

Mobile Elementary School District

CONCLUSION: In fiscal year 2016, Mobile ESD's student test scores on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS) were not compared to peer district averages because ten or fewer of the District's students took each test section. Although the District spent more per pupil than its peer districts averaged in all noninstructional areas, most of its operations were reasonably efficient for its small size. However, its administrative costs were much higher than peer districts', on average, in part because of its superintendent's salary. Additionally, the District needs to strengthen some of its accounting and computer controls and improve its transportation program oversight. Finally, the District likely has options to improve its operational efficiency and lower its costs, and it is important that Mobile ESD closely monitor and control its spending because it may be limited in its ability to generate additional revenues if needed.

Student achievement and operational efficiency

Student achievement—In fiscal year 2016, Mobile ESD's student test scores on AzMERIT and AIMS were not compared to peer district averages because ten or fewer of the District's students took each test section.

District operated with high costs primarily because of its small size—Although Mobile ESD spent more per pupil than its peer districts averaged in all noninstructional areas in fiscal year 2016, most of its operations were reasonably efficient for its small size. The District's costs were higher per pupil primarily because it served fewer students. However, its administrative costs were much higher than peer districts', on average, in part because of its superintendent's salary. The District's per pupil plant operations costs were high primarily because the District had building capacity for far more than its 12 attending students, but there is little the District can do to reduce the excess square footage because it has just one small campus. Similarly, the District's food service program's costs were high and reflect the much smaller size of the District's program, which served about 80 percent fewer meals than the peer districts, on average. The District's transportation program costs were also high, but its one bus route was reasonably efficient considering the District's small size.

Comparison of per pupil expenditures by operational area Fiscal year 2016

	Mobile ESD	Peer group average
Administration	\$17,178	\$2,987
Plant operations	10,833	2,523
Food service	2,235	918
Transportation	1,742	1,108

District had much higher administrative costs and needs to strengthen accounting and computer controls

Much higher administrative costs—In fiscal year 2016, Mobile ESD spent \$17,178 per pupil on administration, much more than the peer districts' \$2,987 average, partly because it served fewer students than peer districts, on average, and therefore, costs were spread across fewer students. However, the high costs were also the result of the District employing a full-time superintendent with a relatively high salary. Further, in fiscal year 2017, Mobile ESD increased the Superintendent's salary 24 percent, which will further increase future administrative costs.

Some accounting and computer controls need strengthening—In fiscal year 2016, Mobile ESD lacked adequate accounting and computer controls, which exposed the District to an increased risk of errors, fraud, and unauthorized access to critical information technology systems. Specifically:

- **Employee payments not always accurate**—We reviewed 15 employees' records and found that the District overpaid 1 of its hourly employees by about \$2,500 in fiscal year 2016.
- **Performance pay awarded, but no documentation that goals were met**—The Superintendent was paid \$4,160

of performance pay, but the District was unable to provide documentation of what the approved goals were or that the Superintendent met the goals. Further, the District paid two additional employees performance pay of \$500 each without documentation that they had met their goals.

- **Untimely payments resulted in late fees and finance charges**—The District paid \$541 in late fees and finance charges to credit card companies because it did not make payments in a timely manner.
- **Poor lease agreement oversight**—The District leases a portion of its land to an external entity, but we were unable to determine if the entity was being charged correctly because the rental rate was left blank in the signed lease agreement. Further, the District was unaware that it had not received the July 2015 lease payment until May 2016, when the external entity brought it to the District’s attention.
- **Expenditures not classified accurately**—The District did not accurately classify its 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. We identified errors totaling approximately \$83,128 of the District’s \$631,843 in operational spending.
- **Weak password requirements**—The District lacked adequate password requirements for access to its accounting and student information systems.
- **Broad accounting system access**—All three of the District’s accounting system users had full access to the system, giving them the ability to perform all accounting functions without an independent review and approval.

Recommendations

The District should:

- Determine and implement ways to reduce administrative costs.
- Pay its hourly employees for only the actual number of hours they worked.
- Pay performance pay only for goals that were met and retain adequate supporting records.
- Implement proper controls to ensure timely payments and lease payment collections.
- Classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
- Implement proper controls over its accounting and student information systems.

District needs to improve transportation program oversight

In fiscal years 2016 and 2017, Mobile ESD lacked procedures to ensure that bus driver certification and bus preventative maintenance requirements were met. As a result, all three bus drivers experienced multiple lapses in various driver certification requirements. Additionally, the District performed only basic oil and filter services on its bus but did not perform other required inspections such as suspension, steering, exhaust, and brake inspections. The District also misreported the number of students it transported for state funding purposes.

Recommendations

The District should ensure that bus driver certification and bus preventative maintenance requirements are met and accurately calculate and report riders transported for state funding purposes.

District likely has options to lower costs

As discussed in more detail in the full report, Mobile ESD likely has options to improve its operational efficiency and lower its costs. Some options include sharing key positions, such as a superintendent, with other districts or paying an employee a stipend to perform the superintendent’s responsibilities instead of employing a full-time position. It is also important that Mobile ESD closely monitor and control its spending because it may be limited in its ability to generate additional revenues if needed because the Arizona constitution limits primary property tax rates.

Recommendation

The District should look for ways to improve its efficiency and lower its costs.