



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Apache Junction Unified School District

FEBRUARY • 2009



Debra K. Davenport
Auditor General

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OFFICE OF THE
AUDITOR GENERAL

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February 12, 2009

Members of the Arizona Legislature

The Honorable Jan Brewer, Governor

Governing Board
Apache Junction Unified School District

Dr. Greg Wyman, Superintendent
Apache Junction Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Apache Junction 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 all 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 February 13, 2009.

Sincerely,

Debbie Davenport
Auditor General

DD:BL
Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Apache Junction Unified School District pursuant to 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) programs.

Administration (see pages 5 through 9)

Apache Junction USD's per-pupil administrative costs of \$698 were 10 percent higher than the comparable districts' average per-pupil costs of \$632. These higher costs were most evident in salaries and benefits. While about half of these higher costs were due to payouts for unused leave time for an unusually large number of retirements and resignations, the other half was due to the District's having more administrative positions. In addition, the District should better secure its accounting system. For example, some users had more access to the system than was necessary to perform their job responsibilities, and passwords were not adequately protected.

Student transportation (see pages 11 through 13)

In fiscal year 2007, the District spent \$2,492,438, or 6 percent, of its fiscal year 2007 resources on transportation, while the comparable districts' average was only \$1,144,361, or 3 percent, of available resources. This was primarily due to the large geographical size of Apache Junction USD and the distance to transport its students. Apache Junction USD covers 217 square miles, which is nearly double the

comparable districts' average of 113 square miles. Further, the District had only one high school and two middle schools and transported students from the entire district boundaries to those schools. The District's routes were efficient, operating at 75 percent of seat capacity, and the District also reported redrawing school boundaries for fiscal year 2009 in an attempt to further increase route efficiency. Establishing and monitoring transportation performance measures could help the District monitor costs and keep operations as efficient as possible.

Plant operation and maintenance (see pages 15 through 19)

Apache Junction USD's plant operation and maintenance costs were 20 percent higher per pupil and 17 percent higher per square foot than the comparable districts' average. As a result, the District spent 13.3 percent of its available operating dollars on plant operation and maintenance, while the comparable districts spent 11.7 percent. These higher costs are primarily due to having more plant operation and maintenance positions, high utility costs for a community park jointly operated with the City of Apache Junction, and a costly maintenance agreement for its copiers.

Proposition 301 monies (see pages 21 through 24)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Eligible employees received about \$4,000 of additional salary from Proposition 301 monies. However, the District awarded performance pay totaling about \$3,600 to three employees who were not eligible under its plan. Further, the District improperly spent about \$82,500 of menu option monies to pay for employee healthcare benefits for employees who were not eligible to receive Proposition 301 monies under statute.

Classroom dollars (see pages 25 through 27)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Therefore, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After correcting about \$1.3 million of misclassifications, Apache Junction USD's fiscal year 2007 classroom dollar percentage decreased by 1.4 percentage points to 54.4 percent. This adjusted percentage is about four percentage points below the state and comparable districts' averages, and about seven points below the national

average of 61.2 percent. Even with this lower percentage, the District's per-pupil spending in the classroom was similar to the comparable districts because it had more per-pupil resources available. These additional resources were primarily from voter-approved budget overrides, the excess utilities budget adjustment, and participation in the Career Ladder program. However, these additional resources may decrease or disappear in the future.

English Language Learner programs, costs, and funding (see pages 29 through 34)

Statute requires the Auditor General to review school district compliance with ELL requirements. In fiscal year 2007, Apache Junction USD identified approximately 5 percent of its students as English language learners and provided instruction for these students in mainstream and Structured English Immersion (SEI) programs. However, the District will need to modify these programs to comply with new instructional models being implemented under a 2007 Arizona statute. For example, statute now requires districts to provide ELL students with 4 hours of English language development. In addition, in fiscal year 2007, the District did not separately account for incremental ELL-related costs, and such costs could not be determined from the District's records.



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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Apache Junction Unified School District pursuant to 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.

Apache Junction USD is located approximately 35 miles east of Phoenix, encompassing about 217 square miles including the city of Apache Junction, Gold Canyon, and areas of Queen Valley. In fiscal year 2007, the District served 5,781 students attending 9 schools, in kindergarten through grade 12.

A 5-member board governs the District, and a superintendent, 2 associate superintendents, and 8 directors manage it. In fiscal year 2007, the District employed 9 principals, 4 assistant principals, 318 certified teachers, 85 instructional aides, and 275 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). For example, Apache Junction High School offers a career center for students to seek college and career information. Some of the services offered include assistance with applying for college and financial aid, preparation for college admissions tests, and other informational seminars. The District also hosts guest lecturers to provide job-specific career information.

However, the District faces several challenges as described in the following paragraphs.

The District offers:

- Gifted student program
- Accelerated Reader Program
- Music and art classes
- After-school programs
- Academic clubs
- Reserve Officer Training Corps (ROTC)
- Advanced placement high school classes
- Youth parents program
- Autistic program
- Career advising

Testing for the No Child Left Behind Act—Although the District’s schools are generally performing well in the Arizona LEARNS program, a technicality relating to testing of special education students has affected results for the federal No Child Left Behind Act (NCLB). For the 2007 school year, each of the District’s nine schools received “performing” or higher ratings through the Arizona LEARNS program: two schools were labeled performing, five schools were labeled performing plus, and two schools were labeled highly performing. However, four of the District’s nine schools did not meet “adequate yearly progress” for the NCLB. According to district officials, the schools failed to meet “adequate yearly progress” because too many special education students took the standardized test using alternate accommodations, such as being able to use a calculator on the mathematics portion or having the reading portion read to them. To meet “adequate yearly progress,” schools are required to test at least 95 percent of their students and must also test at least 95 percent of the students in various subgroups such as special education and English language learners. However, students that receive alternate accommodations, including special education students, cannot be counted toward the District’s percent-tested requirement. The four schools gave alternate accommodations to enough special education students that the schools could not meet the 95 percent criterion for this subgroup. District officials indicated that the schools provide alternate accommodations for special education students if their individualized education plan requires such accommodations.

Failure of override—According to district officials, the primary and most immediate challenge facing the District is the failure of its Maintenance and Operation (M&O) budget override renewal in the November 2007 election. Officials indicated the failed override will force the District to significantly reduce spending. M&O budget overrides allow districts to exceed their normal budget limits by up to 10 percent per year for up to 5 years. Although district voters had previously approved such overrides, they voted not to renew the current budget override in the November 2007 election. The M&O budget override allows the District to receive and spend about \$2.8 million more than its annual budget would otherwise allow. Without the override, district funding will decrease by about \$900,000 each year between fiscal years 2009 and 2011, and district officials indicated they would not be seeking voter approval for the override in 2008. District officials report that M&O override monies have traditionally helped fund counseling positions, instructional aides, and technical support; and funded various student programs, such as summer school, fine arts, and athletics. Although district officials intend to reduce spending in other areas to maintain these positions and programs, they are concerned about their ability to absorb the entire funding reduction.

Utility costs for recreational facilities—Another challenge facing the District is paying the utility costs for recreational facilities jointly operated with the City of

Apache Junction. In February 2000, the District and the City of Apache Junction entered into an intergovernmental agreement to provide facilities for some high school athletics and recreational facilities for the general public. The agreement involved the city's developing a large swimming pool, skate park, tennis courts, and numerous fields on 74 acres of district property. The City is required to operate and maintain the facilities while the District is responsible for utility costs such as water, electricity, and natural gas. In fiscal year 2007, these utilities cost the District approximately \$99,600. The District was able to afford these costs because A.R.S. §15-910 allows districts to increase their budget for utility costs that are in excess of an adjusted base year amount (i.e., excess utilities). Because this property was developed after the base year, the increased utility costs have been covered by increases in the District's budget. However, the legal provisions allowing this adjustment have changed and the District will only receive about 90 percent of its excess utilities costs in future years. The District is currently reviewing the agreement and considering possible options other than continuing it. The agreement is for 50 years but contains a clause that allows either party to remove itself from the agreement with 2 years notification.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual report, *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 the District accounted for dollars spent in the classroom. In addition, because of A.R.S. §15-756.02 requirements, auditors reviewed the District's 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 2007 summary accounting data for all districts and the Apache Junction Unified School District's fiscal year 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.

To develop comparative data for use in analyzing the District's performance, auditors selected a group of comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected the comparable districts based primarily on having a similar number of students and schools as Apache Junction Unified School District,

and secondarily on district type, location, classroom dollar percentage, and other factors. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2007 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 and ridership records. Auditors also reviewed fiscal year 2007 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 2007 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 2007 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 Apache Junction Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

Apache Junction Unified School District's fiscal year 2007 administrative costs were about 10 percent higher than comparable districts'. As a result, the District spent 9.7 percent of its available operating dollars on administration while the comparison districts averaged 9.4 percent.¹ About half of these costs were due to payouts for unused leave time, primarily because the District had an unusually large number of retirements and resignations, and partly because, contrary to district policy, the District chose to pay employees for leave time exceeding district limits. The other half of these higher administrative costs were due to the District's having more administrative positions. Lastly, the District needs to improve controls over its accounting system.

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.²

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 Available operating dollars consist of monies used to make current expenditures as defined in footnote 2, below.

² 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.

Administrative costs higher than comparable districts'

As shown in Table 1 below, Apache Junction USD spent \$698 per pupil on administrative costs, 10 percent higher than the \$632 comparable districts' average. The following tables use fiscal year 2007 cost information because it is the most recent year for which all comparable districts' cost data was available.

**Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2007
(Unaudited)**

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil
Crane ESD	\$4,496,761	5,929	\$758
Apache Junction USD	4,036,377	5,781	698
Flowing Wells USD	3,653,917	5,714	640
Nogales USD	3,587,141	6,019	596
Avondale ESD	3,423,690	5,791	591
Prescott USD	3,082,537	5,381	573
Average of the comparable districts	\$3,648,809	5,767	\$632

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data and average daily membership information obtained from the Arizona Department of Education.

Analysis of administrative costs by category shows the District's higher costs are primarily caused by higher salaries and benefits. As shown in Table 2 on page 7, the District spent \$614 per pupil for administrative salaries and benefits, nearly 10 percent higher than the comparable districts' \$560 per-pupil average.

Table 2: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2007
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Crane ESD	\$692	\$55	\$11	\$758
Apache Junction USD	614	67	17	698
Flowing Wells USD	563	61	16	640
Nogales USD	505	72	19	596
Avondale ESD	531	49	11	591
Prescott USD	510	46	17	573
Average of the comparable districts	\$560	\$57	\$15	\$632

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data and average daily membership information obtained from the Arizona Department of Education.

District employed more administrative positions—The District’s higher salary costs are partially related to the number of administrative positions. As shown in Table 3 below, the District had 65 administrative positions, about 12 percent more than the comparable districts’ average of 58. The District had 1 administrative position for every 89 students, while the comparison districts averaged 1 for every 99 students. Further, the District’s higher numbers of administrative positions are primarily reflected in district-wide administrative support positions, such as assistants and clerks. To achieve a comparable ratio of administrative staff to students, the District would need to reduce about 7 administrative positions. If the District had staffed similarly to the comparable districts, it could have saved about \$36 per pupil.

Table 3: District Staffing Level Comparison
Fiscal Year 2007
(Unaudited)

District Name	Number of	
	Administrative Staff ¹	Students Per Administrative Staff
Nogales USD	58	105
Flowing Wells USD	55	105
Avondale ESD	57	102
Prescott USD	56	96
Crane ESD	67	89
Apache Junction USD	65	89
Average of the comparable districts	58	99

1 The number of administrative staff shown is based on full-time equivalents (FTE). For example, an employee working half-time in an administrative position would be counted as 0.5 FTE.

Source: Auditor General staff analysis of district-reported fiscal year 2007 payroll data and average daily membership information obtained from the Arizona Department of Education.

Significant leave time payouts—Leave time payouts for several administrative employees also contributed to the District's higher per-pupil costs. In fiscal year 2007, 25 of the District's administrative employees received leave time payouts totaling about \$177,000, or \$31 per pupil. District policy allows for accrued vacation, compensatory, and sick time to be paid out to employees upon retirement or resignation. During fiscal year 2007, 11 administrative employees, including 3 school principals, resigned or retired and received payouts for accrued time. Additionally, contrary to the District's policy of not allowing administrators to accrue more than 60 vacation days, 14 employees had accrued vacation time greater than the limit. In order to align these employees with the policy, the District made payments to the employees for the vacation days in excess of the limits. The comparison districts had similar policies allowing for payout of leave time upon termination, but on average paid only \$5 per pupil in leave time payouts to administrators in fiscal year 2007.

District should better secure its accounting system

Inadequate access controls—The District has not established adequate security to protect the integrity of its accounting system. Specifically, several district employees were given full access to the entire accounting system, including the ability to add new vendors, record vendor invoices, print checks, add new employees, and change employee pay rates. Allowing an individual the ability to initiate and complete a transaction without independent review and approval exposes the District to increased risk of errors, misuse of sensitive information, and fraud, such as processing false invoices or adding nonexistent vendors or employees. Further, auditors noted that at least three employees were given access to areas of the accounting system that did not pertain to their job responsibilities.

Former employees retained access to system—Auditors also noted that the District had not removed system access for two former employees who had terminated district employment about 8 months earlier.

Passwords not adequately protected—District administrators developed and assigned passwords to accounting system users following a routine format that could be easily figured out. The District did not follow the standard control of having users then change their password to a confidential one known only by the employee. Further, passwords assigned by the District were documented and stored in an unlocked file cabinet. This increased the risk of an employee obtaining access to the accounting system posing as a different employee. In addition, because passwords are assigned, the District was not utilizing the standard information system control of requiring users to change their passwords

periodically, such as every 90 days. Confidential passwords that can be periodically changed are critical to protecting the integrity of the District's accounting system.

Recommendations

1. The District should evaluate whether it can reduce the number of administrative positions to produce cost savings, especially in central administrative support positions.
2. The District should monitor and limit employee vacation accruals to ensure compliance with its policy.
3. The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval. Further, the District should also ensure that access to the system is promptly eliminated for terminated employees.
4. The District should improve password controls over its accounting system by requiring users to change assigned passwords to a confidential one and requiring users to change their passwords periodically.

CHAPTER 2

Student transportation

In fiscal year 2007, Apache Junction USD spent 6 percent of its current dollars on student transportation, while the comparable districts averaged only 3 percent. This is primarily due to the District's large size and the distance to transport its students. Despite having efficient routes, the District subsidized its transportation program by \$185,000 in fiscal year 2007. Establishing and monitoring transportation performance measures, such as bus capacity utilization and cost per mile, could help the District monitor costs and keep operations as efficient as possible.

Background

During fiscal year 2007, the District transported 3,444 of its 5,781 students to and from its 9 schools. In addition to regular and special needs transportation, Apache Junction USD provided transportation for field trips, athletic events, and routes for students participating in extracurricular activities. The District uses staggered start times for its schools, allowing the same buses and bus drivers to make multiple morning and afternoon trips.

High transportation costs related to District's large size

Although the District's cost per mile was lower than the comparable districts' average, Apache Junction USD's total transportation costs were much higher. As Table 4 on page 12 shows, the District spent \$2,492,438, or 6 percent, of its fiscal year 2007 resources on transportation, while the comparable districts' average was only \$1,144,361, or 3 percent, of available resources. As a result of the higher costs,

Transportation Facts for Fiscal Year 2007

Riders	3,444
Bus drivers*	53
Mechanics*	5
Average daily route miles	4,086
Total miles	749,928
Total noncapital expenditures	\$2,492,438

*Full-time equivalents.

Table 4: Students Transported, Miles, and Costs
Fiscal Year 2007
(Unaudited)

District Name	Total Riders	Total Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile	Miles Per Rider
Apache Junction USD	3,444	749,928	\$2,492,438	\$724	\$3.32	218
Prescott USD	2,068	460,248	1,331,018	644	2.89	223
Flowing Wells USD	2,148	272,236	1,373,474	639	5.05	127
Avondale ESD	1,688	213,062	939,363	556	4.41	126
Crane ESD	4,519	313,555	1,402,008	310	4.47	69
Nogales USD	4,377	282,236	675,941	154	2.39	64
Average of the comparable districts	2,960	308,267	\$1,144,361	\$461	\$3.84	122

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2007 district mileage reports and district-reported fiscal year 2007 accounting data.

the District subsidized its transportation program with about \$185,000 that could otherwise have been spent in the classroom.

The primary reason for the District's high transportation costs appears to be its large geographical size: Apache Junction USD covers 217 square miles, which is nearly double the comparable districts' average of 113 miles. Further, the District had only one high school and two middle schools and transported students from the entire district boundaries to those schools. As a result, Apache Junction USD transported students a total of 749,928 route miles in fiscal year 2007 while the comparable districts averaged only 308,267 miles.

Also contributing to the District's higher transportation mileage was the location of some schools relative to population concentrations resulting in some long routes. For example, one elementary school is located near the eastern edge of the District, but in fiscal year 2007, its attendance boundary stretched nearly to the western edge of the District. Another elementary school is located in the Gold Canyon community, also toward the eastern edge of the District, but in fiscal year 2007, a pocket of students living about 9 miles away and closer to several other elementary schools attended Gold Canyon Elementary School. According to district officials, the unusual attendance boundaries were necessary to balance the population of students because most students live in a concentrated area toward the northwestern part of the District and the remote schools do not have enough students living nearby to adequately fill them. District officials stated that school locations are chosen primarily based on where the District can acquire land, and some land was donated by developers. According to district officials, some locations were acquired and schools built in anticipation of rapid population growth, but that growth has not occurred as quickly as expected and has created the need to transport some students further.

The District reported that school boundaries were being redrawn for fiscal year 2009 in an attempt to increase route efficiency. District officials indicated they are also considering other ways to increase efficiency, including expanding walking areas and consolidating bus stops.

Efficient routes—With its buses operating at 79 percent of seat capacity, the District’s regular education routes were efficient. Districts with efficient bus routes will typically use 75 percent or more of bus capacity.

Performance measures would facilitate transportation program management—The District’s higher transportation costs and subsidizing of its program emphasize the need for monitoring its transportation operations. Although the District performs some monitoring of bus-capacity usage, the District has not established and monitored performance measures, such as cost per mile and cost per rider, that can help the District identify areas for improvement. With such performance measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Recommendation

To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus-capacity utilization, and ride times.

CHAPTER 3

Plant operation and maintenance

In fiscal year 2007, Apache Junction USD's plant operation and maintenance costs per pupil were 20 percent higher than comparable districts'. As a result, the District spent 13.3 percent of its current dollars on plant operation and maintenance, while on average, comparable districts spent 11.7 percent and Arizona districts in total spent 11.3 percent. On a per-square-foot basis, the District's costs were 17 percent higher than the average of the comparison districts. These higher costs are primarily because the District had more plant operation and maintenance employees, high utility costs for a jointly operated community park, and a costly maintenance agreement for its copiers.

Plant costs were higher than comparable districts'

As shown in Table 5 on page 16, the District's \$7.90 per-square-foot plant operation and maintenance cost was \$1.14 per square foot, or 17 percent, higher than the comparable districts' average of \$6.76. Similarly, the District's per-pupil plant costs of \$956 were 20 percent higher than the comparable districts' average of \$795.

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.

Table 5: Plant Costs and Square Footage Comparison
Fiscal Year 2007
(Unaudited)

District Name	Plant Costs				Square Footage Per Student
	Total	Per Student	Per Square Foot	Total Gross Square Footage	
Flowing Wells USD	\$5,539,794	\$970	\$7.28	760,772	133
Apache Junction USD	5,525,407	956	7.90	699,249	121
Nogales USD	5,596,998	930	7.55	741,074	123
Crane ESD	4,517,471	762	8.10	557,510	94
Prescott USD	3,732,926	694	4.89	763,100	142
Avondale ESD	3,603,066	622	5.99	601,703	104
Average of the comparable districts	\$4,598,051	\$795	\$6.76	684,832	119

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2007 gross square footage information obtained from the Arizona School Facilities Board.

Analysis of the District's plant costs by category shows the District's costs were higher in salaries and benefits and purchased services.

Table 6: Comparison of Per-Square-Foot Costs by Category
Fiscal Year 2007
(Unaudited)

District Name	Plant Costs			Total
	Salaries and Benefits	Purchased Services	Supplies and Other	
Crane ESD	\$3.66	\$2.19	\$2.25	\$8.10
Apache Junction USD	3.56	2.64	1.70	7.90
Nogales USD	3.92	1.72	1.91	7.55
Flowing Wells USD	3.37	1.79	2.12	7.28
Avondale ESD	1.87	2.20	1.92	5.99
Prescott USD	1.84	1.21	1.84	4.89
Average of the comparable districts	\$2.93	\$1.82	\$2.01	\$6.76

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2007 gross square footage information obtained from the Arizona School Facilities Board.

High salary and benefit costs because of more employees—The District’s salary and benefit costs totaled \$3.56 per square foot in fiscal year 2007, 22 percent higher than the comparable districts’ average of \$2.93. These higher costs were largely because Apache Junction USD had more employees. The District employed about 77 full-time equivalent (FTE) plant employees, 15 percent more than the comparable districts’ average of about 67 FTEs.¹ This higher staffing level occurred for both maintenance and grounds employees and custodians. Specifically:

- More maintenance and grounds positions**—In fiscal year 2007, the District employed about 23 maintenance workers and groundskeepers, or about 1 employee for each 29,900 square feet. In contrast, the comparable districts staffed an average of about 18 employees, or 1 for each 45,500 square feet. If Apache Junction staffed maintenance and grounds positions similar to the comparable districts, the District would have about 8 fewer maintenance and grounds employees, saving about \$315,000, or \$0.45 per square foot, in salaries and benefits.
- More custodial positions**—The District also employed about 44 custodians in fiscal year 2007, or about one custodian for each 15,800 square feet. The comparable districts staffed an average of about 37 custodians, or 1 for each 19,300 square feet. If Apache Junction’s custodial staff maintained a similar 19,300 square feet, the District would have about 8 fewer custodial employees, saving about \$212,000, or \$0.30 per square foot, in salaries and benefits.

High purchased-service costs due to city agreement, water usage, and copier maintenance—As shown in Table 6 on page 16, the District’s purchased services costs totaled \$2.64 per square foot in fiscal year 2007, 45 percent higher than the comparable districts’ average of \$1.82. This higher cost is primarily related to high water and sewage service costs. Specifically, the District spent about \$0.71 per square foot on water and sewage services, over three times the comparable districts’ \$0.22 per-square-foot average. To a lesser extent, some of the District’s maintenance contracts also contributed to its higher purchased service costs.

- Increased costs for Community Park**—As discussed in the Introduction & Background section of this report, the District entered into an intergovernmental agreement with the City of Apache Junction to pay the utilities and other costs for a community park developed by the city on district land. District officials indicated that the park is mostly used by the community, but the high school swim team and tennis team use the facilities during part of the school year. This agreement increased the District’s overall fiscal year 2007 plant

Community Park

Facilities shared:

- 2 swimming pools
- 6 tennis courts
- Skate park
- Multi-purpose park
- Picnic facilities
- Athletic fields

District costs (fiscal year 2007):

Water and sewer	\$ 79,100
Pool chemicals	21,000
Electricity	7,500
Natural Gas	<u>13,000</u>
Total	<u>\$120,600</u>

¹ This average does not include Avondale ESD, which pays a vendor to perform its custodial activities.

costs by about \$120,600, or \$0.17 per square foot. The textbox on the previous page lists the facilities and the District's costs related to the park, which include water, sewage, electricity, gas, and pool chemicals. The District was able to pay these costs without reducing other programs because A.R.S. §15-910 allows districts to increase their budget and tax for utility costs that are in excess of an adjusted base year amount. Because this property was developed after the base year, the utility costs for related water, sewer, electricity, and natural gas, were covered by increases in the District's budget. However, because the legal provisions allowing this adjustment have changed and the District will receive only about 90 percent of its excess utilities in future years, the District is currently reviewing this agreement and considering possible options. The agreement is for 50 years, but contains a clause that allows either party to remove itself from the agreement with 2 years' notification.

- **High water costs due to large fields**—In addition to the Community Park fields discussed above, the District also has larger grass areas at its schools that likely contribute to its higher water costs. Based on information reported by the comparable districts, Apache Junction USD maintains about twice as many acres of grass areas than the comparable districts averaged. Further, while three of the five comparable districts reported watering some fields using well, canal, or grey water, only one of Apache Junction USD's schools used such water.¹ District officials stated they were aware of these higher costs and have begun considering ways to reduce them. For example, the District is considering incurring one-time costs of about \$30,000 per school site to replace some of the current grass areas with desert landscaping. The District should also consider the costs and benefits of more economical water sources for the fields, such as wells or grey water systems. The initial costs of these systems may be high, but the resulting reduction in water costs may allow the District to recover the costs in a time frame that justifies the investment.
- **High copier maintenance costs**—The District purchased 43 new copiers in fiscal year 2005 to replace old copiers. At that time, district officials determined that it was cost effective to replace the old copiers as annual maintenance costs were \$94,000 while the new copiers were expected to cost \$44,340 for annual maintenance. In fiscal year 2006, the District sought bids for copier maintenance and selected a vendor whose rate was nearly twice that of the next lowest bidder. Although the District's evaluation committee appears to have selected the higher cost vendor based on experience and service history, the other vendors appear to have met the District's qualifications. In fiscal year 2007, the District paid over \$141,000 for maintenance of its 43 copiers, or about \$3,300 per copier. In contrast, the two other vendors who bid on the contract offered prices of about \$1,600 annually per copier. If the District had selected the lowest bidding vendor, it could have potentially saved \$74,000 in fiscal year 2007. District officials were not able to provide additional

¹ Grey water is waste water from showers, sinks, and laundry that is treated and can be used for irrigation purposes.

insight into the vendor selection decision. Despite the high costs associated with the copier maintenance contract, the District chose to renew its contract with the vendor for fiscal years 2007, 2008, and 2009 without obtaining and evaluating other proposals.

Also, the District selected a copier brand that appears to be expensive to maintain. Based on discussions with representatives of the Arizona State Procurement Office and a copier maintenance vendor, the District chose a copier brand whose parts are not interchangeable with other brands and that few vendors maintain. The State Procurement Office reported that they have no contracted vendors that service the copier brand the District owned. This likely contributes to the District's higher copier maintenance costs. Comparable districts reported having similar high volume copiers, but did not have the brand that Apache Junction USD selected and reported paying a much lower \$730 to \$1,100 annually per copier for maintenance.

Recommendations

1. The District should review staffing levels to determine whether the number of plant operation and maintenance positions can be reduced.
2. The District should continue evaluating its intergovernmental agreement with the City of Apache Junction in light of the costs to the District and the pending reduction of the excess utility budget adjustment.
3. The District should continue evaluating alternatives to reduce its water costs, such as conversion to desert landscaping, and should also investigate other alternatives, such as the use of grey or well water.
4. The District should rebid its copier maintenance agreement and select the lowest, responsive, responsible bidder.
5. The District should reevaluate its copier maintenance contract each year to determine if the contract is still advantageous to the District. If the contract is not in its best interest, the District should obtain and evaluate other proposals to perform the services.

CHAPTER 4

Proposition 301 monies

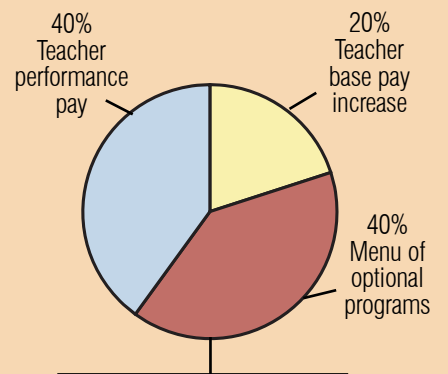
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Eligible employees received about \$4,000 of additional salary from Proposition 301 monies. However, the District awarded performance pay to some employees who were ineligible under the District's Proposition 301 plan. Further, it spent a portion of menu monies for purposes not authorized by statute.

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 state Classroom Site Fund for distribution to school districts and charter schools. 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 2007, the District received a total of \$2,300,947 in Proposition 301 monies and distributed \$2,382,369 to employees. The additional monies were from interest earnings and unspent amounts from prior years. Unspent Proposition 301 monies remain in the District's Classroom Site Fund for future years. During fiscal year 2007, each eligible employee could earn about \$4,000 in Proposition 301 monies.

Required apportionment of Proposition 301 monies



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

Eligible employees could earn:

Base pay—\$1,000

Performance pay—\$2,000

Menu option pay—\$1,000 plus staff development days

District did not distribute some Proposition 301 monies in accordance with its plan and statute

A committee of teachers and administrators developed the District's Proposition 301 plan, which identified most certified staff including teachers, librarians, counselors, and speech therapists as eligible to receive monies. However, the District awarded some performance pay to employees who were not eligible under its plan, and some of its menu monies benefited employees who were not eligible under statute.

The District spent Proposition 301 monies as follows:

Base Pay—The District incorporated base pay increases into the salary schedule, and paid eligible employees throughout the year in their regular paychecks. Eligible employees received an increase of \$1,000 plus related benefits.

Performance Pay—In fiscal year 2007, each eligible employee could earn up to \$2,000, plus related benefits, in performance pay monies. Toward the end of the year, the District's Proposition 301 committee reviewed performance goals, and paid employees based on the proportion of the goals successfully obtained. Specifically, performance pay was based on the following:

- **Student achievement**—Eligible employees received 75 percent of performance pay based on student achievement on standardized tests. To receive this component of performance pay, the employees' school had to demonstrate a certain level of overall student achievement on one of four standardized tests: the Arizona Instrument for Measuring Standards (AIMS), the state-adopted Terra Nova test, the Arizona Measurement for Academic Progress (MAP), or the District's internally developed assessment. In fiscal year 2007, the District based student achievement goals on Terra Nova test results, and all schools met the goal.
- **Parent and student survey results**—Eligible employees received the remaining 25 percent of performance pay based on the results of satisfaction surveys completed by students and parents. Parent surveys measured the importance of certain services offered by the District, such as after-school tutoring, while the student surveys measured how well the District provided that service.

All eligible employees met both of the performance goals and earned the performance pay. However, in making the performance awards, the District granted them to three employees—a psychologist and two teaching aides—who were not eligible under the District's plan. A total of about \$3,600 was awarded to these employees.

Menu monies—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

Statute also specifies that monies spent for AIMS intervention, class size reduction, and dropout prevention may be spent only on instruction, excluding athletics, and none of these monies may be used for administration.

The District spent its menu option monies primarily to provide a \$1,000 salary increase for teachers, librarians, counselors, and speech therapists. In addition, employees were paid for two additional staff development days at their regular daily rate. The District also spent menu option monies to hire nine additional teachers to reduce class size and to start newly hired teachers up to 5 days early for increased staff development at a rate of \$100 per day. Of approximately \$1.2 million the District spent in menu monies, about \$954,000 was used for these purposes.

However, the District improperly spent about \$82,500 of menu monies to pay for employee healthcare benefits for employees who were not eligible to receive Proposition 301 monies under the statute. The District pays a specified amount of each employee's annual healthcare insurance premiums. Beginning in fiscal year 2006, when health insurance premiums increased from the previous year, the District began spending \$250,000 of menu monies to help pay for the district portion of insurance premiums and increased the District's contribution for health insurance premiums by \$500 per employee. However, these payments were made for all employees, not just employees eligible for Proposition 301 monies. In fiscal year 2007, approximately 335 district employees were eligible for Proposition 301 monies. The \$500 increase in the District's contribution for these 335 employees would represent about \$167,500. Therefore, the District spent about \$82,500 of Classroom Site Fund monies improperly.

Recommendations

1. The District should ensure that only eligible employees receive Proposition 301 monies.
2. The District should reimburse the Classroom Site Fund from other district monies for the employee healthcare benefits that were inappropriately paid with Classroom Site Fund monies.

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 about \$1.3 million of the District's \$41 million in total current expenditures for misclassifications, the District's classroom dollar percentage decreased from a previously reported 55.8 percent to 54.4 percent. This adjusted percentage is about four percentage points below the state and comparable districts' averages, and about seven points below the national average of 61.2 percent. Even with this lower percentage, the District's per-pupil spending in the classroom was similar to the comparable districts' because it had more per-pupil resources available. However, these additional resources may decrease or disappear in the future.

District did not accurately report its fiscal year 2007 costs, and classroom dollar percentage was below state and national averages

The District did not consistently 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, including both instructional and nonclassroom expenditures. For example:

- Approximately \$340,000 of speech pathology and therapy services purchased from an outside service provider were misclassified as instruction. Instead, these services should have been classified as student support costs.
- Over \$110,000 in salaries and benefits for an administrator were misclassified as instructional support costs. Since this position was largely responsible for

establishing and administering district-wide policies and procedures, it should have been classified as general administration costs.

- About \$35,000 of teacher training and development costs were misclassified as instruction. These payments should have been classified as instructional staff support costs.

Adjusting for these and other misclassifications decreased the District's reported instructional expenditures by approximately \$560,000. As shown in Table 7, the District's fiscal year 2007 corrected classroom dollar percentage of 54.4 percent is about four percentage points below the state and comparable districts' averages, and about seven points below the national average of 61.2 percent.

**Table 7: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2007
(Unaudited)**

	Apache Junction USD		Comparable Districts' Average		State Average 2007		National Average 2005	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total spending per pupil		\$7,167		\$6,752		\$7,382		\$8,702
Classroom dollars	54.4%	\$3,901	58.5%	\$3,949	57.9%	\$4,277	61.2%	\$5,321
Nonclassroom dollars								
Administration	9.7	698	9.4	632	9.5	703	11.0	958
Plant operations	13.3	956	11.7	795	11.3	835	9.6	838
Food service	3.9	276	5.6	378	4.7	344	3.9	337
Transportation	6.0	431	3.0	200	4.3	316	4.1	358
Student support	8.4	594	7.6	515	7.3	542	5.2	453
Instructional support	4.1	294	4.1	276	4.8	355	4.8	417
Other	0.2	17	0.1	7	0.2	10	0.2	20

Source: Auditor General staff analysis of fiscal year 2007 Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics data from the *Digest of Education Statistics 2005*.

Per-pupil classroom spending similar because District spent more overall

As shown in Table 7, although Apache Junction USD's classroom dollar percentage was low, its \$3,901 per-pupil classroom spending was only slightly lower than its comparable districts' average classroom spending of \$3,949 per pupil. The District was able to spend a similar amount in the classroom despite spending more on administration, plant operations, transportation, and student support services because it received more revenue per pupil than the comparable districts. The most significant of these additional revenues were state and local funding.

- **Budget override**—Districts can receive up to 10 percent additional funding from local property taxes if voters approve a Maintenance and Operation budget override. Apache Junction USD and three of the five comparable districts received additional funding due to voter-approved overrides. As a result of its current override, Apache Junction USD received about \$240 more funding per pupil than the comparable districts' average.
- **Excess utilities**—A.R.S. §15-910 allows districts to increase their budget for utility costs that are in excess of an adjusted base year amount. In fiscal year 2007, Apache Junction USD budgeted about \$945,000 for excess utilities cost, which resulted in about \$140 more funding per pupil than the comparable districts' average. About \$99,600 represents utilities for the Community Park.
- **Career Ladder**—Apache Junction USD participates in the Career Ladder program and received related additional funding of about \$271 per pupil. Three of the five comparable districts did not participate in the Career Ladder program.

As discussed earlier in this report, voters did not approve the District's budget override and its excess utilities funding will decrease in future years. Thus, the District will need to closely analyze its spending in noninstructional areas and reduce such spending in order to maintain its current level of spending in the classroom.

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 those 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(9) require the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2007, Apache Junction USD tested students with a primary home language other than English to identify ELL students and provided them language instruction. The District identified approximately 5 percent of its students as English language learners and provided instruction for these students in mainstream and Structured English Immersion (SEI) programs. However, the District will need to modify these programs to comply with the new state requirements instituted in 2007. Further, the District did not separately account for incremental ELL-related costs, which was required of school districts beginning in fiscal year 2007.

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. Those students identified as ELLs must then be retested annually. School districts must report the test results along with other testing-related information to ADE. Districts also report the number of ELL students they have, which makes districts eligible for additional monies for ELL programs through the State's school funding formula, the federal Title III program, and other sources.

House Bill (HB) 2064, which took effect in September 2006, established additional ELL requirements and two new funding sources that school districts could receive. The law established an English Language Learner Task Force to develop and adopt research-based, cost-efficient models for delivering ELL services. It charged the Task

Force with establishing procedures to determine the models' incremental costs—that is, the costs incurred that are in addition to those associated with teaching English-fluent students. Figure 1 on page 31 summarizes the new law's ELL requirements for districts and charter schools. Districts adopting the Task Force's model are eligible to submit funding requests to ADE for their programs, along with a request for additional instruction programs outside normal classroom instruction. The law also required the Office of the Auditor General to biennially audit the State's ELL program, review ELL compliance in school district performance audits, and, for school districts selected for monitoring by ADE, conduct financial audits of the districts' budget requests.

Types of English Language Learner programs in Arizona

During fiscal year 2007, school districts and charter schools offered ELL programs that are 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. HB 2064 specifically established a mechanism for funding SEI instruction.
- 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 2000.² 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 students are 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.

In addition to these programs, districts may also provide additional assistance in the form of compensatory instruction programs. Effective in fiscal year 2007, ELL

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

² 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 eliminated the use of bilingual programs unless approved by parents with signed waivers.

compensatory instruction (CI) 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.

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).

District's ELL program

State law requires that districts administer an English proficiency test to all students with a primary home language other than English. In fiscal year 2007, Apache Junction USD administered the Arizona English Language Learner Assessment (AZELLA) and identified 304 students as English language learners. The District offered language instruction for ELL students in mainstream and SEI classrooms.

Mainstream—In fiscal year 2007, the District placed all of its ELL students in mainstream classrooms with English-proficient students, with the exception of the high school and one of the two middle schools that offered separate SEI classes. According to district officials, teachers provided modified instruction using the Structured Instruction Observation Protocol (SIOP model), and teaching strategies and techniques incorporated additional language skills into regular content instruction. Teachers' aides also provided additional support for ELL students in some of these mainstream classrooms.

Structured English Immersion—

According to district officials, during school year 2007, the District offered ELL English classes and ELL content classes to ELL students at its high school and one of its middle schools. At the high school, students below the intermediate proficiency level received 1 hour of English that focused on reading and writing and 1 hour of content that taught vocabulary and terminology from science and social studies content. According to district officials, the primary focus of the content classes was to learn the English language and classes were designed specifically for ELL students. At the middle school, ELL students below the intermediate level received 2 hours of ELL English and 2 hours of content. At both schools, some intermediate-level ELL students attended the ELL English classes and some students attended only mainstream classes.

Two SEI teachers instructed the ELL English and content classes in fiscal year 2007 offered at the high school and middle school, and four teachers' aides assisted ELL students in the mainstream classrooms. The District increased the number of SEI teachers to four in fiscal year 2008. The SEI teachers were required to have at least an SEI provisional endorsement and be highly qualified in the subject matter they taught. The teachers do not receive an additional stipend for teaching ELL students.

Some program changes needed to meet new state requirements—

Statute now requires districts to provide ELL students with 4 hours of English Language Development (ELD) in accordance with models developed by the ELL Task Force. Although the District is offering up to 4 hours of language acquisition to some of its ELL students, some schools and certain grade levels did not provide any specific language acquisition classes for ELL students. For example, beginning in fiscal year 2008, two of the elementary schools began providing 4 hours of classes for ELL students below the intermediate proficiency level in grades 2 through 5. However, ELL students in kindergarten and first grade and intermediate-level ELL students in grades 2 through 5 were still placed in mainstream classrooms during the entire school day. The high school also added an additional hour to the ELL English class in fiscal year 2008 for students below

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.

the intermediate proficiency level. These students were provided 3 hours of language instruction, still 1 hour short of the requirement.

Compensatory Instruction—In fiscal year 2007, the District began offering summer classes for its ELL students funded by Compensatory Instruction Fund monies. The District’s summer program was offered at seven of its schools for 3 to 4 weeks and served about 65 ELL students. The summer program was targeted for all high school ELL students, and elementary and middle school ELL students who were new to the school or had a low English proficiency level.

In fiscal year 2008, the District also began providing after-school tutoring for its ELL students funded by compensatory instruction monies at five of its six elementary schools. The after-school tutoring is offered 1 hour per day, twice each week, and primarily targets ELL students who are in mainstream classrooms. The District estimates that 70 students attend the small-group after-school tutoring sessions among the five elementary schools. According to district officials, tutoring is provided by certified teachers that are also required to have the state-mandated SEI endorsement.

District’s ELL funding and costs

Beginning in fiscal year 2007, school districts were required to identify and report ELL incremental costs. Incremental costs are those in addition to the normal costs of educating English-proficient students, and they do not include costs that replace the same types of services provided to English-proficient students. As shown in the textbox example, if ELL instruction is provided in smaller classes, the additional teachers needed to achieve the smaller class size would be an incremental cost.

In fiscal year 2007, Apache Junction USD did not separately account for incremental ELL-related costs, and such costs could not be determined from the District’s records.

The District received \$130,090 in ELL-related funding in fiscal year 2007, including \$78,910 in additional state aid known as ELL Group B weight monies, \$28,933 in federal Title III monies, and \$22,247 in state ELL grants, such as Compensatory Instruction monies. Because the District did not record its incremental ELL costs, auditors were unable to compare such costs to the ELL-related revenues.

Incremental cost example:

- Average class size of 25 students, but ELL class size of 15.
- Average teacher salary of \$42,000 (excluding stipends and other special pay).
- 825 total students would require 33 teachers.
- With 75 ELL students, 5 ELL teachers would be required, and the remaining 750 students would require 30 teachers, for a total of 35 teachers.

ELL program salary cost:
 $\$42,000 \times 5 \text{ ELL teachers} = \$210,000$

ELL incremental salary cost:
 $\$42,000 \times 2 \text{ additional teachers} = \$84,000$

As mentioned in the preceding paragraph, the District also received \$11,500 through the State’s Compensatory Instruction Fund budget process. The District’s CI budget request included monies to offer a summer language acquisition program for ELL students starting in 2007. The budget paid for seven teachers, including five elementary, one middle school, and one high school teacher. Per district officials, about 65 students participated in the summer language program. As shown in Table 8, the District requested \$9,745 for teacher salaries and \$1,755 for related benefits. District records show that \$11,325 was spent on instructional salaries and benefits for the summer ELL program from the CI monies. Remaining monies carry over to the next fiscal year.

Table 8: Compensatory Instruction Fund Budget Request Summary
Fiscal Year 2007
(Unaudited)

Description	Fiscal Year 2007
Summer program— teacher salaries	\$9,745
Employee-related expenses	1,755
Total CI Fund budget request	\$11,500

Source: Arizona Department of Education Grants Management Enterprise System.

In fiscal year 2008, the District received \$10,784 in CI Fund monies to pay for after-school and summer school program teacher salaries, related benefits, and ELL-related supplies.

Recommendations

1. For fiscal year 2009, the District should expand its English language development instruction to align with the models adopted by the ELL Task Force in September 2007.
2. The District should separately account for the incremental portion of ELL costs and retain documentation supporting how it determined those amounts.

DISTRICT RESPONSE



Apache Junction Unified School District

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Thunder Mountain Middle School
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Mountain Shadows Education Center
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Desert Vista Elementary
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Four Peaks Elementary
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Apache Junction, AZ 85219

Gold Canyon Elementary
5810 South Alameda Road
Apache Junction, AZ 85218

Peralta Trail Elementary
10965 East Peralta Road
Apache Junction, AZ 85218

Superstition Mountain Elementary
550 South Ironwood Drive
Apache Junction, AZ 85220

January 25, 2009

State of Arizona
Office of the Auditor General
C/o Debbie Davenport, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Ms. Davenport:

The Apache Junction Unified School District (AJUSD) is in receipt of your performance audit preliminary draft which was conducted in conformity with Arizona Revised Statute (ARS) 41-1279.03. AJUSD understands that this ARS requires all Arizona public school districts to undergo a specialized audit assessing its comparative expenditure patterns with similar sized districts.

AJUSD would like to thank the Auditor General staff that was assigned to our District in regard to their professionalism while interacting with our various staff members. These individuals were very sensitive to the District's added time needed for completion of this audit, and seemed receptive to the District rationale provided for possible variations in approach needed to effectively serve the students of the State of Arizona.

On the following pages, AJUSD has responded to each recommendation in the report, stating whether or not we agree or disagree with the finding, as well as providing a response as to how the district plans to move forward in the areas reviewed.

AJUSD exists for the sole purpose of providing an appropriate education for the students who choose to attend it. Despite the inquiring evaluative nature that various audits can bring to an entity, we welcome the opportunity to become a better organization. We are optimistic to believe that this performance audit has, and will, make us stronger, and also more confident that the educational and operational improvements we are pursuing, will serve our clientele in an increasingly more incisive manner.

Sincerely,

Dr. Jim Lockwood
Associate Superintendent of Business

Cc: Dr. Greg Wyman, AJUSD Superintendent
Ross Ehrick, Director of the Division of School Audits
Mike Quinlan, Audit Manager

Responses to Performance Audit Findings

Administration

Finding:

The District should evaluate whether it can reduce the number of administrative positions to produce cost savings, especially in central office administrative support positions.

Response:

The District concurs with the finding, and will review administratively coded positions to evaluate if cost savings can be achieved.

Within the audit year under review (2006-07), AJUSD did have unusually high, non-recurring, additional administrative costs related to vacation and sick leave accrual payouts of three (3) principals which contributed to higher comparative salary costs in administrative functional areas. The District is reviewing its policies and procedures related to this area of cost for all employees, and will consider modifying them in order to control expenditures from extreme volatility in the future. We concur with the auditor general finding that this type of expenditure may have accounted for approx. half of the comparatively higher administrative costs.

AJUSD in its effort to accelerate the pursued educational outcomes for its students, has over the past couple of years (2007-08 and 2008-09), begun to reduce administrative staffing in clerical support positions related to bookkeeping and employee benefits. Although it is believed that these eliminated positions assisted in delivering necessary and desirable support functions in the District, these expenditure modifications are being trialed so that the District can re-prioritize its resources closer to the classroom. AJUSD believes that it is possible that additional administrative reductions could occur in this area over the next few years, furthering opportunities to reassign dollars closer to the classroom.

Finding:

The District should monitor and limit employee vacation accrual to ensure compliance with its policy.

Response:

The District concurs with the finding, and will monitor this area to ensure compliance with policy.

The District's current policy in this area allows vacation accumulation up to 36 or 60 days of vacation accrual depending on the type of employee. Recently, the District considered a modification to this policy where vacation overages could be placed in a "special pay" 403B program. After further review of federal regulations in this area, as well as recent economic challenges due to the economic downturn, the District does not consider this modification desirable, and is considering other modifications, or adhering as we are now, to existing board policy.

Finding:

The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval. Further, the District should also ensure that access to the system is promptly eliminated for terminated employees.

Response:

The District concurs with the finding, and will ensure appropriate internal controls exist in this area.

AJUSD identifies and creates access to various accounting modules as it relates to function and job responsibility of the associated employee. At times, the breadth of access to modules has been expanded to allow for cross-training opportunities within departments. This expanded access although beneficial when employees are absent, does carry with it the possibility of lessened internal control as it relates to potential separation of duties.

AJUSD will take additional steps to ensure that access to various accounting modules is limited, lessening the chance of error or mishap. In addition, additional attention will be placed upon removing individuals from the system when they terminate from the District.

Finding:

The District should improve password controls over its accounting system by requiring users to change assigned passwords to a confidential one and requiring users to change their passwords periodically.

Response:

The District concurs with the finding, and will ensure appropriate internal controls exist in this area.

AJUSD has multiple control features associated with electronically accessing information in the District. The Technology Department periodically requires employees to change their password information which is their primary access to all District electronic programs. The accounting system is a sub-system beyond the one mentioned above. Passwords in the past, have been maintained by a program administrator (Pinal County Computer Consortium) who is located in an off-site location in Eloy, Arizona. This arrangement was established in order to allow a common and independent source for those who forgot their passwords or where unusual entry patterns could be globally monitored. The District has contacted the program administrator and will instruct him to require users to more frequently change their passwords in the accounting system.

Student Transportation

Finding:

To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus-capacity utilization, and ride times.

Response:

The District concurs with the finding, and will implement appropriate measures in this area to enhance operational effectiveness.

AJUSD considers transportation to be an integral component of effectively maximizing student success in school. The District has attempted to construct a transportation program that establishes the necessary balance of safety, efficiency, opportunity, and timeliness to transport students. AJUSD is fortunate to have in its employment a Transportation Director who has been a former national trainer for the District's computerized school bus routing program. Through her creativity and expertise, AJUSD has been able to timely adjust to varying transportation needs in a relatively large geographic attendance zone. Currently, the District is modifying some of its existing procedures which has reduced bus stops and increased walker areas in an attempt to reduce costs. Over the next few years, additional changes may also be implemented including, but not limited to, changes in school attendance boundaries and after school services. Any and all future changes will be done with an emphasis on cost efficiency (including those identified by the Auditor General), as well as the safety of students.

Plant operation and maintenance

Finding:

The District should review staffing levels to determine whether the number of plant operation and maintenance positions can be reduced.

Response:

The District concurs with the finding, and will continue to review staffing levels in this area, and will consider further reductions if appropriate.

Over the past couple of years, the District has been reviewing its expenditures in plant operations (function 2600) and has successfully reduced costs associated with staffing and utilities. These changes have necessitated modifications in cleaning schedules and reductions in custodial, grounds, and maintenance staffing. The changes currently implemented will be reviewed to determine if they are desirable and consistent with budget, and appropriate safety and cleanliness standards expected by students, staff, and the community.

Finding:

The District should continue evaluating its intergovernmental agreement with the City of Apache Junction in light of the costs to the District and the pending reduction of the excess utility budget adjustment.

Response:

The District concurs with the finding, and will continue to evaluate the intergovernmental agreement for cost effectiveness and functionality.

AJUSD has been fortunate to have had a long-standing, and successful working relationship with the City of Apache Junction. As a result of this relationship, AJUSD and the City have had the opportunity to identify and positively impact services that could be beneficial and more cost effective to both parties. One of those joint opportunities relates to the District land located between Desert Shadows Middle School and Apache Junction High School. Prior to the intergovernmental agreement, this land was undeveloped, barren, unusable and visually unattractive. Currently, this area includes a community pool constructed by the City and utilized by the swim team of the high school. In addition, there are tennis courts also utilized by the high school, as well as a skate park, shade ramadas, bike paths, and grass areas for leisure and various sporting activities. The intergovernmental agreement allowed the City to spend over a million dollars on physical improvements with the District's primary responsibility being the payment for associated utilities.

The recent economic downturn, as well as the pending reduction of the excess utility budget adjustment, has forced both the City of AJ as well as AJUSD to consider modifications to the agreement. Currently, through cooperation with the City, grass areas have been significantly reduced, along with reduced pool costs. Although these changes were not those envisioned when the intergovernmental agreement was established, it is a sign of the times. Much like the cooperative relationship that was the foundation of the original agreement with the City of AJ, so will the successful modifications be reliant upon a continued positive relationship between the two parties with the end result being advantageous to both parties.

Finding:

The District should continue evaluating alternatives to reduce its water costs, such as conversion to desert landscaping, and should also investigate other alternatives, such as the use of grey or well water.

Response:

The District concurs with the finding, and will continue to pursue ways to reduce water consumption.

AJUSD is aggressively reviewing its utility consumption throughout the District, and taking steps to reduce water consumption by conversion to desert landscaping and more effectively utilizing the well water at the high school. Recently, grass courtyards at both Gold Canyon and Desert Vista Elementary Schools have been converted from grass to xeroscape. This conversion should save considerable water consumption as well as creating “learning environments” for students at each school. Where previously students at these two schools would be presented with muddy pathways, now students are able to gather in seating areas where learning opportunities are more practical. As mentioned earlier in this document, considerable changes have occurred at the City Park where grass areas have been reduced, with the well water at the high school expanded to irrigate a portion of the park at little or no additional cost.

Finding:

The District should rebid its copier maintenance agreement and select the lowest, responsive, responsible bidder.

Response:

The District concurs with the finding, and will rebid the copier maintenance agreement.

The District is currently in the process of bidding its copier maintenance agreement. AJUSD, in all of its procurement processes, attempts to obtain the desired product/service at the lowest cost. Variations in copy volume from what was anticipated are believed to have caused some of the variations from the previous bid. As a result of the current copier bid being at the end of its procurement cycle, along with clearer expectations as to volume usage, the contract will be re-bid in the 2008-09 school year.

Finding:

The District should re-evaluate its copier maintenance contract each year to determine if the contract is still advantageous to the District. If the contract is not in its best interest, the District should obtain and evaluate other proposals to perform the services.

Response:

Please see response to previous Finding related to copiers.

Proposition 301 Monies

Finding:

The District should ensure that only eligible employees receive Proposition 301 monies.

Response:

The District concurs with the finding, and will ensure that only eligible employees participate in Proposition 301 monies.

When performance pay addenda were compiled toward the end of 2006-07, three (3) employees (a psychologist and two teaching aides) were inadvertently placed on this list and provided performance pay. AJUSD will exercise greater control in the future to ensure that those approved for participation in the program are eligible.

Finding:

The District should reimburse the Classroom Site fund from other district monies for the employee healthcare benefits that were inappropriately paid with Classroom Site Fund monies.

Response:

The District concurs with the finding, and will reimburse the Classroom Site fund for \$82,500.

Fund 013 of the Classroom Site Funds allows for additional employee benefits (including health care) to be paid for eligible participants. AJUSD when making this calculation, inadvertently expended \$82,500 more than what should have been used due to a discrepancy in the number of eligible participants. As a result, AJUSD will transfer funds from another fund back to Fund 013 to correct this error. This error will not cost the District any additional dollars, but only increase the amount available for teachers in this fund due to the transfer.

Classroom dollars

Finding:

The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Response:

The District concurs with the finding, and will classify all transactions in accordance with the Uniform Chart of Accounts.

AJUSD attempts to properly classify all transactions in accordance with the Uniform Chart of Accounts. When categorizing data, the District attempts to look at the function of the expense occurring and codes accordingly. Many of the discrepancies noted were in the interpretation of the type of expense occurring, as well as a need for a more defined breakdown of various object codes. AJUSD will abide by the recommendations provided by the Auditor General, and will code all future expenditures in accordance with their interpretation.

Finding:

The District should closely analyze its spending in non-instructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

Response:

The District concurs with the finding, and will review and attempt to modify expenditure patterns in order to achieve higher costs in the classroom

AJUSD will continually review its spending patterns in all areas in order to effectively enhance the educational opportunities it offers for its students.

English Language Learner programs, costs, and funding

Finding:

For fiscal year 2009, the District should expand its English language development instruction to align with the models adopted by the ELL Task Force in September 2007.

Response:

The District concurs with the finding, and will ensure that its instructional program in this area is aligned with models adopted by the ELL Task Force.

Finding:

The District should separately account for the incremental portion of ELL costs and retain documentation supporting how it determined those amounts.

Response:

The District concurs with the finding, and will ensure that it reports all incremental ELL related costs separately.

