

A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Cartwright Elementary School District

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December • 2010  
Report No. 10-18



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**Debra K. Davenport**  
Auditor General

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
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DEPUTY AUDITOR GENERAL

December 16, 2010

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board  
Cartwright Elementary School District

Dr. Jacob Chavez, Interim Superintendent  
Cartwright Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Cartwright Elementary School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting within 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 December 17, 2010.

Sincerely,

Debbie Davenport  
Auditor General

**REPORT  
HIGHLIGHTS**  
PERFORMANCE AUDIT

**Our Conclusion**

Cartwright Elementary School District compares favorably to its peer districts in operational efficiencies, but not as well in student achievement with AIMS test scores lower than the peer district and state averages. The District generally operates efficiently with administration and food service costs similar to peer averages and plant operations costs lower than peer averages. However, the District needs to improve its transportation program's efficiency because its per-mile costs were high and it subsidized the program by \$1.4 million. The District also needs to implement a required bus preventative maintenance program, address inadequate IT controls over its accounting and student information systems, and ensure that it spends Classroom Site Fund monies appropriately.

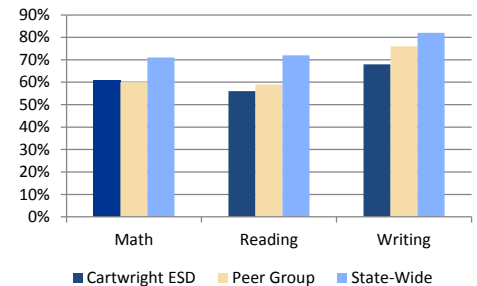


2010

**Student achievement lower than peer districts'**

In fiscal year 2009, Cartwright ESD's students' AIMS scores were lower than those of peer districts and state averages. In that fiscal year, 13 of the District's 22 schools met "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind Act. However, 9 schools did not meet AYP because some of their students did not demonstrate sufficient academic progress.

**Percentage of Students who Met or Exceeded State Standards (AIMS)  
Fiscal Year 2009**



**District generally operates efficiently**

In fiscal year 2009, Cartwright ESD operated efficiently overall with administrative and food service costs similar to peer districts and plant operation costs that were 12 percent less per pupil and 9 percent less per square foot. Plant costs were lower because building space was used efficiently and repairs and maintenance work were mostly done in-house. Although per-pupil transportation costs were lower than the peer average, the \$5.45 cost-per-mile was 15 percent higher, indicating changes could be made to improve the program's efficiency.

The District's instructional support

services costs were 22 percent more per pupil because the District chose to provide increased training and support for its less experienced teachers to help improve student achievement.

**Expenditures by Function  
Fiscal Year 2009**

Per Pupil	Cartwright ESD	Peer Group Average
Administration	\$641	\$655
Plant operations	681	776
Food service	487	491
Transportation	149	274
Instructional Support	626	511

**Improvements needed to reduce transportation program costs**

In fiscal year 2009, Cartwright ESD's transportation costs were 24 percent lower per rider than the peer districts' average, but 15 percent higher per mile. Also, the District spent \$1.4 million more on its transportation program than it received in state transportation aid. Because of the higher per-mile costs and the subsidy, auditors looked at factors that may have

contributed to the higher costs. The higher per-mile costs are due in part to driving fewer miles, on average, than peer districts, which is typical of more densely populated districts like Cartwright.

However, several other factors also contributed to the District's higher costs. First, the District paid its bus drivers and

bus aides an average of 1 to 1.25 hours per day for unproductive time not spent driving or performing driving-related duties.

Second, although the District's bus routes were marginally efficient overall, its routes for transporting 6th graders were inefficient, filling buses to only 63 percent of capacity with some routes filling buses to less than 50 percent of capacity.

Third, the District did not conduct systematic preventative maintenance on its buses, which may

have contributed to its exceptionally high repair and maintenance costs. In fiscal year 2009, the District's per-mile repair and maintenance costs were more than double the peer districts' average.

**Recommendation**—The District should eliminate bus driver and bus aide unproductive time, consider improving the 6th-grade bus routes' efficiency, and implement a bus preventative maintenance program.

## District lacks sufficient IT controls to protect sensitive information

Cartwright ESD has weak password controls for its IT systems. For example, passwords for the accounting system can be as simple as one character, and the passwords never expire. In addition, the student information system has no lockout feature that prohibits access to the system after a number of failed login attempts.

The District also has inadequate procedures for ensuring that only current employees have access to critical IT systems. Although controls are in place to automatically disable accounts after 30 days of inactivity, auditors found 168 user accounts in the student information system, that were linked to former employees or to people not on a district staff listing.

Cartwright ESD also needs to address other IT

security issues. For example, the District cannot ensure that critical software updates are installed on district computers, and it does not monitor computers to ensure that unauthorized software is not installed. The District also does not have a written and tested disaster recovery plan. Such a plan would provide for continued operation in the event of equipment or system failure and protect sensitive and critical data.

**Recommendation**—The District should:

- Implement and enforce password requirements.
- Implement a process to review and remove inactive user accounts.
- Ensure critical updates are installed.
- Create a disaster recovery plan.

## Inappropriately spent some Classroom Site Fund dollars

In fiscal year 2009, the District spent almost \$200,000 in Classroom Site Fund (CSF) menu options monies for purposes other than those authorized by statute. According to statute, the CSF menu options monies for AIMS intervention and dropout prevention can be spent only for instructional purposes. However, the District used some CSF menu options monies to pay for food, field trips, police support, trophies, adult education

classes, and mugs and water bottles for its preschool program.

**Recommendation**—The District should ensure that CSF monies are spent according to statute and should reimburse the Classroom Site Fund for monies spent inappropriately.

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concluded ♦

# DISTRICT OVERVIEW

Cartwright Elementary School District is an urban district located in west Phoenix. In fiscal year 2009, the District served 17,515 students at its 22 schools, including 16 kindergarten through 5th grade schools, five 6th through 8th grade middle schools, and 1 alternative school.

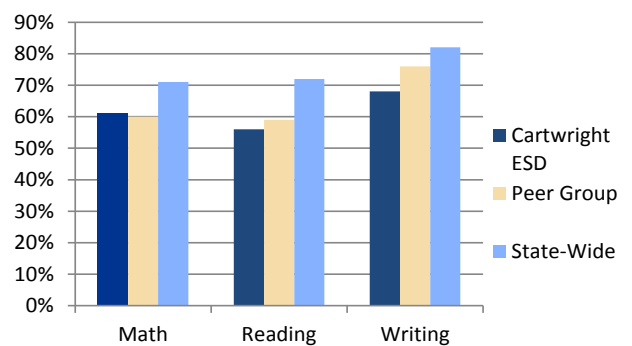
The District compares favorably to its peer group in operational efficiencies, but not as well in student achievement.<sup>1</sup> Its student achievement was below both the peer district and state averages. Overall, the District operated its administration, plant operations, and food service programs efficiently with costs that were lower than or similar to peer districts' averages. However, the District should improve the efficiency of its transportation program, strengthen controls over its computer systems, and ensure that it spends its Classroom Site Fund menu options monies appropriately.

## Student achievement below peer district and state averages

In fiscal year 2009, 61 percent of the District's students met or exceeded state standards in math, 56 percent in reading, and 68 percent in writing. These scores were below both the averages for the peer districts' and the State. In that same fiscal year, 13 of the District's schools met all applicable "Adequate Yearly Progress" (AYP) objectives for the federal No Child Left Behind act (NCLB), while nine schools did not because some students did not demonstrate sufficient academic progress. Further, 13 of the schools have not met all AYP objectives for at least 2 consecutive years and were involved in the required NCLB school improvement process monitored by the Arizona Department of Education.

## District operates efficiently with costs generally lower than or similar to peer districts'

Figure 1: Percentage of Students who Met or Exceeded State Standards (AIMS) Fiscal Year 2009 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2009 test results on the Arizona Instrument to Measure Success (AIMS).

As shown in Table 1 on page 2 and based on auditors' reviews of various performance measures, in fiscal year 2009, Cartwright ESD operated its administration, plant operations, and food

<sup>1</sup> Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.



service programs efficiently with costs that were similar to or lower than the peer districts' averages. In addition, the District spent \$557 more per pupil in the classroom than its eight peer districts, on average. Specifically, Cartwright ESD received (1) significantly more federal grant monies because its poverty rate was higher than five of the peer districts, (2) more budget override monies than six of the peer districts, and (3) desegregation monies, as did only two other peer districts.

**Similar administration costs**—At \$641, the District's per-pupil administrative costs were similar to peer districts' and lower than the state average. Although the District operates its administration efficiently, it needs to improve controls over its accounting and student information systems to better protect sensitive information (see Finding 2 on page 7).

**Lower plant operation costs**—Cartwright ESD spent 12 percent less per pupil and 9 percent less per square foot than its peer districts for plant operations. The District kept its costs low by performing most repair and maintenance work in-house, making efficient use of building space, and meeting annually with its energy provider to ensure that it receives the best possible energy rates.

**Food service costs were average**—The District's per-pupil food service costs were similar to peer districts', and its per-meal costs of \$2.45 were also similar to the \$2.37 peer district average.

**Transportation program needs improvement**—Although Cartwright ESD's per-pupil student transportation costs were significantly lower than peer districts', its per-mile cost of \$5.45 was 15 percent higher than the peer districts', indicating that changes could be made to improve the program's efficiency (see Finding 1 on page 3).

**Instructional support services costs were higher**—Cartwright ESD spent 23 percent more per pupil for instructional support services, which include costs such as librarians, teacher training, and curriculum development. Costs were high in this area, in part, because the District made a conscious decision to increase instructional support spending to provide increased training and support to its less experienced teachers to help improve the District's student achievement. As noted on page 1, 13 of the District's schools were involved in the NCLB school improvement process in fiscal year 2009. This process requires each of the schools involved to set aside 10 percent of its federal Title I grant monies for teacher professional development.

**Table 1: Comparison of Per-Pupil Expenditures by Function Fiscal Year 2009 (Unaudited)**

<b>Spending</b>	<b>Cartwright ESD</b>	<b>Peer Group Average</b>	<b>State Average</b>
Total per pupil	\$8,098	\$7,657	\$7,908
Classroom dollars	4,985	4,428	4,497
Nonclassroom dollars			
Administration	641	655	729
Plant operations	681	776	920
Food service	487	491	382
Transportation	149	274	343
Student support	529	522	594
Instructional support	626	511	431
Other	0	0	12

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education student membership data and district-reported accounting data.

# FINDING 1

## Improvements needed to lower District's transportation program costs

In fiscal year 2009, despite having lower-than-average costs per rider, Cartwright ESD's cost per mile was 15 percent higher than the average for the peer districts', indicating that program improvements could be made. Further, the District subsidized its transportation program by almost \$1.4 million, which are monies that otherwise could have been potentially spent in the classroom. Although the higher per-mile costs were, in part, a result of the District's smaller geographic area, inefficiencies, such as low bus capacity utilization for certain bus routes and paying bus drivers and aides for a significant amount of nonproductive time, contributed to the higher costs and program subsidization. Further, the District's lack of a bus preventative maintenance program may be a factor in its bus repair and maintenance costs being twice as high as the peer districts. Moreover, establishing and monitoring performance measures can help the District control its costs and improve program efficiency. To its credit, in fiscal year 2010, the District recognized the need for program improvements and began taking steps to increase its transportation program's efficiency.

### District had high per-mile costs and subsidized its transportation program by \$1.4 million

As shown in Table 2, in fiscal year 2009, Cartwright ESD's \$635 cost per rider was \$198 (24 percent) lower than the peer districts' average, but its \$5.45 cost per mile was \$0.73 (15 percent) higher. Further, in that same fiscal year, the District subsidized its transportation program with \$1.4 million in monies that otherwise could have been potentially spent in the classroom. Because of the District's higher per-mile costs and the subsidy, auditors looked for factors that may have contributed to these higher costs.

**Table 2:** Comparison of Cost Per Rider, Cost Per Mile, and Miles Per Rider  
Fiscal Year 2009  
(Unaudited)

District Name	Cost per Rider	Cost per Mile	Miles per Rider
Cartwright ESD	\$635	\$5.45	95
Average of the peer group	\$833	\$4.72	197

Source: Auditor General staff analysis of fiscal year 2009 Arizona Department of Education district mileage reports and district-reported accounting data.

**Higher per-mile costs due in part to driving fewer miles per rider**—The District's higher per-mile costs were caused in part by its driving significantly fewer miles per rider than the peer districts, on average. Having higher per-mile costs and lower per-rider costs is common for geographically small, more densely populated districts like Cartwright ESD because they drive fewer miles. In Cartwright ESD's case, its buses traveled only about half as many miles per rider as the peer districts averaged (see Table 2, page 3). Driving fewer miles also impacts the District's transportation funding and its ability to cover costs because the State's transportation funding formula is based primarily on the number of route miles driven, with more route miles resulting in higher funding. To make up the difference, the District used \$1.4 million of monies that otherwise could have been potentially spent in the classroom.

**District bus route efficiency could be improved**—In fiscal year 2009, Cartwright ESD's regular education routes were reasonably efficient, with buses operating at an average of 75 percent of seat capacity. Districts with efficient bus routes typically use 75 percent or more of bus capacity. However, improvements can be made to increase efficiency. Specifically, the District's overall route efficiency would increase if it could improve the efficiency of its 6th-grade middle school routes. For many years, the District's five middle schools have maintained different start and stop time schedules for their 6th-grade students versus their 7th- and 8th-grade students. The District did this to help 6th-grade students better transition from elementary school to junior high school grades. However, because of the different schedules, in fiscal year 2009, the District operated 31 separate regular education routes for its 6th-grade middle school students, and the average capacity for these routes was 63 percent, with 9 of 31 routes averaging individual capacities below 50 percent. Although statute establishes a lower minimum number of instructional hours for 6th-grade students than 7th- and 8th- grade students, the peer districts maintained the same start and stop schedules for 6th- through 8th- grade students and therefore did not run separate routes only for 6th-grade students.

**Bus drivers and bus aides paid for nondriving time**—Another factor contributing to the District's higher transportation costs was the District's paying bus drivers and bus aides for nonproductive time. Based on auditors' observations of the transportation program and review of payroll records, the District's bus drivers were compensated for an average of 1.25 hours per day for time not spent driving or performing driving-related activities, such as bus inspections. Additionally, bus aides were compensated for an average of 1 hour per day for time not spent driving or performing driving-related activities. Auditors' observations identified many employees clocking in more than an hour before beginning their daily responsibilities. During this time, auditors observed these employees in the lounge area engaged in nonwork-related activities. Had the District eliminated the bus driver and bus aide nonproductive time or had these employees performed job duties in other areas of the District, transportation costs would have been reduced by approximately \$200,000 during fiscal year 2009.

**Lack of bus preventative maintenance possible explanation for higher repair COSTS**—According to the State's *Minimum Standards for School Buses and School Bus Drivers*, districts must demonstrate that their school buses receive systematic preventative maintenance and inspections. Preventative maintenance and inspections includes items such as periodic oil changes, tire and brake inspections, and inspections of safety signals and emergency exits. These standards are designed to help ensure the safety and welfare of

school bus passengers, as well as extend the useful life of the District's buses. However, Cartwright ESD did not systemically conduct preventative maintenance activities on a regular basis. For example, auditors reviewed records for ten district buses and found that only two buses had documented oil changes in the past 3 years. According to district officials, the District previously did not perform preventative maintenance activities, but is developing a schedule for systematic preventative maintenance and inspections for fiscal year 2011. In fiscal year 2009, the District's per-mile repair and maintenance costs were more than double the peer districts' average. This may be due, in part, to the lack of regular preventative maintenance. District officials indicated the higher repair and maintenance costs are also due in part to it having an older bus fleet. However, 34 of the District's 53 student transportation vehicles are less than 10 years old, which is similar to the average age of peer districts' buses. Further, district officials stated that in fiscal year 2009, an unusual amount of bus repairs were performed. Auditors confirmed that the District's fiscal year 2009 bus repair and maintenance per-mile costs were about 70 percent higher than in the prior two fiscal years.

## District has taken steps to improve operations and lower costs

Recognizing the need to improve its transportation program's operations and efficiency, the District began making program improvements in fiscal year 2010. Specifically, the District has reduced the number of overall routes being operated by reconfiguring its schools and school boundaries to create "walking schools," so that students can walk to school and regular education transportation routes are no longer needed for those schools. As a result, the District reduced the number of regular education transportation routes it operates from 73 in fiscal year 2009 to 58 in fiscal year 2010. The District has made other program improvements, such as developing formal standard operating procedures to better outline the program's operations and staff responsibilities. Additionally, the District is proposing other changes including reorganizing staff duties, such as training, bus fueling, and preventative maintenance, to improve efficiency and ensure that all critical tasks are performed.

## Performance measures would facilitate transportation program management

The District's higher per-mile costs and the \$1.4 million transportation program subsidy emphasize the need for it to monitor transportation operations. However, the District has not established or monitored performance measures for its transportation program. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. Additionally, although the District's regular routes were reasonably efficient, averaging 75 percent of capacity, the District did not monitor this performance measure. Monitoring bus capacity utilization rates can help identify route segments with low ridership, segments that may be effectively combined, or buses that are overcrowded.

## Recommendations

1. The District should consider ways to improve the efficiency of its 6th-grade middle school bus routes.
2. The District should eliminate the amount of nonproductive time for which it pays its bus drivers and bus aides, or alternatively find other duties for these individuals to perform when they are not driving or riding buses.
3. The District should ensure that bus preventative maintenance is conducted and documented as specified in the State's *Minimum Standards for School Buses and School Bus Drivers*.
4. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures such as cost per mile and cost per rider and take appropriate actions based on the results of the performance measures.

# FINDING 2

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## District lacks sufficient IT controls to adequately protect sensitive information

Cartwright ESD lacks adequate security over its computer network. Specifically, unused user accounts and accounts linked to terminated employees exist within the District's critical applications, and some password requirements to critical applications are weak. Further, the District does not have adequate control procedures in place to ensure that critical updates are installed on employee computers or to monitor the use of unauthorized software. Finally, the District's lack of a disaster recovery plan exposes it to disruption of operations and loss of data.

### Increased risk of unauthorized access to critical systems

Weak controls over user access to the District's student information and accounting systems increase the risk of unauthorized access to these critical systems.

**Weak password requirements**—Some password requirements for district applications and systems, which provide access to sensitive student and financial information, are weak. For example, passwords for the accounting system only have a minimum length requirement of one character and do not require the combination of alphanumeric characters for password complexity. Further, neither the accounting system nor the student information system includes password expiration requirements, which periodically require users to change their password. Also, the login feature for the student information system does not include a feature to lockout users after a determined number of unsuccessful login attempts. To reduce the risk of unauthorized access to critical systems, the District should establish and enforce adequate password requirements for all of its systems and networks.

**Inadequate procedures for removing access to critical applications**—The District does not have sufficient procedures in place to ensure that only current employees have access to critical systems. Although the District has controls in place to automatically disable accounts that have been inactive for 30 days, auditors found 168 user accounts in the student information system and 16 user accounts in the accounting system that were linked to terminated employees or names not included in the District's staff listing. Further, the District had 11 generic user accounts in the accounting system and 55 generic accounts in the student information system that were used at one time to provide temporary access, but were not removed when they were no longer needed. The District was notified of these issues

regarding user accounts and took actions to remedy them during the audit. To reduce the risk of unauthorized access, the District should establish and implement policies and procedures to remove accounts when an employee is no longer employed and to ensure that temporary accounts are removed when no longer needed.

## Insufficient software monitoring could compromise security

The District does not have adequate control procedures in place to ensure that critical updates are installed on employee computers or to monitor the use of unauthorized software. For example, individual employee computers are configured to automatically download and install critical updates, but employees can modify or disable the settings controlling this feature. Also, the District does not have the ability to determine whether critical updates have been properly installed on all computers. Similarly, the District does not have the capability to monitor the installation and use of unauthorized software. Having unknown and unapproved software or hardware attached to district computers could compromise the security of the District's data and network.

## Lack of disaster recovery plan could result in interrupted operations or loss of data

The District does not have a formal up-to-date and tested disaster recovery plan, even though it maintains critical student and accounting information on its systems and network. A written and properly designed disaster recovery plan would provide continued operations in the case of a system or equipment failure or interruption. Similarly, the District does not regularly test its ability to restore electronic data files from backup files, which could result in the loss of sensitive and critical data. Disaster recovery plans should be tested periodically and modifications made to correct any problems and to ensure its effectiveness.

## Recommendations

1. The District should implement and enforce password requirements related to password length, complexity, and expiration. The District should also create and implement a formal process for reviewing and removing inactive user accounts.
2. The District should develop and implement an adequate process to ensure critical updates are installed on user computers as well as establish and implement formal procedures for authorizing, testing, and reviewing changes to computer systems.
3. The District should create a formal disaster recovery plan and test it periodically to identify and remedy deficiencies.

# FINDING 3

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## Some Classroom Site Fund monies not spent in accordance with statute

In fiscal year 2009, Cartwright ESD spent almost \$200,000 of its Classroom Site Fund (CSF) menu options monies for purposes not authorized by statute.<sup>1</sup> For example, the District spent menu options monies on items such as food and transportation for AIMS intervention dropout prevention programs. However, statute specifies that monies spent for these menu options must be for instructional purposes only. Further, the District spent menu options monies on adult education programs and items such as mugs and beverage can coolers, which do not appear to fit into any of the six menu options allowed by statute.

### CSF monies can be spent only for specific purposes

As specified in A.R.S. §15-977, CSF menu options monies can be spent only for the following purposes:

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

Further, beginning in fiscal year 2004, the Legislature specified that CSF monies spent for AIMS intervention, dropout prevention, and class size reduction must be spent only for instructional purposes, excluding athletics. For fiscal year 2009, Cartwright ESD chose to spend its CSF menu options monies for teacher compensation increases, AIMS intervention, dropout prevention, and teacher development.

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<sup>1</sup> In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund (CSF) monies, may be spent only for specific purposes, primarily increasing teacher pay.



## \$160,000 of unallowable AIMS intervention and dropout prevention program expenditures

As stated above, statute specifies that menu options monies spent for AIMS intervention and dropout prevention programs must be spent for instructional purposes only. However, the District spent over \$160,000 on items or activities such as food, transportation to and from fieldtrips and program activities, police support for afterschool activities, trophies, and award certificates for students. Although these expenditures may be considered part of the District's AIMS intervention or dropout prevention programs, none of these items or activities can be considered instructional, and therefore, they do not qualify as appropriate CSF menu options expenditures.

## \$37,500 of other unallowable expenditures

The District spent about \$37,500 of its CSF menu options monies on items or activities that do not fit under any of the six statutorily defined menu options. Specifically, the District paid over \$26,000 in extra-duty pay to teachers for teaching adult education classes. According to Attorney General Opinion I01-014, only those who provide instruction to students related to the school's educational mission are eligible for these CSF monies. In addition, the District spent \$11,300 on items such as mugs, water bottles, and beverage can coolers for its preschool program. Although the District classified these expenditures as AIMS intervention, dropout prevention, or teacher development, these expenditures do not appear to fit any of these categories or other statutorily approved menu options.

## Recommendations

1. The District should spend its Proposition 301 monies in accordance with statute.
2. The District should reimburse the Classroom Site Fund for monies misspent in fiscal year 2009 and work with the Arizona Department of Education to make the necessary corresponding adjustments to its expenditure budget.

# OTHER FINDINGS

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In addition to the three main findings presented in this report, auditors identified one other, less significant area of concern that requires district action. This additional finding and its related recommendation is as follows:

## District did not accurately report its costs

Cartwright ESD did not consistently classify its fiscal year 2009 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 classroom and nonclassroom expenditures. Auditors identified errors totaling approximately \$5.6 million of the District's total \$142 million in current spending that increased its reported instructional expenditures by about \$445,000, or one-half a percentage point.<sup>1</sup> The dollar amounts shown in the tables in this report reflect the necessary adjustments.

## Recommendation

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

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<sup>1</sup> Current expenditures are those incurred for the District's day-to-day operation. For further explanation, see Appendix page a-1.



# APPENDIX

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## Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Cartwright Elementary School District pursuant to A.R.S. §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operation and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2009, were considered.<sup>1</sup> 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 it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2009 summary accounting data for all districts and Cartwright ESD's fiscal year 2009 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 analyze Cartwright ESD's operational efficiency, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Cartwright ESD and eight other large or very large elementary school districts located in city/suburb areas.<sup>2</sup> To compare districts' academic indicators, auditors developed a separate student achievement peer group using the same size and location categories as in the operational peer group, but with the additional consideration of each district's poverty rate because poverty rate has been shown to be strongly related to student achievement. Cartwright ESD's student achievement peer group includes Cartwright ESD and the five other elementary and unified districts that also served between 8,000 and 19,999 students, were located in city/suburb areas, and had poverty rates above the state average of 19 percent. Additionally:

- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents, and

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<sup>1</sup> 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.

<sup>2</sup> Large districts serve between 8,000 and 19,999 students; very large districts serve more than 20,000 students. The peer group contained seven large elementary districts in addition to Cartwright and one very large elementary district. Auditors excluded an eighth large elementary district that received such a high level of funding that it skewed the peer-spending averages.

interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2009 administration costs and compared these to peer districts'.

- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2009 plant operation and maintenance costs and district building space, and compared these costs to peer districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2009 food service revenues and expenditures, including labor and food costs, and compared costs to peer 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 capacity usage. Auditors also reviewed fiscal year 2009 transportation costs and compared them to peer districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2009 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and reviewed transactions for proper account classification and reasonableness. Auditors also evaluated other internal controls that were considered significant to the audit objectives.

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 her staff express their appreciation to the Cartwright Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

# DISTRICT RESPONSE

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# **CARTWRIGHT SCHOOL DISTRICT #83**

3401 N. 67<sup>TH</sup> Avenue Phoenix, AZ 85033 Phone: (623) 691-4000 Fax: (623) 691-5920

[www.csd83.org](http://www.csd83.org)

*“The Gateway to Achieving Tomorrow’s Dreams”*

## **ADMINISTRATION**

December 10, 2010

Dr. Jacob Chavez  
*Interim Superintendent*

*Assistant Superintendent  
Administrative Services*

Richard Conrad  
*Assistant Superintendent  
Financial & Auxiliary Services*

Dr. Edward Murphy  
*Assistant Superintendent  
Human Resources*

Cindy Segotta-Jones  
*Assistant Superintendent  
Educational Services*

Debra Davenport, CPA  
Office of the Auditor General  
2910 N. 44<sup>th</sup> St., Ste. 410  
Phoenix, AZ 85018

RE: Response to Cartwright School District #83  
FY09 Performance Audit

Dear Ms. Davenport:

Cartwright School District #83 respectfully submits the written response to the performance audit conducted by the Auditor General for FY2009. The audit identified four findings and you will find the response to the findings attached.

I appreciate your acknowledgement of the efforts the District had made to operate efficiently with lower costs overall yet increase per pupil spending in the classroom.

The District’s primary focus is to increase student achievement by increased spending in the classroom and increased instructional support to classroom teachers. As a result, the District has experienced a significant increase in student achievement.

I commend your staff on their courtesy and professionalism displayed during the audit along with their willingness to openly discuss all aspects of the audit.

Sincerely,

Dr. Jacob A. Chavez, Ed. D.  
Interim Superintendent

**Cartwright School District #83**  
**3401 N. 67<sup>th</sup> Avenue**  
**Phoenix, AZ 85033**

Response to Auditor General's Performance Audit of 2008-09 Fiscal Year  
December 9, 2010

**Finding 1 Improvements needed to lower District's transportation program costs**

The District concurs with the recommendations related to improvements needed to lower transportation costs and intends to implement the four recommendations as presented. District administration recognized a need for improvement and as a result the transportation department experienced many changes during the 2009-10 and 2010-11 fiscal year. An interim director was hired in December, 2009 to replace a retiring director. In April, 2010 the interim director was issued a contract for the 2010-11 fiscal year.

In December, 2009 a performance review of the department operations was conducted by an independent consultant specializing in school district transportation. The review identified operations within the department which required improvement in order to allow the department to operate more efficiently. Many of the suggestions presented in the independent review were implemented by the director in 2009-10 and continue in 2010-11. The suggestions closely mirrored the recommendations presented in the audit.

The department published a transportation operations guide, the monitoring of staff performance has increased and efforts have been made to improve the efficiency of the various bus routes. With the current voter approved bond issuance, the District administration is committed to replacing the aging bus fleet with new buses which will reduce costly repairs in addition to the development of preventative maintenance procedures.

**Finding 2 District lacks sufficient IT controls**

The District concurs with the recommendations related to IT controls and intends to implement the three recommendations as presented. A new financial software product was implemented in the 2010-11 fiscal year. As a result, improved user security was implemented which included tighter controls to access sensitive financial data and more complex password structure. In addition, a review process of authorized users will be developed to assure periodic review of user access only includes current employees. A similar review procedure will also be developed for the student management software.



The District had previously developed a disaster recovery plan but did not present it to the Governing Board for adoption. The current plan will be reviewed and updated with a subsequent presentation to the Governing Board in the 2010-11 fiscal year.

**Finding 3 Some classroom site monies not spent in accordance with statute**

The District concurs with the recommendations related to expenditure of classroom site funds and intends to implement the two recommendations as presented. District administration has developed procedures to verify and approve expenditures are qualified and coded properly to the Classroom Site Fund. Several layers of approval have been developed to reduce the possibility of a purchase order or salary expense coded improperly.

The implementation of Windsor Management Group's Visions software in 2010-11 has improved the ability to effectively monitor the expenditure coding.

**Other Findings**

The District concurs with the other finding related to accurately reporting costs and intends to implement the recommendation as presented. District administration annually provides a manual to site and department administration which includes account structure and description taken from the USFR. To supplement this handbook, additional training has been provided to site and department administration to insure proper accounting and coding procedures are used.

The implementation of Visions software in 2010-11 has improved the ability to more effectively monitor expenditure coding.

