

Arlington Elementary School District

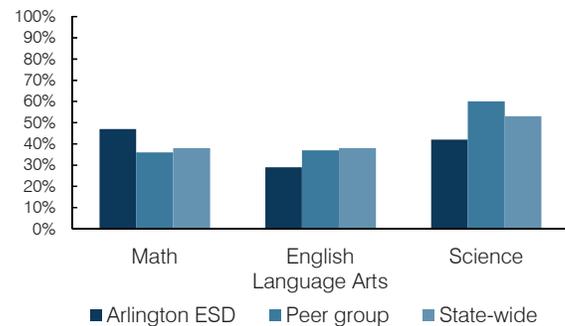
CONCLUSION: In fiscal year 2017, Arlington Elementary School District’s student achievement was similar to its peer districts’, and the District’s operations were reasonably efficient overall. Specifically, the District’s per pupil administrative costs were slightly lower than the peer districts’ average. However, the District needs to strengthen its accounting and computer controls. The District’s plant operations cost per square foot was much higher than the peer districts’ average primarily because of its higher water and energy costs. To the District’s credit, it has taken several steps to address these higher costs. The District’s food service cost per meal was slightly lower than the peer districts’ average, and district officials were reviewing options to further reduce future program costs. Finally, the District’s transportation costs per mile and per rider were both similar to peer districts’ averages because the District employed efficient practices. However, the District lacked adequate documentation to show that it regularly maintained and inspected its buses, and it misreported the number of riders transported for state funding purposes.

Similar student achievement and reasonably efficient operations

Student achievement similar to peer districts’—In fiscal year 2017, the percentage of Arlington ESD’s students who passed state assessments was higher than the peer districts’ average in Math, slightly lower in English Language Arts, and much lower in Science. In addition, the District’s school received a letter grade of B under the Arizona Department of Education’s A-F Accountability System for the 2016-2017 school year.

Reasonably efficient operations overall—In fiscal year 2017, Arlington ESD’s per pupil administrative costs were slightly lower than its peers’, on average, likely because some administrative employees also served in other nonadministrative positions. The District’s plant operations cost per square foot was much higher than the peer districts’ average primarily because of its higher water and energy costs. To the District’s credit, it has taken several steps to address these higher costs, including drilling its well deeper to reduce the amount of water it purchases and installing energy-efficient lighting in its gymnasium. The District’s food service cost per meal was slightly lower than the peer districts’ average, and district officials were reviewing options that would likely reduce future program costs. Finally, the District’s transportation costs per mile and per rider were both similar to peer districts’ averages because the District employed efficient practices, such as running relatively efficient bus routes and having bus drivers perform nontransportation duties in between morning and afternoon routes.

Percentage of students who passed state assessments
 Fiscal year 2017



Comparison of cost measures
 Fiscal year 2017

Cost measure	Arlington ESD	Peer group average
Administrative cost per pupil	\$1,149	\$1,231
Plant operations cost per square foot	8.22	6.81
Food service cost per meal	3.12	3.41
Transportation cost per mile	1.98	1.93
Transportation cost per rider	1,318	1,267

District needs to strengthen accounting and computer controls

District withheld and paid more monies to the Arizona State Retirement System (ASRS) than required, potentially increasing some employees' future retirement benefits—When the District calculated ASRS contributions, it incorrectly included payments to employees who chose not to receive health insurance through the District and payments to employees for unused vacation time, which should not be included as compensation for this calculation according to Arizona Revised Statutes §38-711(7). As a result, the District withheld a total of \$3,100 more than it should have from ten employees and paid over \$6,200 more to the ASRS than was required. Because contributions to the ASRS are used to calculate individual employees' retirement benefits, it is possible that these excess contributions could result in increasing these employees' future retirement benefits.

District did not accurately classify all its expenditures in the correct operational categories—The District did not accurately classify all its fiscal year 2017 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, the District's *Annual Financial Report* did not accurately present the report's users with the District's spending by operational category, such as instruction, administration, and food service. We identified classification errors totaling approximately \$233,000 of the District's total \$2.4 million in operational spending.

District incurred a financial loss on preschool and daycare program but has taken steps to reduce future losses—In fiscal year 2017, the District operated an on-site preschool and daycare facility at a loss of about \$170,000, although donations reduced the loss to about \$117,000. To the District's credit, district officials were aware of the loss and have started making changes to the program to reduce future losses.

Computer network and system password requirements were weak—We reviewed the District's password requirements for its computer network and accounting and student information systems and determined that they were weak. Strengthening password requirements would decrease the risk of unauthorized persons gaining access to sensitive information in the District's computer network and systems.

Accounting system users had broad access—We reviewed the District's accounting system user access report for the District's three users with access to the accounting system and identified that all three users had more access to the accounting system than they needed to perform their job duties. Such broad access exposed the District to an increased risk of errors and fraud, such as processing false invoices, changing employee payrates, or adding and paying nonexistent vendors or employees.

Recommendations

The District should:

- Include only those payments that meet the definition of "compensation" as outlined in statute when it calculates ASRS contributions and work with the ASRS to correct errors in past contribution payments.
- Classify all expenditures in accordance with the Uniform Chart of Accounts for school districts.
- Monitor and implement any necessary changes to minimize future preschool and daycare program financial losses.
- Implement and enforce stronger password requirements for its computer network and systems.
- Limit users' access to only those accounting system functions needed to perform their job duties.

District should improve controls over transportation program

Arlington ESD lacked adequate documentation to demonstrate that it regularly maintained and inspected its school buses. We reviewed fiscal year 2017 maintenance files for all eight of the District's buses and found that seven of the buses did not have documentation showing that preventative maintenance was performed in accordance with the District's preventative maintenance policy. Additionally, the District's documentation did not specify the specific procedures performed during the bus preventative maintenance or the specific inspections performed during pre-trip inspections. The District also misreported the number of students it transported for state funding purposes.

Recommendation

The District should ensure that bus preventative maintenance requirements are met and that it accurately calculates and reports riders transported for state funding purposes.