

A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Ash Fork Joint Unified School District

May • 2009
Report No. 09-03



Debra K. Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

May 5, 2009

Members of the Arizona Legislature

The Honorable Jan Brewer, Governor

Governing Board
Ash Fork Joint Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Ash Fork Joint 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 May 6, 2009.

Sincerely,

Debbie Davenport
Auditor General

DD:rl
Attachment

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Ash Fork Joint 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 program.

Administration (see pages 5 through 11)

Ash Fork Joint Unified School District's fiscal year 2007 per-pupil administrative costs of \$2,506 were significantly higher than the comparable districts' average per-pupil costs of \$1,611. Costs were high primarily because the District employed 1 administrative full-time equivalent (FTE) position for every 38 students, while the comparable districts employed 1 FTE for every 50 students, on average. In addition, the District paid its administrative employees higher salaries than the average salaries for the comparable districts. Ash Fork JUSD also had high per-pupil purchased services and supply costs. In addition to having higher administrative costs, the District did not adequately manage the use of its 12 credit cards. For example, auditors found credit card statements containing purchases that were paid without prior purchase approval and/or were paid despite a lack of receipts. Further, the District did not adequately review credit card purchases for appropriateness and compliance with its policies, and it incurred finance charges and late fees. In addition, the District did not have adequate controls over its accounting system and computer network, such as requiring users to regularly change passwords.

Student transportation (see pages 13 through 15)

In fiscal year 2007, Ash Fork JUSD spent approximately \$104,000 less to operate its transportation program than it received in related revenues, and its per-rider and per-mile costs were lower than the comparable districts' average. The lower costs are attributable mainly to the District's efficient bus routes and its low supply costs, which were 36 percent lower than the comparable districts' average per-mile supply costs.

Plant operation and maintenance (see pages 17 through 20)

Ash Fork JUSD's fiscal year 2007 per-square-foot plant costs were 39 percent higher than the comparable districts' average. Plant costs were high in part because of the District's higher staffing levels. Although it had less square footage to maintain, Ash Fork JUSD employed 1.2 more plant FTEs than the comparable districts averaged, and its plant employees each maintained about 14,000 square feet less than the comparable districts' employees. In addition, the District had high per-square-foot costs for outsourced maintenance, data and voice communications, electricity, natural gas, and gasoline.

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. For fiscal year 2007, Ash Fork JUSD spent its Proposition 301 monies as specified in its plan and for statutorily authorized purposes. On average, teachers received total average increases of \$3,170. In addition, teachers participating in the District's summer school program focusing on AIMS intervention and dropout prevention earned an additional \$1,582, and participating instructional aides earned an average of \$856 each. However, the District's Proposition 301 plan was incomplete because it did not specify the amount of performance pay that eligible employees could earn.

Classroom dollars (see pages 25 through 29)

Statute requires the Auditor General to determine the percentage of every dollar that 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 correcting accounting errors, the District's revised fiscal year 2007 classroom dollar percentage was 54.6 percent, 3.3 percentage points lower than the state average of 57.9 percent. However, the District's classroom dollar percent was higher than the comparable districts' average and the state-wide average for small districts.

In fiscal year 2007, Ash Fork JUSD spent \$13,034 per pupil in total and \$7,117 per pupil in the classroom, higher than both the state and national averages. The District was able to spend a larger amount per pupil because Arizona statute allows small school districts to increase their budgets without voter approval, beyond typical school district budget limits by the amount needed to meet planned expenditures. Ash Fork JUSD used this small school budget adjustment to increase its allowable expenditures and revenues by \$1.7 million to meet its fiscal year 2007 operational and capital expenditures. In addition, small school budget adjustments are typically paid by local property taxes. In fiscal year 2007, the District's local primary tax rate of 9.5 percent was nearly 2½ times higher than the comparable districts' average primary tax rate of 4 percent. The District's high spending on administration and plant operation and maintenance could be reduced and more dollars redirected to the classroom. In addition, cost reductions could potentially lower the District's primary tax rate.

English Language Learner programs, costs, and funding (see pages 31 through 36)

Statute requires the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2007, Ash Fork JUSD identified 20 percent of its students as English language learners and provided instruction for them using a mainstream approach. Since that time, the District has begun making changes to its ELL program to meet state requirements adopted in September 2007. However, despite receiving almost \$13,000 in ELL-related revenues, the District did not track or report any ELL expenditures.



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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Ash Fork Joint 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 program.

The Ash Fork Joint Unified School District is located in the northeast corner of Yavapai County. In fiscal year 2007, the District had one school serving 241 students in kindergarten through 12th grade.

In fiscal year 2007, a 5-member board governed the District, and a superintendent and assistant superintendent managed it. The District employed 22 certified teachers, 6.5 instructional aides, and 14 other employees, such as administrative staff, bus drivers, and custodians.

District programs and challenges

The District, which operates on a 4-day school week, offers various instructional and other programs (see text box). For example, the District offers a welding program where students use the welding skills they are taught to create art objects. In addition to its programs, the District recently added an artificial turf field to enhance its athletic programs because it previously was unable to grow sufficient grass for its fields.

Ash Fork JUSD is one of 31 Arizona school districts classified as "small"—that is, having 200 to 599 students. While small districts receive additional resources, such as additional base-level funding, they also face challenges that larger districts do not, such as higher per-pupil costs. Arizona statute provides the State's smallest districts with additional funding mechanisms that are not available to larger districts. First, statute allows small

The District offers:

- Full-day kindergarten
- Accelerated Reader Program
- Accelerated Math Program
- Special education
- Middle and high school athletics
- Foreign language
- School-to-Work Program

districts meeting specified criteria to receive higher base-level funding. As a result, Ash Fork JUSD received approximately 25 percent more per-pupil funding in fiscal year 2007 than a district with 600 or more students would receive. Second, statute allows very small districts meeting specified criteria to increase their budgets without voter approval, beyond typical school district budget limits by the amount needed to meet planned expenditures. In fiscal year 2007, Ash Fork JUSD increased its revenues by \$1.7 million, to meet its budgeted operational and capital expenditures.

Because they have fewer students over whom to spread costs, Ash Fork JUSD and other small districts are often unable to achieve economies of scale in certain areas and often have higher per-pupil costs. Table 8 in Chapter 5 (see page 26) compares the District's per-pupil costs to state and national averages and to five similarly sized districts, illustrating this result. As shown in that table, Ash Fork JUSD and the five similarly sized comparable districts have significantly higher per-pupil costs in administration, plant operation and maintenance, and student support services than the state and national averages.

District officials said that recruiting qualified teachers is difficult because of the District's rural location. To ensure that it has a sufficient number of qualified teachers to serve its growing student population, the District began offering annual \$6,000 residency stipends to teachers to encourage them to live in the town of Ash Fork rather than drive in from neighboring towns and cities. In fiscal year 2007, 9 of the 22 teachers received this stipend.

For the 2007 school year, the District's high school grades were labeled "highly performing," its elementary school grades were labeled "performing," and its middle school grades were labeled "underperforming" through the Arizona LEARNS program. Additionally, the District met "Adequate Yearly Progress" objectives for the federal No Child Left Behind Act.

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 it accounted for dollars spent in the classroom. In addition, because of A.R.S. §15-756.02 requirements, auditors reviewed the District's English Language Learner (ELL) program to review its compliance with program and accounting requirements.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2007 summary accounting data for all districts and Ash Fork JUSD'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 Ash Fork JUSD, 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. 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 examined the District's testing records for students who had a primary home language other than English, interviewed appropriate

district personnel about the District's ELL programs, and evaluated the District's ELL-related revenues and costs.

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.

The Auditor General and staff express their appreciation to the Ash Fork Joint Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

Ash Fork Joint Unified School District's fiscal year 2007 administrative costs were much higher than comparable districts'. The District spent 19 percent of its total available operating dollars on administration, higher than both the state average of 9.5 percent and the comparable districts' average of 14 percent.¹ The District's costs were higher primarily because it had an additional administrative employee, and its administrative employees earned higher salaries than the administrative employees at the comparable districts. The district also had high per-pupil purchased services and supplies costs. Further, the District does not have adequate controls over credit card purchases and its computerized accounting system, and paid stipends to some staff when the amounts were not included in their contracts.

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

¹ Available operating dollars are those used to make current expenditures as defined in footnote 2.

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 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.

Per-pupil administrative costs were much higher than comparable districts'

As illustrated in Table 1 below, Ash Fork JUSD's administrative costs per pupil were higher than any other comparable district. The District's fiscal year 2007 per-pupil administrative costs of \$2,506 were 56 percent higher than the \$1,611 comparable districts' average and 66 percent higher than the state-wide average for other similarly sized districts (districts with 200 to 599 students). 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
Ash Fork JUSD	\$604,062	241	\$2,506
Clifton USD	244,517	128	1,910
Seligman USD	249,611	146	1,710
Grand Canyon USD	438,848	280	1,567
Fredonia-Moccasin USD	501,750	339	1,480
Bagdad USD	466,551	336	1,389
Average of the comparable districts	384,246	246	1,611
State small district average	\$577,876	386	\$1,509

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.

When these costs are further divided into categories, the District's higher administrative costs can be seen in all cost categories. As demonstrated by Table 2 (see page 7), Ash Fork JUSD's per-pupil salary and benefit costs were 74 percent higher than the comparable districts' average, purchased services costs were 7 percent higher, and supply costs were 66 percent higher.

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
Ash Fork JUSD	\$1,906	\$462	\$138	\$2,506
Clifton USD	1,290	603	17	1,910
Seligman USD	1,159	446	105	1,710
Grand Canyon USD	912	541	114	1,567
Fredonia-Moccasin USD	1,207	236	37	1,480
Bagdad USD	914	331	144	1,389
Average of the comparable districts	\$1,097	\$431	\$83	\$1,611

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.

High salary and benefit costs—The District’s higher administrative costs can primarily be attributed to the District’s both employing slightly more administrative full-time equivalent (FTE) positions and paying higher salaries. Specifically, as shown in Table 3, the District employed 6.4 administrative FTE, or 1 FTE for every 38 students, while the comparable districts employed an average of 5.2 administrative FTE, or 1 FTE for every 50 students. The District had more administrative FTE primarily because it employed a full-time information technology (IT) employee while the comparable districts tended to contract out for IT support. Further, the District’s administrative salaries averaged \$56,402 per FTE, while the comparable districts’ salaries averaged \$40,027 per FTE.

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

District Name	Number of		
	Students	Administrative Staff ¹	Students Per Administrative Staff
Seligman USD	146	2.1	70
Grand Canyon USD	280	5.0	56
Fredonia-Moccasin USD	339	6.8	50
Bagdad USD	336	6.8	49
Ash Fork JUSD	241	6.4	38
Clifton USD	128	5.2	25
Average of the comparable districts	226	5.2	50

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 counts and fiscal year 2007 accounting records provided by the districts.

Higher purchased services costs—The District's \$462 per-pupil purchased services costs were 7 percent higher than the comparable districts' average of \$431 per pupil. To ensure that its new business manager was properly trained, the District paid \$49,849 to its former business manager to work part-time for 1 year to help the current business manager understand the school district finance and budgeting processes. While the current business manager had school district finance experience at the county level, the District felt it would be beneficial to have the prior business manager provide training on the day-to-day aspects of the job. The contracted business manager's costs were eliminated in fiscal year 2008, saving the District approximately \$167 per pupil in administration costs.

Higher supply costs—The District's \$138 per-pupil supply costs were 66 percent higher than the comparable districts' average of \$83 per pupil.

Inadequate oversight of credit card usage

The District did not adequately manage the use of its 12 credit cards. In fiscal year 2007, credit card purchases totaled almost \$48,000 and included purchases for items, such as building materials; maintenance, office, and instructional supplies; travel costs for out-of-town trainings and conferences; athletic equipment; fuel; and food for district events. According to district policy, employees needing to make credit card purchases must obtain prior approval by completing a purchase requisition. However, the District has not developed an authorized users list and does not maintain a credit card sign-out sheet. Therefore, it cannot track who has possession of its credit cards at any one time. According to district officials, one credit card could not be located for more than a week during fiscal year 2008. Failure to account for credit card possession prevents the District from identifying those accountable for unauthorized purchases.

Auditors reviewed 44 fiscal year 2007 credit card statements and found 17 statements containing purchases that were out of compliance with the District's required credit card policies.

- **Purchases made without prior authorization**—Auditors found 15 statements containing purchases that were approved for payment without prior purchase approval, as required by the District's policies. In addition, some of the statements contained items not included in the purchase approval or were for amounts exceeding the approved purchase limit. Further, auditors found that 15 of 37 purchase orders reviewed were dated after the District had already received the credit card statement for the items purchased. While the District's example credit card user agreement states holders will be liable for any

unauthorized use, no actual signed credit card user agreements were on file, and the District did not take action against credit card users for unauthorized purchases.

- **Credit card purchases not adequately reviewed for compliance and appropriateness**—Auditors identified at least eight statements that were paid despite a lack of receipts supporting each purchase. Further, when credit card purchase documentation included purchase requisitions as required by district policy, the majority of the purchases reviewed by auditors did not provide one or more of the following: a detailed description of all items to be purchased, purchase amount estimates, and requestor and approver signatures. Without receipts and information on what items should have been purchased, credit card statements cannot be adequately reviewed for compliance with district policies and appropriateness of purchases being made.
- **Finance charges and late fees incurred**—The Uniform System of Financial Records for Arizona School Districts and the District's own credit card user policy state that credit card payments are to be made promptly to avoid fees and charges. However, auditors found that 17 of the credit card statements reviewed contained late fees and finance charges totaling \$650.

To decrease the risk of inappropriate purchases, the District should strengthen and enforce its credit card policies.

Inadequate controls over accounting system and computer network

The District has not established adequate security to protect the integrity of its accounting system and computer network. Specifically:

Access to computerized accounting system—The system access granted to the 3 district office users allowed them to execute more tasks through the accounting system than necessary to perform their job duties, including the ability to initiate and complete transactions without independent review. For example, one employee was responsible for the entire accounts payable process and was given access to add new vendors, create purchase orders, record vendor invoices, and print checks. Allowing an individual the ability to initiate and complete a transaction without independent review and approval exposes the District to increased risk of errors, fraud, and misuse, such as processing false invoices or adding nonexistent vendors or employees.

Inadequate computer network security—Ash Fork JUSD should implement additional controls to improve network security. Proper control is important because of the sensitive nature of data. For example, the District maintains confidential and sensitive student and employee information. However some problems exist in how the District safeguards this information.

- **Password changes not required**—District employees are given user accounts and passwords at the beginning of the school year and are not required to change their passwords throughout the year. The District should improve password controls by requiring users to change their initially assigned passwords and change them periodically, such as every 3 months. Confidential passwords that can be periodically changed are critical to protecting the integrity of the District's information.
- **Lack of computer security awareness**—Auditors found examples of employee practices that point to employees' lack of basic computer security awareness. For example, auditors observed district staff, including teachers, leaving their computers logged in to district systems and unlocked when they were away from their desks or classrooms. Failure to lock or turn off computers can allow unauthorized users access to the District's software and data, making it susceptible to being stolen, changed, or deleted.

While the District disables user accounts over the summer and has staff and students receive copies of an acceptable use policy to use the district computers and network resources, the District could provide additional security training and better enforce its policies to protect its systems and data. Information on basic computer security is available through the IT Governance Institute's Control Objectives for Information and Related Technology (COBIT).¹

Stipends were inappropriately paid to staff

The District improperly paid certified staff stipends that were not specified in their employment contracts and not approved by the governing board. During fiscal year 2007, the District inappropriately paid a total of approximately \$25,000 in stipends to full-time employees for additional activities such as training seminars, substitute teaching, and residency pay.

Districts may only pay amounts to employees that are provided for in the employee's contracts or other formal documents such as addendums, employment letters, or payroll action forms. Attorney General Opinion I84-034 states that "a flat sum-certain increase in salaries is permissible only if it is contracted for **prior** (emphasis added) to the time that the services are rendered." Since the stipends were not included in

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

the employees' written contract or other formal documents, it may constitute a gift of public monies in violation of the Arizona Constitution.

To establish adequate accountability over public monies, the District should ensure that any required additional duties or activities are documented in writing and agreed to prior to the services' being performed.

Recommendations

1. The District should strengthen its credit card policies and ensure they are strictly enforced to protect against misuse of its credit cards. Specifically, the District should ensure that:
 - a. All credit card purchases are approved prior to purchases being made;
 - b. Receipts are obtained and reviewed for compliance with district policies and appropriateness of purchases and reconciled to the billing statement before payment;
 - c. A list of authorized users and credit card sign-out logs are maintained; and
 - d. Credit card balances are paid in a timely manner to avoid finance charges and late fees.
2. 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 independent review and approval.
3. The District should improve password controls and require users to immediately change assigned passwords and then again periodically.
4. The District should implement basic security training to inform staff of the importance of locking computers when away from their desks to prevent unauthorized users from accessing district software and ensure that this provision is enforced.
5. The District should clearly identify any additional compensation in employee contracts prior to the services' being rendered.

CHAPTER 2

Student transportation

Ash Fork JUSD's student transportation costs were lower than the comparable districts' costs because of efficient bus routes and lower supply costs. As a result, the District spent approximately \$104,000 less to operate its transportation program than it received in state transportation aid.

Background

During fiscal year 2007, Ash Fork JUSD transported 135 of its 241 students to and from school during the District's 4-day school week. In addition to the two regular routes it provided that fiscal year, the District provided transportation for field trips, athletic events, and extra-curricular activities.

Transportation Facts for Fiscal Year 2007

Riders	135
Bus drivers*	1
Mechanics*	0
Total route miles	34,288
Total noncapital expenditures	\$79,759

*Full-time equivalents.

The District's student transportation costs were lower than the comparable districts'

As shown in Table 4 (see page 14), Ash Fork JUSD's transportation costs were lower than the comparable districts' average costs. Specifically, the District's \$591 per-rider costs were 12 percent lower than the comparable districts' \$671 per-rider average. In addition, the District's \$2.33 cost per mile was 9 percent lower than the comparable districts' \$2.55 per-mile average.

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

District Name	Total Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Mile	Cost Per Rider
Bagdad USD	173	19,859	\$72,613	\$3.66	\$420
Fredonia-Moccasin USD	121	36,005	121,220	3.37	1,002
Ash Fork JUSD	135	34,288	79,759	2.33	591
Grand Canyon USD	142	77,850	139,882	1.80	985
Clifton USD	143	28,461	39,664	1.39	277
Seligman USD	128	211,802	141,427	0.67	1,105
Average of the comparable districts¹	145	40,544	\$93,345	\$2.55	\$671

¹ Calculated averages do not include Seligman USD because its total route miles were significantly higher than Ash Fork's and the other four comparable districts and would have skewed the averages.

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

Efficient routes—The District's efficient bus routes helped keep its transportation costs low. In fiscal year 2007, the District operated two bus routes in the morning and afternoon to transport 135 riders to and from school each day, filling its buses to full capacity. Further, the District was able to operate only two routes in both the morning and afternoon because its start and release times for the various grades were similar. By contrast, three of the four comparable districts each operated at least four daily routes, including one district that operated two morning bus routes, but operated four afternoon bus routes. This is because all grades started school at the same time, but release times varied by grade, resulting in the need for more afternoon bus routes.

Lower supply costs—As shown in Table 5 (see page 15), when transportation costs are further divided into categories, Ash Fork JUSD's lower per-mile costs are attributable to its lower supply costs. Specifically, the District's \$0.53 per-mile supply costs were 36 percent less than the comparable districts' average of \$0.83 per mile. Costs were lower in this category primarily because of the District's low fuel costs, which were 26 percent lower than the comparable districts' average per-mile cost. According to Ash Fork JUSD and the comparable districts, the average per-gallon cost of fuel is difficult to control because the districts all pay the advertised rate for the local gas stations they purchase fuel from on any given day. Some of the comparable districts are in more remote locations, which may explain why their per-mile fuel costs are higher than Ash Fork's.

Table 5: Comparison of Per-Mile Transportation Costs
 Fiscal Year 2007
 (Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total Cost Per Mile
Bagdad USD	\$1.64	\$0.58	\$1.44	\$3.66
Fredonia-Moccasin USD	2.11	0.38	0.88	3.37
Ash Fork JUSD	1.44	0.36	0.53	2.33
Grand Canyon USD	1.17	0.13	0.50	1.80
Clifton USD	0.57	0.31	0.51	1.39
Seligman USD	0.31	0.23	0.13	0.67
Average of the comparable districts¹	\$1.37	\$0.35	\$0.83	\$2.55

¹ Calculated averages do not include Seligman USD because its total route miles were significantly higher than Ash Fork's and the other four comparable districts and would have skewed the averages.

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

CHAPTER 3

Plant operation and maintenance

In fiscal year 2007, Ash Fork JUSD spent 11.6 percent of its available operating dollars on plant operation and maintenance, which was less than the 16.9 percent spent by comparable districts and similar to the 11.3 percent state average. However, Ash Fork JUSD's lower percentage spent on plant operations was primarily due to having less square footage. The District's per-square-foot plant cost was 39 percent higher than the average of the comparable districts. The higher per-square foot cost is a result of the District's employing more plant positions and having higher purchased services and supplies costs.

The District's per-square-foot plant operation and maintenance costs were high

While the District's fiscal year 2007 \$1,508 per-pupil plant operation and maintenance costs were 22 percent lower than the comparable districts' average costs, its per-square-foot costs of \$6.83 were 39 percent higher than the comparable districts' average (see Table 6, page 18).

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

District Name	Plant Costs				Square Footage Per Student
	Total	Per Square Foot	Per Student	Total Gross Square Footage	
Grand Canyon USD	\$721,116	\$9.39	\$2,575	76,786	274
Ash Fork JUSD	363,527	6.83	1,508	53,260	221
Bagdad USD	498,106	5.14	1,482	96,956	289
Seligman USD	402,608	4.46	2,758	90,327	619
Fredonia-Moccasin USD	338,188	3.07	998	110,053	325
Clifton USD	235,765	2.58	1,842	91,406	714
Average of the comparable districts	\$439,157	\$4.93	\$1,931	93,106	444

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 gross square footage information obtained from the Arizona School Facilities Board.

As shown in Table 7, when these costs are further divided into categories, the District's higher plant operation and maintenance costs can be seen in all cost categories.

Table 7: 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	
Grand Canyon USD	\$3.42	\$2.83	\$3.14	\$9.39
Ash Fork JUSD	3.10	1.48	2.25	6.83
Bagdad USD	2.01	1.17	1.96	5.14
Seligman USD	2.45	0.76	1.25	4.46
Fredonia-Moccasin USD	1.34	0.98	0.75	3.07
Clifton USD	0.98	0.72	0.88	2.58
Average of the comparable districts	\$2.05	\$1.29	\$1.60	\$4.93

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

Higher salary and benefit costs due to more employees—The District's per-square-foot salary and benefit costs were almost 51 percent higher than the comparable districts' average per-square-foot costs. These higher costs were largely due to higher plant staffing levels. Although the District has significantly less square footage to maintain, it employed 5.8 full-time equivalent (FTE) plant positions, which is 1.2 more FTEs than the comparable districts' average. Further, Ash Fork JUSD's plant employees maintained about 9,208 square feet each, while the comparison districts' employees each maintained about 23,165 square feet, on average.

High purchased service costs—As shown in Table 7 (see page 18), the District's per-square-foot purchased services costs were 15 percent higher than the comparable districts' average. Higher purchased services costs were primarily related to outsourced maintenance and communications costs.

- **High outsourced maintenance costs**—Despite higher staffing levels, the District outsourced most of its repair needs. According to the District, even simple repairs such as changing door handles and light bulbs were outsourced. In fiscal year 2007, the District's repair and maintenance costs were 148 percent more per square foot than the comparable districts' costs. Although the comparable districts contracted out for some repair and maintenance services, they did not rely as heavily on contracted vendors to provide these services. According to district officials, in fiscal year 2008, the District began completing all repairs related to the upkeep of its buildings and nontechnology-related equipment, including simple repairs.
- **Data and voice communication lines**—Ash Fork JUSD paid almost twice as much per square foot for data communication lines that are used for Internet access, telephone, and network communications than the comparable districts. According to district officials, the District was using an outdated and more costly rate plan for its data communications during fiscal year 2007, but has since updated its rate plan. Further, the District has applied for the Federal Communication Commission's E-Rate reimbursement program, which will not lower its communications costs, but will reimburse the District for 90 percent of certain communication costs, such as local and long distance phone lines, voice/data/video lines, and Internet access.

High supply costs—The District's per-square-foot supply costs were 41 percent higher than the comparable districts' average for two reasons:

- **High electricity and natural gas costs**—The majority of the District's higher supply costs were due to higher energy costs. Ash Fork JUSD's per-square-foot energy costs were 38 percent higher than the comparable districts' average costs. Although the District has an energy management system at its facility to manage room temperatures, the District can change temperatures

at teacher requests. Further, the District's electricity usage increased by 11 percent from the previous year. The District's high energy costs may be due, in part, to its lack of an energy conservation plan that includes a component addressing educating staff and students about energy conservation and encouraging them to help reduce the District's energy use.

- **Gasoline costs**—The District's fiscal year 2007 gasoline costs for nonstudent transportation were six times higher than the comparable districts'. These costs were high, in part, due to paying the Superintendent's gasoline costs for his daily commute from the Prescott area, more than 100 miles round-trip each day.

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 evaluate and monitor its energy usage and implement an energy conservation plan to help reduce energy usage. Further, the District should educate staff and students about energy conservation and encourage them to conserve energy.

CHAPTER 4

Proposition 301 monies

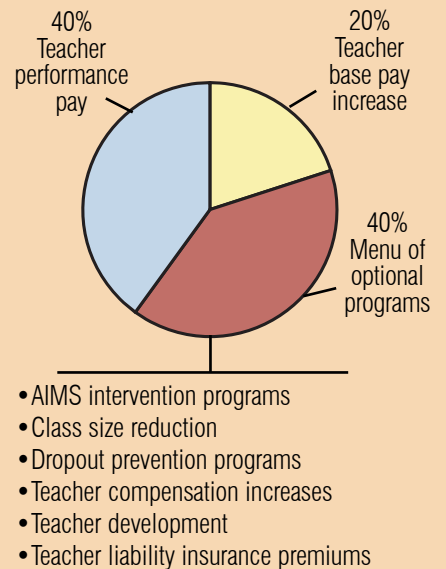
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. For fiscal year 2007, Ash Fork JUSD spent its Proposition 301 monies for purposes authorized by statute. However, its plan for spending its Proposition 301 monies did not specify the amount of performance pay that employees could earn.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

For fiscal year 2007, the District received a total of \$104,014 in Proposition 301 monies and distributed \$112,825 to employees. The additional monies were from prior year allocations of Proposition 301 monies that, when not spent, remain in the District Classroom Site Fund for future years.

Required apportionment of Proposition 301 monies



The District's Proposition 301 plan was incomplete

Although the District spent its Proposition 301 monies in accordance with statute, its plan was incomplete. The District spent its monies for purposes authorized by statute, and all employees who were paid Proposition 301 monies were either certified teachers or instructional aides. However, the plan did not specify how much performance pay that eligible employees could earn.

The District spent Proposition 301 monies as follows:

Base pay—Only teachers were eligible to receive base pay increases. On average, each eligible employee received a base pay increase of \$547.

Performance pay—The District determined that all teachers and two substitute teachers were eligible to receive performance pay. While the District's Proposition 301 plan did not specify a specific amount of performance pay that could be earned, the District's accounting records show that eligible, full-time employees could earn up to \$1,600 each. On average, each eligible employee earned \$1,487. Further, performance pay earned in fiscal year 2007 was paid in fiscal year 2008.

To earn performance pay, Ash Fork JUSD's elementary grades, middle school grades, and high school grades had to meet Adequate Year Progress objectives for the federal No Child Left Behind program and earn Arizona LEARNS labels of "performing" or better. In fiscal year 2007, all of the District's grade bands met Adequate Yearly Progress objectives. Further, during that fiscal year, the District's elementary grades were labeled "performing" and its high school grades earned a "highly performing" label. However, the District's middle school grades were labeled "underperforming."

Plan did not specify expected Proposition 301 pay amounts—As stated above, Ash Fork JUSD's Proposition 301 plan did not specify the amount of performance pay that eligible employees could potentially earn. In addition, eligible employees' contracts included statements that the total contracted salary includes estimates of Proposition 301 amounts and that performance pay could be earned only if the employee is eligible based on state law and district policy. According to Attorney General Opinion I84-034, all compensation provided to teachers should be included in the teachers' contracts. Failure to do so can lead to a violation of the State Constitution's prohibition on gifts of public monies.

According to the District, it does not include specific performance pay amounts in its Proposition 301 plan or in employee contracts because it often doesn't know exactly how much Proposition 301 monies it will receive until the end of the fiscal year. Therefore, the District waits until the end of the fiscal year and divides the total amount of performance pay monies received at fiscal year-end by the total number

of eligible employees to determine how much performance pay each eligible employee will receive.

However, there are funding estimates available to the District that it can use to develop its Proposition 301 plan and prepare its teacher contracts. By March 30th of each year, the Joint Legislative Budget Committee (JLBC) determines a per-pupil amount of Proposition 301 monies that each district can use for budgeting and spending purposes. To avoid a potential gift of public monies and to ensure that eligible employees are aware of the amount of performance pay they can potentially earn, the District's Proposition 301 plan should include a specific amount that represents the maximum amount eligible employees can potentially earn or a range of performance pay based on the amount of Proposition 301 performance pay monies the District expects to receive, which can be calculated using the JLBC per-pupil amount.

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

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

Statute also specifies that Classroom Site Fund monies cannot be used for administration.¹ Further, beginning in 2004, the Legislature also specified that Classroom Site Fund monies spent for AIMS intervention, class size reduction, and drop-out prevention be spent only on instruction, excluding athletics.

The District chose to spend the majority of its menu option monies to increase salaries for certified teachers. On average, each eligible employee received increases of \$1,136. The District also used a portion of its menu monies to pay teachers and classified employees for participating in its summer school program, which focused on AIMS intervention and dropout prevention and was available to students upon teacher referral. Students could take credits toward graduation or receive remedial instruction in the summer school program. Employees participating in the summer school program included ten teachers and eight classified employees, such as instructional aides and administrative staff, serving as instructional aides. On average, each certified teacher participating in the summer school program earned an additional \$1,582 and each classified employee earned an additional \$856.

¹ Laws 2000, 5th Special Session, Chapter 1, Section 62.

Recommendation

1. The District's Proposition 301 plan should specify the amount of performance pay each eligible employee can earn if performance criteria are met.

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 correcting accounting errors, Ash Fork JUSD's fiscal year 2007 classroom dollar percentage was 54.6 percent, nearly 4 percentage points higher than its comparable districts' and higher than the state-wide average for small districts. Although the District's classroom dollar percentage is higher than similar districts', it remains several points below the state average and could be improved by reducing spending in noninstructional areas such as administration and plant operations, allowing the District to direct more of its available resources into the classroom.

Ash Fork did not accurately report its costs, but its classroom dollar percentage was above comparable districts'

Ash Fork JUSD did not consistently classify its fiscal year 2007 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 in both instructional and nonclassroom expenditures. For example:

- Approximately \$103,000 of teacher benefits costs were incorrectly classified to various other district functions rather than being classified as instructional costs.
- Approximately \$10,500 of food and lodging costs associated with student travel were misclassified as instructional costs instead of student support costs.

- Approximately \$3,500 of janitorial supplies and liability insurance costs were misclassified as instructional costs when they should have been classified as plant operation costs.

Adjusting for these and other errors increased the District's instructional expenditures by approximately \$171,000, increasing its classroom dollar percentage from 53.2 percent to 54.6 percent. As shown in Table 8, the District's corrected classroom percentage is almost 4 percentage points higher than the comparable districts' average. Ash Fork JUSD's classroom dollar percentage is also higher than the 52.8 percent state-wide average for small districts.¹ However, it remains 3.3 percentage points below the state average of 57.9 percent and could be improved through reductions in nonclassroom expenditures, particularly in administration.

Table 8: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2007
(Unaudited)

Spending	Ash Fork JUSD		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 per pupil		\$13,034		\$11,402		\$7,382		\$8,702
Classroom dollars	54.6%	\$7,117	50.8%	\$5,794	57.9%	\$4,277	61.2%	\$5,321
Nonclassroom dollars								
Administration	19.2	2,506	14.1	1,611	9.5	703	11.0	958
Plant operations	11.6	1,508	16.9	1,931	11.3	835	9.6	838
Food service	3.0	391	4.7	536	4.7	344	3.9	337
Transportation	2.5	330	4.1	470	4.3	316	4.1	358
Student support	6.5	844	5.8	663	7.3	542	5.2	453
Instructional support	2.6	333	3.5	396	4.8	355	4.8	417
Other	0.0	2	0.0	1	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.

The District spent significantly more per student than other districts

As shown in Table 8 above, at \$13,034, the District's total per-pupil spending is significantly greater than the comparable districts', state, and national averages. Thus, although putting a smaller percentage of its monies in the classroom than the state and national averages, at \$7,117 per pupil the District spent more actual dollars in the classroom than the comparable districts and the state and national averages. Ash Fork JUSD's additional available dollars came primarily from its small school adjustment. Statutes allow small school districts to use a small school budget adjustment to adopt expenditure budgets that are higher than could typically be

¹ As reported in the Auditor General's Special Study, *Arizona Public School Districts' Dollars Spent in the Classroom*, Fiscal Year 2007.

budgeted without voter approval. The small school budget adjustment can be used for Maintenance and Operation Fund expenditures, which consist of day-to-day operating costs, such as teacher and other employees' salaries. Small school budget adjustment monies can also be used for Unrestricted Capital Outlay Fund expenditures, such as the costs for the District's new artificial turf fields. Ash Fork JUSD nearly doubled its allowable expenditures and revenues through use of the small school budget adjustment. Four of the five comparable districts also increased their revenues through the small school adjustment but by an average of only 24 percent.

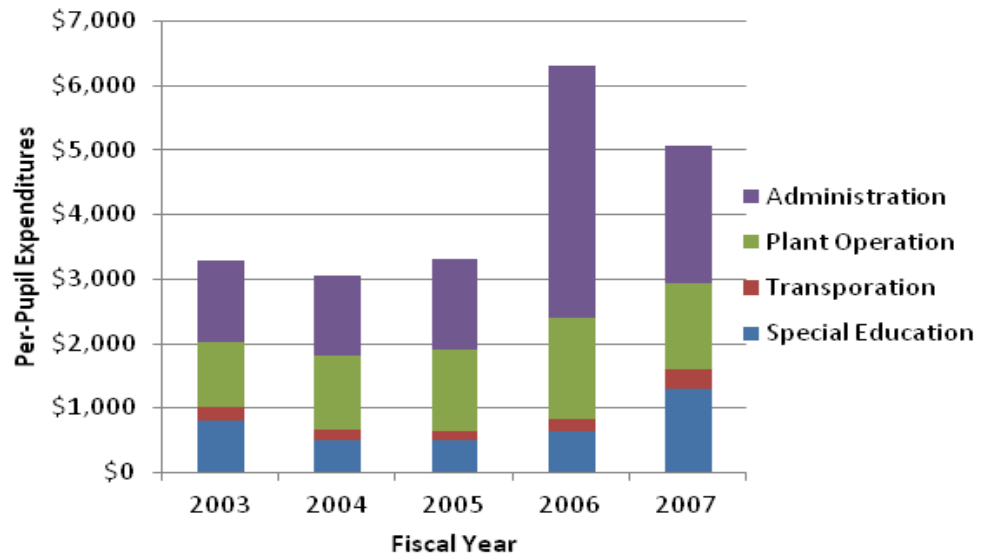
Ash Fork JUSD's small school budget adjustment nearly doubled its allowable expenditures—As shown in Table 9, Ash Fork JUSD used the small school budget adjustment to increase its allowable expenditures and revenues by \$1.7 million to meet its fiscal year 2007 operational and capital expenditures. Since fiscal year 2003, the District has increased its small school budget adjustment for operational expenditures alone from \$180,000 to as much as \$1.2 million in fiscal year 2006 to meet increasing expenditures primarily in administration, special needs, and plant operations (see Figure 1, page 28). For example, since fiscal year 2003, the District's Maintenance and Operation (M&O) Fund per-pupil administration expenditures increased by \$862, or 68 percent, and its per-pupil special needs classroom instruction expenditures increased by \$483, or 61 percent. In addition, the District's per-pupil plant operation and maintenance expenditures increased by \$339, or almost 34 percent, while its transportation expenditures increased by \$103, or 46 percent.

Table 9 Ash Fork Joint USD Expenditure Budget Limits
Fiscal Year 2007
(Unaudited)

	Maintenance & Operation Fund	Unrestricted Capital Outlay Fund	Budgeted Expenditures
Expenditure budget limit without small school adjustment	\$1,289,142	\$941,949	\$2,231,091
Small school adjustment	\$1,150,853	\$552,700	\$1,703,553
Total expenditure budget limits	\$2,439,995	\$1,494,649	\$3,934,644

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.

Figure 1: Maintenance and Operation Fund Per-Pupil Expenditures by Function
Fiscal Years 2003 through 2007
(Unaudited)



Source: District's Annual Financial Reports for fiscal years 2003 through 2007 provided by the Arizona Department of Education.

Further, since fiscal year 2004, the District has used the small school budget adjustment to increase its capital expenditures budget by as little as \$277,000 and as much as \$552,700. The increased capital expenditures are associated with the District's new facilities built using School Facilities Board monies in fiscal year 2004. Since that time, the District also added new artificial turf sports fields, which cost almost \$800,000.

As stated above, small school budget adjustments allow districts to adopt budgets that are higher than could typically be budgeted, and the districts do not have to obtain voter approval for the increases. The small school budget adjustment amounts are typically paid by local property taxes. In fiscal year 2007, the District's local primary tax rate of 9.5 percent was nearly 2½ times higher than the comparable districts' average primary tax rate of 4 percent. As discussed in the administration and plant operation and maintenance chapters, the District had high costs in these areas, and it appears feasible for the District to make operational improvements that will allow more dollars to be spent in the classroom. Lowering costs in these areas will not only help move more dollars into the classroom, it can also help the District decrease its small school adjustment amounts and potentially lower its local primary tax rate.

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, the District identified 48 students (approximately 20 percent of its students) as English language learners and provided instruction for them in a mainstream program. The District received \$12,662 in state assistance for ELL programs in fiscal year 2007 but did not track or report the cost of providing ELL services. To receive future state aid, the District will have to track the program's incremental costs and expand the existing program to align with new statutory requirements.

Background

English Language Learners are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. ELL students are identified through a state-adopted language proficiency test. School districts and charter schools are required to administer this test to students if the primary language spoken in the student's home is other than English, and then retest annually those students identified as ELL. School districts must then report the test results to the Arizona Department of Education (ADE).

By reporting their numbers of ELL students, districts are eligible for additional monies for ELL programs through the State's school funding formula, the federal Title III program, and other sources. In addition, effective September 2006, new laws (see Figure 2 on page 32) established the Structured English Immersion (SEI) and Compensatory Instruction (CI) funds and programs.¹ Among other things, these laws established an English Language Learner Task Force to develop and adopt research-based, cost-efficient SEI program models and establish procedures for determining the models' incremental costs—that is, the costs incurred that are in addition to those associated with teaching English-fluent students. The law also

¹ A.R.S. §15-756 et seq.

requires the Office of the Auditor General to biennially audit the State's ELL program, review ELL requirements in school district performance audits, and conduct financial audits of the ELL-related budget requests of school districts selected for monitoring by ADE.

Figure 2: ELL Requirements for School Districts and Charter Schools

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 A.R.S. §15-756 et seq.

Types of ELL 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 (SEI), 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. Statutes also establish a mechanism for funding SEI instruction.

♦ ¹ A.R.S. §15-751.

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

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

District's ELL program

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, Ash Fork JUSD administered the Arizona English Language Learner Assessment (AZELLA) exam to these students and identified 48 students as English language learners. The ELL students were then placed in the District's ELL program, which is a mainstream program.

Program focused on mainstream approach—In fiscal year 2007, the District placed its 48 ELL students in mainstream classrooms. Staff who worked in the District's fiscal year 2007 ELL program are no longer employed by the District, and no specific program-related information was available. However, according to district officials, the District's fiscal year 2008 ELL program was similar to fiscal year 2007's program.

In fiscal year 2008, to assist ELL students, the District employed one teacher and one instructional aide to provide assistance to ELL students in core content classes. Further, students in some grades received additional assistance with core

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

content classes through ELL pull-out sessions. Kindergarten and 1st grade students spent 1.5 hours per day working with the ELL program teacher or instructional aide in small groups as part of their core reading classes. According to the District, these students received instruction in phonics, vocabulary, and comprehension. ELL students in grades 2 through 5 received similar instruction but spent only 50 minutes twice each week with the ELL program teacher or instructional aide. ELL students in grades 6 and 7 spent 35 minutes each day in a current events class with the ELL teacher. ELL students in grades 8 through 12 had the option of attending pull-out sessions for 1.5 to 2.5 hours per day to receive tutoring in their core content classes.

Auditors observed that students in grades 8 through 12 primarily received assistance with their core content course work, and some students missed core content classes in order to attend ELL pull-out sessions.

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.

Program changes needed to meet new state requirements—

Substantial changes to the District's ELL program will be needed to meet new state requirements in fiscal year 2009. Statute now requires districts to provide first-year ELL students with 4 hours of English language development (ELD) in accordance with models developed by the ELL Task Force.¹ The adopted SEI models specify that ELD be used to teach English language skills to students who are in the process of learning English. It is distinguished from other types of instruction in that the content taught is the English language itself. In fiscal years 2007 and 2008, Ash Fork JUSD was not offering 4 hours of strictly ELD instruction and was instead primarily incorporating English skills into its content instruction.

The ELL Task Force provided two options for implementing an SEI model in a district with a small population of first-year ELL students who are spread across all grade levels, such as Ash Fork JUSD. First, the district can group each school's students into a single classroom for language instruction for three hours a day with a fourth hour of reading. Second, if the District has 20 or fewer ELL students within a three-grade span, it can provide ELD instruction through Individual Language

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A.R.S. §15-756.01(C) requires the ELL Task Force to develop models that include a minimum of 4 hours per day of English language development for students classified as English language learners. The models, adopted in September 2007, describe the required content for English language development.

Learner Plans (ILLP) created for each student. These plans must adhere to the same language development requirements for scheduling and time allocations specified in the regular SEI models. Specifically, the models require that districts:

- Add additional hours to reading blocks so that first-year ELL students receive the required 4 hours of English language development.
- Ensure that the curriculum includes the model's English language development components, such as oral English, grammar, and reading.
- Ensure that ELD instruction is provided by qualified teachers.

In fiscal year 2009, the District reported a total of 28 ELL students, including 9 kindergarten students, 14 elementary school students, 4 middle school students, and 1 high school student. According to the District, it has begun providing ELD instruction to the group of kindergarten students. In addition, because there are fewer than 20 ELL students in the remaining grades, the District is working on developing ILLPs for those students as well as class scheduling to ensure that the students receive the required ELD components in the required time allocations.

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 text box 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, Ash Fork JUSD received approximately \$12,662 in ELL Group-B weight monies through the State's budgetary funding formula for school districts, but it did not track or report any incremental costs. District officials said they were unsure how the \$12,662 in ELL monies was spent and did not know the incremental cost of providing the services.

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:
 $\$42,000 \times 2 \text{ additional teachers} = \$84,000$

Recommendations

1. The District should continue to develop its ELL program to comply with statutory requirements and the newly adopted SEI models to provide 4 hours of English language acquisition to first-year ELL students.
2. The District should use ELL-related monies only for ELL instruction. Further, the District should begin separately accounting for the incremental portion of ELL costs and retain supporting documentation of how those amounts are determined.

DISTRICT RESPONSE

ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31

Of Yavapai and Coconino Counties

Established 1883

Governing Board

Josh Cain
Jessica Cauthen
Robert Farrell
Barry Sharp
Barbara Stump

Principal/CEO

Jon Jones

April 14, 2009

State of Arizona Office of the Auditor General
Debbie Davenport, Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

I would like to take this opportunity to thank you and your staff for the courteous and professional manner in which our Performance Audit was conducted. The Staff and Board members welcome your recommendations as we make every effort to be more accountable to our students, parents and community.

Please find attached our official written responses to each of the audit recommendations. We are looking forward to the audit follow up. Should you have any questions, please feel free to contact me.

Sincerely,

Debbie Webb
Business Manager

Ash Fork Joint Unified School District

To: State of Arizona Office of the Auditor General
From: Debbie Webb, Business Manager
Date: April 15, 2009
Re: Ash Fork Joint Unified School District Response to Performance Audit

Chapter 1 Administration

1. **Recommendation:** The District should strengthen its credit card policies and ensure they are strictly enforced to protect against misuse of its credit cards. Specifically, the District should ensure that:

- a. All credit card purchases are approved prior to purchases being made;
- b. Receipts are obtained and reviewed for compliance with district policies and appropriateness of purchases and reconciled to the billing statement before payment;
- c. A list of authorized users and credit card sign-out logs are maintained; and
- d. Credit card balances are paid in a timely manner to avoid finance charges and late fees.

Response: The District agrees with and has begun to implement this recommendation. We have established standard operating procedures, created authorized users lists and sign out logs. Finally we have trained our staff to ensure proper management and usage of all District credit cards.

2. **Recommendation:** 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 independent review and approval.

Response: The District agrees with and has begun to implement this recommendation. We are in the process of reviewing and changing our separation of duties so that this can not be a possibility.

3. **Recommendation:** The District should improve password controls and require users to immediately change assigned passwords and then again periodically.

Response: The District agrees with and has begun to implement this recommendation. The District IT Director has reviewed and made changes to our procedures concerning password controls.

4. **Recommendation:** The District should implement basic security training to inform staff of the importance of locking computers when away from their desks to prevent unauthorized users from accessing district software and ensure that this provision is enforced.

Response: The District agrees with and has begun to implement this recommendation. The District has conducted training regarding these issues and will continue to do so regularly.

5. **Recommendation:** The District should clearly identify any additional compensation in employee contracts prior to the services' being rendered.

Response: The District agrees with and has begun to implement this recommendation. All additional assigned duties are clearly identified in additional contracts or contract addendums along with the compensation for said duties.

Chapter 2 Student Transportation

1. **Recommendation: NONE**

Chapter 3 Plant Operation and Maintenance

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

Response: The District agrees with and has begun to implement this recommendation. We are currently reviewing staffing levels within the district.

2. **Recommendation:** The District should evaluate and monitor its energy usage and implement an energy conservation plan to help reduce energy usage. Further, the District should educate staff and students about energy conservation and encourage them to conserve energy.

Response: The District agrees with and will implement this recommendation. Our Operations Manager is currently conducting research to address this issue.

Chapter 4 Proposition 301 Monies

1. **Recommendation:** The District's Proposition 301 plan should specify the amount of performance pay each eligible employee can earn if performance criteria are met.

Response: The District agrees with and has begun to implement this recommendation. A committee will be formed to draft a new Proposition 301 plan which will include specifying the amount of performance pay each eligible employee can earn if performance criteria are met.

Chapter 5 Classroom Dollars

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

Response: The District agrees with and has begun to implement this recommendation. Our business office staff has changed since this audited school year. The current staff is also encouraged to seek out school business specific trainings offered by outside sources such as AASBO, ADE etc. to further enhance their knowledge and expertise which will help in properly classifying all transactions in accordance with the Uniform Chart of Accounts for school districts.

2. **Recommendation:** 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.

Response: The District agrees with and will implement this recommendation.

Chapter 6 English Language Learner Programs, Costs, and Funding

1. **Recommendation:** The District should continue to develop its ELL program to comply with statutory requirements and the newly adopted SEI models to provide 4 hours of English language acquisition to first-year ELL students.

Response: The District agrees with and will implement this recommendation.

2. **Recommendation:** The District should use ELL-related monies only for ELL instruction. Further, the District should begin separately accounting for the incremental portion of ELL costs and retain supporting documentation of how those amounts are determined.

Response: The District agrees with and will implement this recommendation.