately scheduled a work study session with the governing board. The decision of the governing board was to not close any parts of the school at this time. The District is always looking for people who want to lease space. There are records that show the District is currently charging groups to lease space but the demand for the use of district facilities is minimal.

Recommendations

1. *The District should evaluate whether some building space could be closed or leased to reduce facilities.*
 - a. The District agrees with this recommendation. This has been discussed and closing parts of the District are not favorable at this time. The District will continue to market its space for leasing purposes.
2. *The District should continue with its plans to reduce utility costs, as described in its annual Excess Utilities Report and Expenditures Plan and continue identifying*

ways to lower utility usage based on each school's particular facilities and equipment. Further, the District should educate staff and students about energy conservation and encourage them to conserve energy.

- a. The District agrees, and will continue to look for ways to conserve energy.

CHAPTER 4: Proposition 301 monies

Proposition 301 has undergone some legislative changes since being put into place by the voters of Arizona. Originally when the money from this proposition began filtering into schools, districts were charged with distributing this money on a “cash” basis as it filtered in. In other words, districts could not set a budget and distribute monies up to that budget limit, but rather had to wait and see how much money they received and distribute it then. This created some issues as there was lag time between the collection of the money from the taxpayers, and the distribution to districts. Several districts in the state began to overspend this account and ended up with huge deficits. The legislature stepped in and changed this fund from a “cash” operated fund to a “budget” operated fund. Each year the State publishes a budget figure with which districts calculate the approximate amount of money they will receive. Districts then distribute that money based on those calculations each year. Because there have been overestimates on the figure published by the state, again, several districts are operating this fund in a deficit amount.

SJUSD still operates this fund on a cash basis, relieving the State of having to come up with a way to fix a deficit in this fund. The other districts in Arizona that are operating with a deficit amount have pushed the legislature to come up with a solution to their deficit. The lag issues have been remedied, therefore SJUSD waits until the last payment comes in each year, and then distributes the money to its employees on an actual cash basis in June. This keeps SJUSD from running the funds associated with 301 monies in a deficit, in turn saving the State money.

- Proposition 301 plan was incomplete

In the statute that governs Proposition 301 money, the law is very vague when it comes to the things listed in this report. For instance, the law does not stipulate that the district must specify how performance pay is to be allocated, how base pay and menu monies are to be spent, and who is eligible for increases. It also does not stipulate what the goals must be in order for the qualified people to receive these monies. Therefore, the District is currently following all current statutes related to Proposition 301.

- Base Pay

- In the base pay and menu items section of 301, SJUSD pays these monies out on a cash basis. Each year the District Director of Finance looks at these accounts for revenues collected. After careful consideration of the revenues, he calculates how much of each one of these accounts can be put into the base pay of the teacher salary placement schedule. He also takes into account other things that might need to be purchased from the menu section and leaves a cushion in that fund for those purchases. By analyzing the actual cash balance in these funds each year, the District is able to maintain a positive cash balance, while still getting as much of this money to the teachers as possible.

- Menu Options
 - Post FY2006, not only does the District use these monies for teacher compensation increases, the District spends these monies on an alternative education plan to reduce drop-out rates, pays a portion of the liability insurance premiums reducing the load on the maintenance and operation budget, which in turn leaves more money for other educational needs, funds AIMS intervention classes at the high school, and pays for teacher improvement classes and seminars. With all of those items considered, the District uses this fund to pay for all of the items listed in the statutory menu.

Recommendations

1. *The District should ensure that its Proposition 301 plan describes the positions that are eligible for each type of pay increase, the expected amount of each type of pay increase, and the allowable menu option(s) being addressed.*
 - a. The District agrees and will ensure that its Proposition 301 plan is in line with current statutes as it has been in the past.

CHAPTER 5: Classroom dollars

The numbers from this section are obtained by analyzing a report of expenditures taken from the Uniform Chart of Accounts. The data for this report was gathered for the 2005/2006 fiscal year when the District was undergoing major changes in the business office. The business office is directly responsible for ensuring the Uniform Chart of Accounts is used correctly.

- The District did not accurately report instruction and other costs
 - It is a well known fact among business managers around the state the complexity of the educational expenditure coding system, known as the Uniform Chart of Accounts. In a class that was attended by the Districts' Director of Finance, there were approximately 50 business managers from various districts around the state. In that room, there were many years of school business experience, with varying levels of understanding. During an exercise in that class, the participants were asked to code a few expenditures that might occur at your typical Arizona public school. Upon review of the exercise, it was very evident that the Uniform Chart of Accounts may not be so uniform. While some of the expenditures were coded the exact same by all participants, many expenditures were coded differently by each and every business manager. When studying the Uniform Chart of Accounts, there are literally millions of different combinations possible when coding expenditures.
 - This report refers to some payroll expenditures being coded improperly. The District still feels that the audit team removed things from the educational expenditures that should not have been removed. For example, the "assistant principals" that were removed should be coded to instruction. At SJUSD the "assistant principals" are actually deans of students. They spend the majority of their day dealing with student issues,

- like discipline, scheduling, covering for a teacher in an emergency, and monitoring students during free times such as recess and lunch, etc.
 - Student support services, such as student travel costs are considered educational expenditures by the District. Money spent directly on the student is an educational expense in the opinion of the District.
- St. Johns USD spent more per pupil than the comparable districts' and state averages
 - Transportation
 - This area has been discussed in previous chapters of this response. Everything that is currently being done is legal by statute.
 - Excess Utilities
 - Again, this area needs to use square footage and not number of pupils as its baseline. Aside from that, the District spends far less than the comparable districts and state average on excess utilities.
 - Additional Special Needs Monies
 - The District has a very high percentage of special needs children in attendance. This is not something the District can control. If we are teaching special needs children, then we need to be getting the funding for them.

“The Arizona Department of Education has released the Special Education Cost Study for the 2006-07 school year. This most recent cost study indicates that the existing state funding formula for K-12 schools does not fund the full cost of special education programs. The current report found that special education programs for K-12 school districts were under funded by \$81.5 million for the 2006-07 school year.” (Special Education Cost Study.

www.aasbo.org)

In the ELL chapter of this report, the audit team recommends that the District should apply for all available ELL funding. This in turn would increase District revenues, which is being portrayed negatively in this report.

Recommendations

1. *The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.*
 - a. The District agrees and works hard to ensure all transactions are coded in accordance with the USFR. The District will continue to expend funds to properly train staff members in the appropriate use of the USFR chart of accounts.
2. *The District should closely analyze its spending in noninstructional areas to determine if savings can be achieved and whether some of these monies can be redirected to the classroom.*

- a. The District agrees with this recommendation. However, this recommendation is open-ended. The District employs a Director of Finance that is continually looking for ways to get more dollars in the classroom. The Director of Finance regularly meets with the administrative team in the District to discuss and analyze spending practices. This recommendation has been practiced since January 2006, and will continue as long as the current Director of Finance is employed by the District.

CHAPTER 6: English Language Learners programs, costs, and funding

ELL programs and requirements are still being debated and litigated. The District will comply with all ELL program requirements as they become available. The date scope of this report was for fiscal year 2005/2006 and the statutes and recommendations regarding this chapter are not solidified by law as of the date of this response. All of this is still undecided, and the District will remain fiscally responsible by not spending money on programs and models that are not required.

- **District's ELL Program**

There is currently a model being developed for use with Navajo students, which may impact how the District implements the upcoming programs.

- **District's mainstream program**

- The District has taken pride in developing a program that mainstreams all special needs children. The academic gains that are being realized because of this program are incredible. In conflict with the report, the District employs more than one instructional aide to assist English language learners in the classroom.
- The models that have been adopted in 2007, will go into effect in 2008. Until that time, there may be many changes to those models, as there has been with many of the areas of ELL.

- **Compensatory Instruction**

- The District filed the application for compensatory instruction funding but has not received anything back from the Office of English Language Acquisition.

- **District's ELL funding and costs**

The group-B weight monies have long been contested as to covering the actual costs to educate a student with the specific disability among all categories of special education. This is not different for ELL group-B monies. Group-B monies are simply not enough to fund the education of ELL children as prescribed in the state adopted models.

The District has worked hard to overcome challenges with the ELL reporting procedures and the States Student Accountability Information System. Several factors influenced the misrepresentation of District ELL numbers, one of which was the communication between SAIS and the Districts' student information data base. SJUSD is not the only district to experience this problem. It is also important to note that the District under-reported, which shorted the District of ELL funding.

- **New fiscal year 2007 accounting requirements**

- The District has implemented the new accounting requirements for fiscal year 2007. The District is finding it difficult to identify incremental costs because the criteria have not yet been set forth by the ELL Task Force.

Recommendations

1. *The District should accurately report its ELL student information, such as proficiency-testing results, in a timely manner.*
 - a. SJUSD agrees, and the District will continue to train its employees to accurately report ELL information.
2. *By fiscal year 2009, the District should develop its ELL program to comply with statutory requirements and the newly adopted SEI models to provide 4 hours of English language acquisition to first-year ELL students.*
 - a. The District agrees with this recommendation. The report covers FY05/06 and these SEI models were not adopted until 2007. Also, there are other options in regards to the ELL program that do not require the 4 hours of English language acquisition. The District will fully comply with all statutory requirements as they come into effect.