

# Northern Arizona Vocational Institute of Technology

District spent nearly \$4.4 million on career and technical education (CTE) programs in fiscal year 2021 but lacked key outcome data showing these programs effectively prepared students for high-need occupations, and accumulated almost \$10 million in fund balances by the end of fiscal year 2021 but did not have a policy directing the amount to be maintained in its general fund or its intended purpose

Performance Audit

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A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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September 27, 2023

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board  
Northern Arizona Vocational Institute of Technology

Mr. Matt Weber, Superintendent  
Northern Arizona Vocational Institute of Technology

Transmitted herewith is a report of the Auditor General, *A Performance Audit of Northern Arizona Vocational Institute of Technology*, conducted pursuant to Arizona Revised Statutes §§15-393.01 and 41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all the findings and recommendations and plans to implement all the recommendations. My Office will follow up with the District in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Superintendent Weber and District staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

## Northern Arizona Vocational Institute of Technology

District spent nearly \$4.4 million on career and technical education (CTE) programs in fiscal year 2021 but lacked key outcome data showing these programs effectively prepared students for high-need occupations, and accumulated almost \$10 million in fund balances by the end of fiscal year 2021 but did not have a policy directing the amount to be maintained in its general fund or its intended purpose

### Audit purpose

To determine if the District was meeting its statutory purpose to prepare students for high-need occupations, spending State monies appropriately, and following best practices.

### Key findings

- District did not consistently collect, validate, and use key student outcome data to help assess whether its CTE programs prepared students for high-need occupations; absent this data, District could not demonstrate the \$4.4 million it spent on programs in fiscal year 2021 was effectively used.
- District accumulated almost \$10 million in fund balances by end of fiscal year 2021 but did not have policy directing amount to be maintained in its general fund or its intended purpose.

### Key recommendations

The District should:

- Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data and developing a process to track all outcome data.
- Analyze CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.
- Implement the Government Finance Officers Association's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.
- Develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.



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## District overview

Northern Arizona Vocational Institute of Technology (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General’s [November 2020](#) and [October 2017](#) CTED special reports.<sup>1</sup>

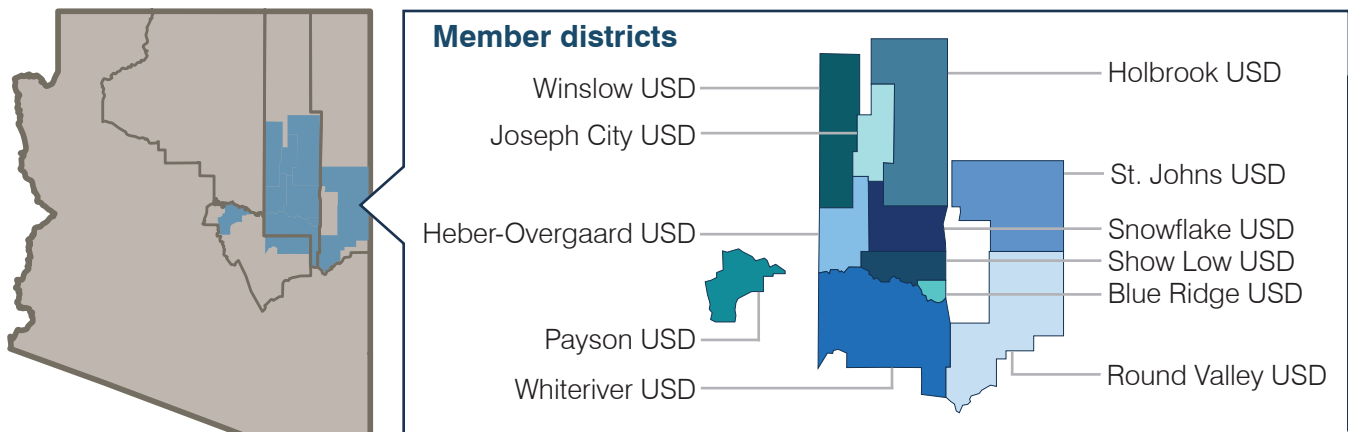
The District had 8 central programs with 299 enrollments and 26 satellite programs with 3,842 student enrollments in fiscal year 2021.<sup>2</sup> See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

### Key CTED terms

**Member districts**—Arizona public school districts that form or join a CTED.

**Satellite programs**—CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.

**Central programs**—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.



Total spending—\$4.4 million (\$1,062 per student enrolled)

Central programs—24%

Satellite programs—64%

Administration  
and support  
services—12%

## Audit results summary

### Key areas reviewed

**Central programs—spent almost \$1.1 million on central CTE programs, but lacked key outcome data to demonstrate that programs effectively prepared students for high-need occupations**

In fiscal year 2021, the District partnered with Northland Pioneer College and Eastern Arizona College through intergovernmental agreements (IGAs) to offer its central CTE programs. The District paid almost \$957,000 in tuition

<sup>1</sup> See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*.

<sup>2</sup> Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

## Key areas reviewed (continued)

and other fees for its students to attend programs through these community college partners in accordance with its IGAs. It also spent approximately \$109,000 primarily to purchase course textbooks, supplies, and materials for students enrolled in its central programs. However, despite spending nearly \$4.4 million on CTE programs in fiscal year 2021, the District lacked key outcome data to demonstrate that these programs effectively prepared students for high-need occupations (see Finding 1, page 3). See Appendix A, Table 2, on page a-2 for information on the District's central program spending by CTE program.

### **Satellite programs—spent almost \$2.8 million on satellite CTE programs, and no reported findings**

In fiscal year 2021, the District allocated \$2.47 million in satellite funding to its member districts in accordance with their IGAs and provided required professional development for satellite program teachers and evaluation and support for satellite programs. The District also spent over \$329,000 to purchase services and items for its satellite campus programs. We did not report any findings in this area. See Appendix A, Table 1, on page a-1 for information on the District's satellite program spending by member district.

### **Administration and support services—spent over \$500,000 on administration and support services, and did not have a policy regarding its fund balances**

In fiscal year 2021, the District's administration spending of \$368,025 was primarily to pay for administrative salaries and benefits, as well as accounting system and audit services. It also spent approximately \$161,000 on support services primarily for salary and benefits for its program director, janitorial service, internet service, and electricity. Additionally, the District accumulated almost \$10 million in fund balances by the end of fiscal year 2021 but did not have a policy regarding the amount to maintain in its general fund or its intended purpose (see Finding 2, page 7). See Appendix A, Table 3, on page a-3 for information on the District's administration and support services spending by category.





## District’s lack of key outcome data prevents it from demonstrating how the nearly \$4.4 million it spent on programs in fiscal year 2021 effectively prepared students for high-need occupations

### District is responsible for preparing students for high-need occupations and has been directed to collect, validate, and use key student outcome data to help assess program effectiveness

According to State statute, Arizona’s high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation.<sup>3</sup>

Additionally, statute requires CTEDs to provide ongoing evaluation and support of their member districts’ satellite campus programs to ensure quality and compliance.<sup>4</sup> Therefore, it is important that CTEDs determine whether their programs are preparing students for high-need occupations and then use that information to evaluate and support their member districts’ satellite campus programs to ensure quality and compliance. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including number of students obtaining postgraduation employment related to their CTE program and number of students earning industry certifications. Additionally, recent reports from national research organizations like Advance CTE have also identified these student outcome measures as important for evaluating CTE programs’ effectiveness.<sup>5</sup> These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

#### Key term

**High-need occupations**—occupations that the Arizona Office of Economic Opportunity and the Arizona Department of Education (ADE) have identified as being high-skill, high-wage, or in-demand occupations within the State.

Consistent with these national research organization reports, the District and other CTEDs and ADE have been directed to collect and report data related to student postgraduation employment and industry certifications

<sup>3</sup> Arizona Revised Statutes (A.R.S.) §§15-781, 15-391.

<sup>4</sup> A.R.S. §15-393(L)(10)(b).

<sup>5</sup> Advance CTE is a national nonprofit that represents state CTE directors and leaders and seeks to advance high-quality CTE policies and best practices. New Skills for Youth, Advance CTE, Council of Chief State School Officers, Education Strategy Group, Data Quality Campaign, and Workforce Data Quality Campaign. (2019). *The state of career technical education: Improving data quality and effectiveness*; Retrieved 5/24/22 from [https://cte.careertech.org/sites/default/files/files/resources/State\\_CTE\\_Data\\_2019.pdf](https://cte.careertech.org/sites/default/files/files/resources/State_CTE_Data_2019.pdf); New Skills for Youth, Council of Chief State School Officers, Advance CTE, Education Strategy Group, and Achieve. (2019). *Making career readiness count 3.0*. Retrieved 12/7/22 from [https://cte.careertech.org/sites/default/files/files/resources/Making\\_Career\\_Readiness\\_Count\\_2019.pdf](https://cte.careertech.org/sites/default/files/files/resources/Making_Career_Readiness_Count_2019.pdf); and Results for America and MDRC. (2019). *What works in career and technical education: Evidence underlying programs and policies that work*. Retrieved 12/7/22 from <https://www.mdrc.org/sites/default/files/What-Works-in-Career-and-Technical-Education.pdf>.

earned to assess their CTE programs' effectiveness in preparing students for high-need occupations as follows:

- To implement accountability measures for Arizona CTE programs and to help ensure CTE programs equip students with the tools needed to enter the workforce after high school in jobs that demand highly skilled employees, statute requires ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTED's annual achievement profiles.<sup>6</sup> Further, in our October 2017 and November 2020 Arizona CTED special studies, we recommended that CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, and use this data to help evaluate the effectiveness of their CTE programs in preparing students for jobs related to their CTE program.<sup>7</sup>
- To determine CTE programs' quality and compliance with statutory requirements, CTEDs, member districts, and ADE collaborated to create the *Quality and Compliance Monitoring Document* (Monitoring Document), which ADE began using to review CTED programs in fiscal year 2021. The Monitoring Document identifies the collecting, reporting, and use of data for continuous evaluation and program improvement as an element of a quality CTE program. Specifically, the Monitoring Document indicates that CTEDs should collect valid and reliable outcome data, including student postgraduation employment and industry certification information, to determine whether CTE programs meet State-determined performance levels.<sup>8</sup> The Monitoring Document also specifies that CTEDs should implement a formal process for the systematic and continued use of data for program improvement, which should include a professional development plan to teach CTE staff and teachers how to use and analyze data for program improvement.
- To comply with federal Perkins Act accountability requirements, districts that received federal Perkins Act funding were directed to track and report student postgraduation employment data and industry certifications students earned to ADE.<sup>9</sup>
- To receive Arizona Industry Credentials Incentive Program (Incentive Program) monies, districts that voluntarily participated in the Incentive Program were required to track and report student industry certification data to ADE.<sup>10</sup>

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<sup>6</sup> Laws 2016, Ch. 4, §§4,8, enacted A.R.S. §15-393.01 and included legislative intent language that stated that CTEDs "are an important component of a well-rounded education system by providing access to Career and Technical Education programs that offer training to students to equip them with the tools needed to enter the workforce after high school in jobs that demand highly-skilled employees. Restoring funding to CTEDs and implementing accountability measures to the programs was an important priority of members of the Arizona House of Representatives."

<sup>7</sup> See Arizona Auditor General reports 17-212, *Joint Technical Education Districts*, and 20-209, *Career and Technical Education Districts (CTEDs)*. In May 2023, we issued a follow-up report on the implementation status of the recommendations from our November 2020 special study. Of the 10 recommendations made in our report, we found that 8 were in the process of being implemented, and 2 had not been implemented.

<sup>8</sup> The State-determined levels of performance for each measure are included in the State's *Perkins V State Plan* that ADE submits to the U.S. Department of Education for review and approval.

<sup>9</sup> The Perkins Act requires each state receiving Perkins Act funding to report certain outcome measures, such as positive student placements, meaning that students are employed, attending postsecondary school, or serving in the military or on a religious mission. Beginning in fiscal year 2020, states were also required to report industry certifications earned by students. The District's member districts receive federal Perkins funding, but the District's central programs do not apply for and receive federal Perkins funding.

<sup>10</sup> A.R.S. §15-249.15. The Incentive Program provided an incentive award of \$1,000 to school districts, charter schools, and CTEDs for high school graduates who complete a CTE program and obtain a qualifying certification, credential, or license. The District and its member districts were eligible to participate in the Incentive Program in fiscal year 2021. The Incentive Program has not received additional funding since fiscal year 2022, and ADE retained unexpended monies from previous fiscal year appropriations. For fiscal year 2023, ADE plans to distribute incentive awards based on the CTE programs for high-need sectors for the 2022-2023 school year.

## **District did not consistently collect, validate, and use data to help assess whether its programs successfully prepared students for high-need occupations and led them to earn industry certifications**

### **District did not consistently collect, validate, and use complete student employment data to help assess program effectiveness in preparing students for high-need occupations—**

Although in fiscal year 2021 the District and its member districts collected and reported to ADE some postgraduation employment data for former students who had completed a CTE program, it did not collect all the data necessary to demonstrate whether students obtained jobs in high-need occupations. The District and its 11 member districts surveyed students who completed a CTE program to determine if they were employed in a job, enrolled in postsecondary education, or enlisted in the military, and were using skills and knowledge acquired in their CTE programs.<sup>11,12</sup> The District's member districts collected this information for satellite students and reported summary level information to ADE and the District, which did not include information about the number of students surveyed or responses received. However, the District did not have a process for validating postgraduation employment data to ensure that it was complete and accurate, despite ADE's Monitoring Document specifying the importance of valid and reliable outcome data. Therefore, it could not assess whether the placements were in high-need occupations. For example, in some cases, the District collected information about the specific jobs that its students obtained after graduation, such as mechanic, welder, and phlebotomist. However, in 57 of 84 surveys we reviewed identifying job placement for students who had graduated from a CTE program, the job information consisted only of the name of former students' employers, such as a tire or coffee shop, and did not include enough information for the District to assess whether students had filled high-need jobs or jobs related to their CTE program. As of August 2023, District officials reported that their processes for collecting, validating, and using student employment data to assess the District's CTE programs had not significantly changed since fiscal year 2021, the period under review.

### **District did not validate and use student certification data to help assess program effectiveness in preparing students for high-need occupations—**

In fiscal year 2021, the District collected data on certifications its students earned. However, the District did not validate some certification data it collected or use the data to assess program effectiveness in preparing students for high-need occupations. Specifically, the District obtained information on certifications that central program students earned from its community college partners, and member districts obtained certification data directly from the certification testing organizations because satellite teachers typically proctored the certification exams and received the results directly from the testing organizations. For some certifications, the District's community college partners and member districts submitted copies of the certifications earned to the District. However, for some program certifications, the District only received spreadsheets identifying which students earned a certification without copies or other evidence to support the certification. The District did not validate the certification data it received in these spreadsheets to ensure that it was accurate. Additionally, the District did not use this data to assess program certification rates and program effectiveness in preparing students for high-need occupations. As of August 2023, District officials reported that their processes for validating and using certification data to assess the District's CTE programs had not significantly changed since fiscal year 2021, the period under review.

### **District did not demonstrate that its CTE programs were successful in filling high-need jobs and leading to certification—**

Without collecting, validating, and using complete and reliable key outcome data about jobs obtained and certifications earned by its students, the District could not demonstrate to students, parents, the public, and State policymakers that its programs were effective in achieving the statutory purpose of preparing students for entry into high-need occupations. Although the District may be able to show that a student in 1 program obtained a job post-graduation related to their CTE program or another student in a different program obtained a certification, absent complete and reliable key outcome data, the District could not

<sup>11</sup> The survey also counted participation in the Peace Corps or participation in a service program that receives assistance through the National and Community Service Act of 1990 as placement.

<sup>12</sup> Based on the District records we reviewed, the District received responses to 117 of 185, or 63 percent, of the surveys it sent to central campus students. However, member districts are responsible for administering surveys for satellite campus students and the District did not have information about the survey completion rate for its member districts, which had nearly 4,000 student enrollments in fiscal year 2021.

demonstrate overall whether the nearly \$4.4 million it spent in fiscal year 2021 enabled its programs to meet the statutory purpose. Further, the District could not provide students and parents necessary information to know whether attending the District's programs would likely result in the student obtaining a high-need industry job. Finally, by not collecting, validating, or monitoring complete key student outcome data, the District was unable to know whether public monies used on its specific programs may have been better spent on other more effective programs and whether significantly higher or lower spending per enrollment for the same program at different satellite districts was justified and appropriate. For example, when comparing fiscal year 2021 program costs per enrollment for welding technologies programs at 2 member districts with similar enrollment numbers, we identified that 1 program spent \$863 per enrollment while another member district spent \$1,654 per enrollment, or over 90 percent more per enrollment. Without key data to assess program outcomes, the District could not determine whether the member district that spent nearly double per enrollment for its welding program resulted in more student certifications earned or placements in high-need occupations.

## **District reported it did not collect, validate, and use certain student employment and industry certification data because it was focused on general assessments of its programs**

According to District officials, the District did not consistently collect, validate, or analyze data on postgraduation jobs to determine whether the jobs obtained were in high-need occupations because it has focused more on ensuring that its students earned industry certifications. District officials indicated that they believe industry certifications are foundational to getting jobs in high-need occupations and therefore want to establish good certification outcomes before they shift their efforts to ensuring students obtain jobs in high-need occupations. However, as discussed above, the District did not validate and analyze certification data, which is necessary to determine whether its programs lead to certification and to help assess program effectiveness in preparing students for high-need occupations. Finally, the District reported hiring a data coordinator to implement new processes in December 2023 to collect data for fiscal year 2023 completers.

### **Recommendations**

The District should:

1. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.
2. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.



### **District accumulated almost \$10 million in fund balances by end of fiscal year 2021 but did not have policy regarding amount to be maintained in its general fund or its intended purpose**

#### **To help ensure public transparency and accountability, best practices recommend District establish a fund balance policy for unspent monies in its general fund**

The Government Finance Officers Association (GFOA), an association of over 20,000 public finance officials whose mission is to advance excellence in public finance, recommends that governments, including school districts, establish a formal policy for general fund balances. Specifically, the policy should include how much should be maintained in reserve as well as the intended purpose for those balances.<sup>13</sup> The unrestricted fund balance in the District's general fund consists of monies that it is able to spend on any allowable purpose. The fund balance policy should be adopted by appropriate policy bodies. According to the GFOA, a government should consider its own unique circumstances and risks, including the predictability of its revenues and the volatility of its expenditures, when establishing this policy. Further, the GFOA recommends a government include in its formal policy the identified risks and other factors that were considered when adopting its fund balance policy to help explain to stakeholders the rationale for a seemingly higher than normal fund balance. Finally, although there are no general Arizona school district-specific requirements regarding how much they can or should maintain in their general fund or for what purpose, the GFOA recommends that governments, including school districts, maintain a fund balance of at least 2 months of operating expenditures or revenues but notes that this can vary significantly based on each government's unique circumstances.

### **District did not have policy to direct amount and purpose of its nearly \$6.6 million unspent general fund monies at end of fiscal year 2021**

The District ended fiscal year 2021 with nearly \$6.6 million in unrestricted and unspent monies in its general fund but did not have a formal policy specifying the amount to be maintained in its general fund or purpose for those monies as recommended by best practices. District officials stated that they were not aware of GFOA's recommendations and did not know that having such a policy was a best practice. As of August 2023, the District had not adopted a formal fund balance policy.

The District's large fund balance in its general fund was the result of its annual revenues, which are primarily generated by the District's central and satellite programs, consistently exceeding its expenditures. The GFOA recommends a general fund balance of (at least) 2 months of operating expenditures or revenues. The District's unrestricted fund balance of \$6.6 million in its general fund at the end of fiscal year 2021 was approximately 18 months of operating expenditures, or 1.5 times its fiscal year 2021 general fund expenditures of \$4.3 million. In

<sup>13</sup> Government Finance Officers Association (GFOA). (2015). Fund balance guidelines for the General Fund. Retrieved 8/11/2023 from <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund>.

terms of revenues, the District's general fund balance was almost 15 months of general fund revenues. These amounts well exceeded the GFOA-recommended fund balance amount in the general fund and absent a formal fund balance policy for its general fund, the District was unable to demonstrate the purpose of its \$6.6 million unrestricted fund balance in its general fund.

## **District had another \$3.2 million in unspent restricted monies and should consider any restricted monies available for general fund purposes when setting general fund balance policy**

**District should consider monies available in all funds when establishing fund balance policy for its general fund**—The GFOA's guidance states that financial resources available in other funds should also be considered when assessing the adequacy of the unrestricted fund balance in the general fund. Some balances in restricted funds may include resources available to pay for items that typically would require the use of the unrestricted fund balance monies and, in those cases, should also be considered when establishing a fund balance policy for the general fund. Accordingly, the District should assess whether monies in its restricted funds are available for general fund purposes when developing a fund balance policy for its general fund.

Additionally, the District stated in its fiscal year 2021 financial statements disclosure that when it incurred an expenditure that could be paid from either restricted or unrestricted fund balances, it used restricted fund balances first. The possibility of the District's continued expenditure, when allowable, of restricted funds before unrestricted funds further supports its need to consider the availability of restricted monies when establishing a fund balance policy for its general fund.

**The District had over \$1.8 million in unspent monies in its fiscal year 2021 Classroom Site Fund (CSF) fund balance**—In fiscal year 2021, CSF monies were primarily restricted to be spent on teacher compensation and had to be spent to supplement and not supplant spending from other sources. However, since the District's central students attended CTE courses through community college partners with teachers employed by those colleges, the District did not employ any teachers. Because the District did not hire teachers to provide CTE instruction to its central campus students, it was unable to spend much of its CSF monies. Our October 2017 special audit on Joint Technological Education Districts (now referred to as CTEDs) addressed this issue of unspent CSF monies.<sup>14</sup> We recommended that CTEDs work with the Arizona Department of Education and its legal counsel to determine what options for spending these monies might be available.

In response to our 2017 special audit, the District worked with its legal counsel and adopted and implemented a CSF plan to spend down its CSF fund balance. The District primarily spent its CSF monies to pay satellite program teachers for curriculum development and attending career and technical student organization (CTSO) events and professional development trainings.<sup>15</sup> As a result of its plan, the District's CSF spending increased each year from fiscal year 2016 to fiscal year 2020, increasing from \$0 to over \$71,000 of annual spending. However, its CSF spending decreased to less than \$42,000 in fiscal year 2021, which, according to the District, was due to the COVID-19 pandemic and the associated decrease in CTSO events and training opportunities. Despite the District's efforts to spend down its CSF fund balance since fiscal year 2017, it grew by more than 23 percent to over \$1.8 million in fiscal year 2021.<sup>16</sup>

**The District had \$1.3 million in unspent restricted fund balances at the end of fiscal year 2021**—These monies were restricted to use primarily for instructional programs; instructional improvement; and community academic and skill development. Monies in some of these funds, like its Instructional

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<sup>14</sup> See Arizona Auditor General report 17-212, *Joint Technical Education Districts*.

<sup>15</sup> CTSOs are intracurricular, organized groups established for students in CTE courses to further their knowledge and skills by participating in real world activities, events, and competitions.

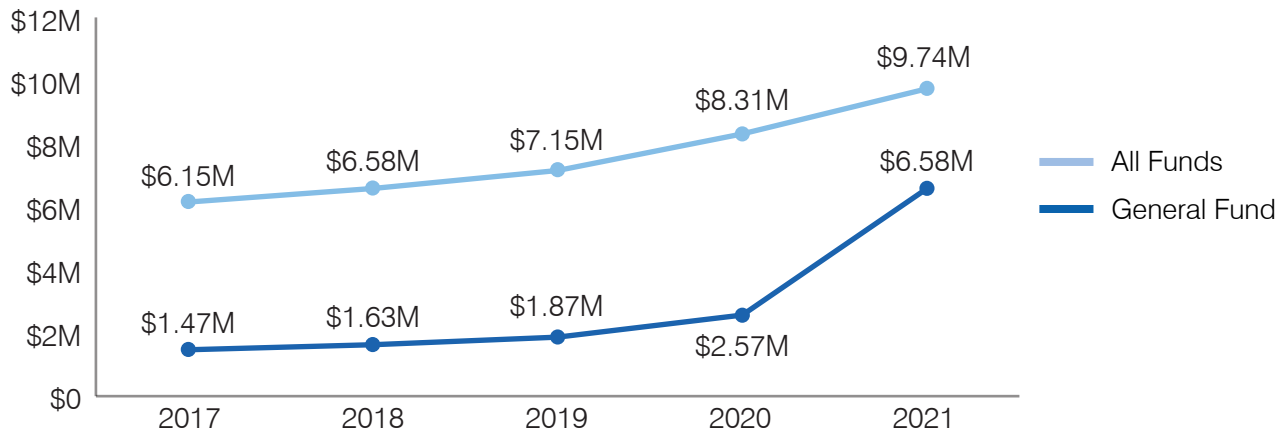
<sup>16</sup> Although not included as part our review, in fiscal year 2022, the District spent approximately \$91,000 in CSF monies, and its CSF fund balance, at the end of fiscal year 2022, increased to approximately \$1.9 million.

Improvement Fund and Community School Fund, were restricted to supplement spending on specific general fund purposes or allowed to be used for general fund purposes once other spending requirements in these funds had been met.

## Large fund balances accumulated due to statutory change and District’s response to perceived risks and possible growth

As shown in Figure 1, the District’s total fund balances (see All Funds trend line)—both unrestricted general fund and restricted funds—have increased annually between fiscal years 2017 through 2021. Part of the growth in total fund balances was due to annual growth in the District’s general fund, also shown in Figure 1.<sup>17</sup> The District’s general fund was able to accumulate a large fund balance annually partly because of a 2016 State law change. Before the change, school districts were restricted to carrying forward only 4 percent of their revenue control limit in their Maintenance and Operation (M&O) Fund’s (included in its general fund) budget balance to the next fiscal year. In fiscal year 2016, the Legislature eliminated the 4 percent budget balance carryforward cap and also removed the statutory requirement for school districts to use any remaining cash balances beyond the cap to reduce taxes.<sup>18</sup> These changes have allowed the District’s M&O Fund’s budget balance to grow well beyond what the cap would have allowed.

**Figure 1**  
District’s fund balances increased annually between fiscal years 2017 through 2021



Source: Auditor General staff analysis of District’s audited financial statements’ending fund balance data for fiscal years 2017 through 2021.

The District’s superintendent and business manager indicated in April 2022 that the District’s accumulation of unspent monies was its response to perceived risks, as well as its preparation for possible future growth. Specifically, the superintendent and business manager stated that they have felt a level of financial insecurity since fiscal year 2012, when the State stopped providing funding for ninth-grade students enrolled in CTE programs. Additionally, District officials reported that they have been considering developing some unused District property in Snowflake, Arizona, to build a welding shop that would serve as a central welding program. Although District officials had preliminarily talked about the concept with a governing board subcommittee in February 2022, no formal plan had been proposed, voted on, or adopted by the subcommittee or the District governing board as of July 2023.

<sup>17</sup> The District’s general fund balance increased substantially in fiscal year 2021 due to a change that included its unrestricted capital outlay (UCO) fund being included in its general fund. Governmental accounting standards require that any fund that is not appropriately classified in another fund type be reported in the general fund. Based on that guidance, the funds combined in the general fund can change from year to year. The District’s unrestricted capital outlay fund had previously been reported outside the general fund in fiscal years 2017 through 2020.

<sup>18</sup> Laws 2016, Ch. 364, §§1 and 2.

## District's fund balances do not appear to be the result of underfunding its CTE programs

In April 2022, we visited 15 of the District's CTE classrooms at 5 of its 11 satellite campuses and 2 of its 7 central campuses. During our visits to the CTE classrooms, we did not observe substantial differences in equipment between the same programs at different campuses. We also did not observe any CTE classroom facilities that appeared clearly substandard and underfunded. Moreover, we interviewed teachers in each CTE classroom we visited, and 13 of 15 teachers told us that they did not have unmet equipment or funding needs in their classrooms and programs. Two teachers told us that there were specific pieces of equipment that they would like to have in their programs that they did not currently have. However, in both cases, the CTE teachers had not requested funding from the District in their programs' annual budgets to purchase those pieces of equipment and, as a result, the District's administrators were unaware that those teachers wanted additional equipment for their programs.

While the District's programs do not appear to be underfunded based on our observations and the District's budget request process, opportunities may exist for the District to spend its fund balance in its general fund, above any cap it may adopt in its policy, on efforts to improve its key student outcomes and improve its efficiency. Specifically, the District could explore whether it needs additional personnel:

- To collect, validate, and analyze program certification and job data. With complete and high-quality data, the District could evaluate whether its programs prepare students to earn certifications and fill jobs in high-need occupations.
- To develop, implement, and monitor policies and procedures to improve the effectiveness of the District's CTE programs, including increasing the number of students taking certification exams and filling jobs in high-need occupations.
- To assist its students in finding jobs in high-need occupations, such as guidance counselor positions.

### Recommendations

The District should:

3. Implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.
4. Develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

**District response:** As outlined in its [response](#), the District agrees with the finding and recommendations and will implement the recommendations.





# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 4 recommendations to the District

The District should:

1. Develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data (see Finding 1, pages 3 through 6, for more information).
2. Analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies (see Finding 1, pages 3 through 6, for more information).
3. Implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund (see Finding 2, pages 7 through 10, for more information).
4. Develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes (see Finding 2, pages 7 through 10, for more information).



## District’s fiscal year 2021 spending

Tables 1, 2, and 3 detail the District’s fiscal year 2021 spending. Table 1 shows the District’s spending for satellite programs shown by member district, the number of student enrollments in satellite programs at each member district, and the District’s spending per student enrollment at each member district.<sup>19</sup> Most of the District’s spending for satellite programs was in the form of allocation payments to its member districts in accordance with the intergovernmental agreements (IGAs) the District established with its member districts. In fiscal year 2021, the District received nearly \$3.85 million in revenues generated from student enrollments in satellite programs and spent approximately \$2.47 million on allocation payments to its member districts.

In addition to the District’s spending for satellite programs shown in Table 1, member districts spent over \$4.07 million in fiscal year 2021 on their satellite programs from other funding sources, primarily maintenance and operations monies. This spending is not included in the amounts shown in Table 1. A.R.S. §15-393 requires member districts to use the monies generated from student enrollments in satellite programs to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED.

**Table 1**  
**District spending for satellite programs by member district**  
**Fiscal year 2021**

Member district	District spending amount	Student enrollments	District spending per student enrollment
Blue Ridge Unified School District	\$419,450	893	\$470
Snowflake Unified School District	361,772	648	558
Holbrook Unified School District	334,803	179	1,870
Show Low Unified School District	327,878	319	1,028
Whiteriver Unified School District	317,159	325	976
Winslow Unified School District	289,898	361	803
Payson Unified School District	284,913	468	609
Round Valley Unified School District	199,571	277	720
St. Johns Unified School District	121,415	131	927
Heber-Overgaard Unified School District	73,690	132	558
Joseph City Unified School District	69,369	109	636
<b>Total</b>	<b>\$2,799,918</b>	<b>3,842</b>	<b>\$729</b>

Source: Auditor General staff analysis of fiscal year 2021 District-reported accounting and enrollment data.

<sup>19</sup> Enrollments may include a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Table 2 shows the District's spending for central programs shown by CTE program, the number of student enrollments in each CTE program, and the District's spending per student enrollment for each CTE program. The District partners with Northland Pioneer College and Eastern Arizona College through IGAs to offer its central CTE programs. In fiscal year 2021, the District paid almost \$957,000 in tuition and other fees for its students to attend programs at community college partners in accordance with its IGAs. The District's central program spending also includes course textbooks, supplies, and materials for students enrolled in its central programs.

**Table 2**  
**District spending for central programs shown by CTE program**  
**Fiscal year 2021**

CTE program name	CTE program description	District spending amount	Student enrollments	District spending per student enrollment
<b>Welding Technologies</b>	Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment	\$362,763	105	\$3,455
<b>Medical Assisting Services</b>	Provide medical office administrative services and perform clinical duties such as patient intake and care	168,012	55	3,055
<b>Cosmetology and Related Services</b>	Help others care for their hair, skin, and nails	232,535	52	4,472
<b>Nursing Services</b>	Provide routine nursing-related care of patients in hospitals or long-term facilities	108,186	40	2,705
<b>Automotive Technologies</b>	Repair, service, and maintain all types of automobiles	102,830	22	4,674
<b>Fire Service</b>	Apply principles, theory, and practices of fire operations and firefighting services	49,312	14	3,522
<b>Automation and Robotics</b>	Apply basic engineering principles and technical skills for industrial automation control systems and technologies with artificial intelligent management of machines	27,750	7	3,964
<b>Construction Technologies</b>	Apply technical knowledge and skills to residential and commercial building construction and remodeling	14,800	4	3,700
<b>Total</b>		<b>\$1,066,188</b>	<b>299</b>	<b>\$3,566</b>

Source: Auditor General staff analysis of ADE's CTE program descriptions and fiscal year 2021 District-reported accounting and enrollment data.

Table 3 below shows the District’s spending for administration and support services shown by spending category, including a brief description of the primary expenditures in each category, and the spending per student enrollment for each category. Spending per student enrollment in Table 3 is calculated using the District’s fiscal year 2021 total satellite and central program enrollment of 4,141.

**Table 3**  
**District spending for administration and support services**  
**Fiscal year 2021**

Spending category	Spending description	District spending amount	District spending per student enrollment
Administration	Primarily includes salaries and benefits for superintendent and business manager; and spending for accounting system and audit services.	\$368,025	\$89
Instruction support and student support services	Primarily includes salaries and benefits for program director and receptionist.	133,707	32
Other support services	Primarily includes spending for janitorial service, internet service, and electricity.	27,399	7
<b>Total</b>		<b>\$529,131</b>	<b>\$128</b>

Source: Auditor General staff analysis of fiscal year 2021 District-reported accounting and enrollment data.



## Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A) (9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2021 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues in this performance audit. These methods included reviewing CTE statutes, rules, and policies and procedures; interviewing District staff; and reviewing District documentation and information from the ADE website. We also used the following specific methods to meet the audit objective:

- To determine if the District spent CTED monies consistent with requirements and to enhance its central programs, we reviewed its detailed accounting records and intergovernmental agreements between the District and its community college partners, reviewed statutory requirements, and interviewed District staff. We also evaluated the District's fund balances in its general fund and restricted funds and interviewed District staff regarding the purpose of its accumulated fund balances.
- To determine whether the District spent CTED monies consistent with requirements and to enhance its satellite programs, we reviewed District *Annual Financial Reports* and audited financial statements, funding the District received for its central and member districts' satellite programs, allocations it made to its member districts, and its unspent fund balances; reviewed IGAs between the District and its member districts; researched best practices for fund balance policy; and interviewed District staff about whether the District had a policy pertaining to how much unspent monies the District could accumulate and for what purpose(s). We also toured some of the District's central programs and member districts' satellite programs and interviewed member district staff about their satellite program needs.
- To determine which outcome measure data the District collected and reviewed and whether it used that information to assess its programs' effectiveness in preparing students to earn certifications or licenses and for jobs in high-need occupations, as required by statute, we reviewed CTE performance measure reports and conducted interviews with District and member district staff.
- To assess the District's program spending and evaluate differences in per enrollment spending by program, we reviewed the District's and member districts' operating and equipment spending by program, calculated the District's and member districts' spending per enrollment by program, and compared this spending to the member districts' weighted average spending per enrollment by program. We also conducted interviews with District officials to assess whether the District monitored and investigated differences in program spending between member districts to ensure the differences in spending were necessary and justified and that programs were operating efficiently.
- Our work on assessing internal controls, including information system controls, included reviewing the District's policies and procedures; interviewing District staff; and, where applicable, testing the District's compliance with its policies and procedures, the *Uniform System of Financial Records for Arizona School Districts* and related guidance, and IT industry frameworks. We also evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2021 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed fiscal year 2021 detailed payroll and personnel records for the District's superintendent and business manager and

reviewed supporting documentation for 5 of the 913 fiscal year 2021 accounts payable transactions. We also evaluated other internal controls that we considered significant to the audit objectives, including controls over cash handling, credit card purchases, and any potential conflicts of interest.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District's governing board members, superintendent, and staff, as well as member districts' staff, for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE



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September 18, 2023

Lindsey A. Perry  
Arizona Auditor General  
2910 N 44<sup>th</sup> St, Ste 410  
Phoenix, AZ 85018

Dear Lindsey:

Please accept our district's response to the performance audit that has recently been completed. Both Christine Haidet and Beth Medley have been very cordial to work with and we are appreciative of the recommendations for improvements they have shared with us.

We look forward to working with your staff in the future and are equally looking forward to implementing additional changes. Should you have any further questions, please let us know.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matthew G. Weber", is written over a light blue horizontal line.

Matthew G. Weber  
NAVIT CTED Superintendent



**Finding 1:** District's lack of key outcome data prevents it from demonstrating how the nearly \$4.4 million it spent on programs in fiscal year 2021 effectively prepared students for high-need occupations.

**Recommendation 1:** The District should develop and implement consistent data collection protocols for all CTE programs to demonstrate compliance with statutory and ADE requirements and recommended practices. This includes collecting and validating complete data, such as data related to student certifications earned and post-graduate jobs obtained, as well as developing a process to track all outcome data.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: Navit has already hired a Data Coordinator who has been tasked with tracking student completion rates, industry credential attainment, and placement.

**Recommendation 2:** The District should analyze all CTE program outcome data to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations and to support the investment of any public monies.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: As part of our annual evaluation process, we will review Central and Satellite student data as related to industry credentials and placement.

**Finding 2:** District accumulated almost \$10 million in fund balances by end of fiscal year 2021 but did not have policy regarding amount to be maintained in its general fund or its intended purpose.

**Recommendation 3:** The District should implement GFOA's best practices recommendations and develop and implement a formal fund balance policy for its general fund regarding the level and purpose of those monies, including considering the financial resources available in other funds when assessing the adequacy of the unrestricted fund balance in the general fund.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: The District will create a policy that will govern fund balances relative to GFOA's best practices recommendations.

**Recommendation 4:** The District should develop and implement a plan to spend on its CTE programs any unrestricted fund balance in its general fund that is greater than the level it has adopted in its formal fund balance policy, which may include spending to improve its key student outcomes.

District Response: The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

Response explanation: District will develop and implement a plan to spend unrestricted funds on CTE programs in accordance with new fund balance policy.

