

Lake Havasu Unified School District No. 1

DISTRICT OFFICE

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December 12, 2008

Debra Davenport
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

RE: Response to Lake Havasu Unified School District #1 2006-07 Performance Audit

Dear Ms. Davenport:

Lake Havasu Unified School District #1 respectfully submits its response to the performance audit conducted by the Auditor General for fiscal year 2007. The report includes a number of recommendations in the areas of administration, student transportation, plant operation and maintenance, Proposition 301 monies, classroom dollars and English language learner programs, costs and funding. These recommendations have already, and will continue to, improve our district's procedures and we believe the audit also demonstrates that our district is committed to outstanding academic progress, fiscal responsibility and compliance with Federal and State guidelines.

We realize that in order to audit all Arizona school districts, there must be formulas for comparison and that a somewhat rigid approach must be used, which does not allow for highlighting successful endeavors above and beyond the methodology of the audit. The district is particularly proud of the 60.2 percent classroom dollar percentage mentioned in the Auditor General report, which is approximately 2.5% above comparable districts and the State average, despite the fact the Lake Havasu Unified School District #1 receives less funding than comparable districts. Among other things, our district does not participate in performance incentive programs, such as Career Ladder, and does not receive the amount of federal grants that comparable districts receive.

Our district is also proud of its efforts on energy conservation, both through the energy management system that was recently instituted and the continued education of staff and students. This has and will remain a top priority for our district.

The Lake Havasu Unified School District #1 appreciates the professionalism of your staff during the audit process and the frequent and open communication we received. Please thank everyone, particularly Vicki Hunter, for their efforts and consideration.

Thank you.

Sincerely,

Gail Malay
Superintendent

Lake Havasu Unified School District #1
Response to Auditor General's Performance Audit Report

Administration

1. Recommendation: The District should review its administrative purchased services to determine how these costs can be reduced.

District Response: The District agrees with this recommendation. According to the auditor general's performance audit report, the District spent about \$53 per pupil on outside professional and technical services during 2006-07. In 2007-08, the per pupil cost was reduced to approximately \$46.00 per pupil.

Action Already Taken by District: Information has been obtained from another Arizona school district that internally manages the same accounting system used by the Lake Havasu Unified School District, IFAS, and uses an outside vendor to host the system. The cost for salaries total approximately \$80,000, excluding benefits, and the district pays around \$90,000 for an outside firm to host the Unix and web servers, for a grand total of approximately \$170,000. Another source has confirmed that salaries and hosting options would total at least that amount. It has therefore been determined that it would be more expensive to host and manage the accounting system internally than the amount paid to the computer consortium currently handling these services for the District.

With regards to printing and binding costs, new copy machines with increased capabilities have been installed at each site in the District, greatly reducing the need for outsourcing. A District print shop was considered at the time the machines were obtained, but was ruled out due to space restrictions and the cost of hiring additional personnel

2. Recommendation: The District should require and review credit card receipts to help ensure that proper amounts are billed and that credit cards are used appropriately.

District Response: The District agrees with this recommendation and has already implemented measures to correct this.

Action Already Taken by District: With regards to credit card receipts for fuel purchases, District employees in transportation and maintenance now check out a credit card from the administrative assistant in those departments. When they check the card back in, they must submit a credit card receipt, on which they sign their name and the vehicle number. The credit cards are locked up when not in use.

When the statement from the credit card company is received, the accounts payable employee sends a copy to the administrative assistant in transportation so receipts can be matched to the statement and can be separated into diesel and unleaded fuel purchases. Once this is done, the administrative assistant sends the receipts and statement copy back to accounts payable.

With regards to maintenance vehicles and vehicles used for staff travel, the administrative assistant in the travel department maintains a spreadsheet throughout the month, which lists mileage, vehicle numbers, type of credit card used, etc. This spreadsheet, along with original receipts, is then submitted to accounts payable, and is then matched to the credit card statement.

With regards to the credit cards used to book travel for staff, when an employee is given their travel packet, they agree to return all receipts promptly upon their return. If a receipt is not turned in or is lost, the employee must call the hotel and ask for a faxed copy of the receipt. The same applies for student travel. The employee responsible for the group must turn in receipts upon return to the District. These receipts are kept with the requisition that was initially completed and are matched to the statements received by Accounts Payable. This ensures that no additional charges were made and the amount listed on the receipt matches the amount quoted by the hotel.

3. Recommendation: The District should implement a cell phone policy, have employees sign user agreements, and review statements to help ensure the proper use of cell phones.

District Response: The District agrees with the need for a Board approved cell phone policy and employee user agreement.

Action Already Taken by District: The District has created a cell phone user agreement and all cell phone users have read and signed the document. All completed documents are kept on site at the District Office. New hires who will be assigned a cell phone will sign the agreement before receiving the cell phone for district use, thereby acknowledging the terms of the usage agreement.

A cell phone policy has been researched and created and will be presented to the Governing Board in January 2009.

Cell phone statements are not currently itemized since the minutes allotted to district employees have not been exceeded. Employees who are issued a District cell phone are trained on the proper use of the phones. If an employee were to exceed the number of allowed minutes and calls were not business related, the employee would be contacted and would be liable for personal phone calls.

4. Recommendation: The District should ensure that computer server rooms are locked and the temperature is properly controlled.

District Response: The District agrees with the philosophy and recommendation. Our district technology infrastructure is designed to house servers at each local school site. This best practice ensures that each server is located in the closest proximity to the end user.

In 2002, the School Facility Board funded the rewiring of each of our campuses. They designed the plan for the location of each site's MDF. All servers were placed next to each MDF which is normal practice. Taking into account previous wiring, space issues, ease of access, etc., several of our schools MDF's and servers were placed in shared storage areas. All but one storage area is lockable and our main hub, which is located at the high school, is located in a room solely used for server storage. All other servers are in rooms with shared storage.

Action Already Taken by District:

We are entering into a new agreement to use Power Schools which is a web based student management system. One main server will house the local student information. This server will be located in the locked room at the High School.

Signs have been placed on all server room doors stating that rooms are to remain locked.

The District's contracted architect has been contacted and will conduct an evaluation of server rooms throughout the District. The firm will provide a written recommendation on actions to be taken to ensure that the rooms are locked and the temperature is properly controlled. As funding becomes available, the architect's recommendations will be considered.

5. Recommendation: The District should establish a disaster recovery plan for its information technology system.

District Response: The District agrees with the need for a Disaster Recovery Plan.

Action Already Taken by District: A disaster recovery plan has been created.

6. Recommendation: The District should conduct basic computer security training for employees to inform them of the importance of security measures, such as locking computers when away from desks to prevent unauthorized users from accessing district software and data.

District Response: The District agrees and currently offers ongoing technology training and it is also embedded into new teacher orientation each fall. Portions of the orientation training center on the topic of network and information security.

Action Already Taken by District: Specific computer security training has been added to our training calendar and will be covered once each year at 1 of the 2 early release technology trainings. These trainings are mandatory for all certified staff. This issue will also be covered in depth each fall at new staff orientation.

The district has created a confidentiality agreement. This agreement has been read and signed by all staff members. As new employees are hired this has become a part of the orientation packet.

7. Recommendation: The District should correctly classify and record revenues to help ensure that monies are spent for allowable purposes.

District Response: The District agrees with this recommendation of correctly classifying revenues and as noted, there were no other areas of concern. The District disagrees with the Auditor General's assessment that the funds mentioned in their report were deposited to an incorrect code and the District feels that money was spent for the purpose intended by the donor. Correspondence from the District's beverage vendor, Pepsi Bottling Group, states that commission from the sales of beverages would be sent to the district office, and that the "commission would be considered a gift/donation to the school district that could be used for staff appreciation."

The auditor's report states that donations were spent on food for meetings, however the District would like to clarify that a large percentage of these expenditures were for District employee trainings and workshops, which allowed work to continue through the lunch hour and eliminated the time employees were required to spend away from their normal duties.

Action Already Taken by District: Based on the intention of the vendor, no further action has been taken.

Student Transportation

1. Recommendation: The District should use the data it already collects to help create efficient routes. The District should also review rider counts throughout the year to evaluate and adjust routes to increase efficiency while ensuring student safety and ensure that it reports accurate rider counts for state funding purposes.

District Response: The District agrees with this recommendation. The number of students used in calculations included transportation of Lake Havasu City Parks and Recreation program participants, through the intergovernmental agreement between the District and the City, as well as students transported on activity trips.

With regards to route efficiency, at one time the District did investigate a route calculation software system; however the street information for Lake Havasu City was not correct. It was then determined that software of this type is not feasible for use by the transportation department. Since that time, the transportation has partnered with Lake Havasu City to develop maps that are now used to calculate school bus routes in-house.

There are several obstacles the transportation department has faced when creating bus routes. The District offers open enrollment at the two middle schools, which means students and parents can choose either school, no matter where they live in Lake Havasu City. As mentioned in the auditor's report, the two schools start and stop at different times, one hour apart. Because of the open enrollment and timing issues, filling a school bus to capacity is often not possible and some drivers have to make the same trip twice in a row to get students to the different schools.

As the transportation supervisor pointed out to the auditors, Lake Havasu City is not set up on a grid system like many other communities in Arizona. A map of the city has often been referred to as a "spaghetti bowl," which makes scheduling routes an even more complicated process.

Another obstacle is the ongoing sewer project that has taken place for several years in Lake Havasu City. This is the largest infrastructure project in the nation and is scheduled to take another four to five years to complete. The project is taking place in various sections throughout Lake Havasu City. When an area is in the midst of the project, roads are not available for the school buses and alternate routes have had to be created.

The District would also like to point out that it transports only middle school students, special services students and a small number of students to one elementary school, whereas the Districts to which the District is being compared are likely transporting K-12 students.

Finally, middle school sports affect bus ridership. During certain sports seasons, the number of students riding school buses may decrease substantially.

Action Already Taken by District: The District school bus routes were completely reconfigured for the 2008-09 school year and are adjusted on a weekly basis. The District has made every attempt to achieve an average of 35-40 students per bus, although some buses exceed the average and some transport less.

2. Recommendation: To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, driver productivity, and bus capacity utilization.

District Response: The District agrees with this recommendation.

Action Already Taken by District: The transportation department is in the process of creating spreadsheets, which will be used to monitor costs, as mentioned above. The current method did not use the per student performance measure.

3. Recommendation: The District should establish proper controls over its fuel card usage. Such controls would include establishing written policies and procedures governing the cards' use, requiring user agreements signed by each cardholder, monitoring card usage, and reconciling fuel receipts to billing statements.

District Response: The District agrees with this recommendation as previously mentioned in the "Administration" section of this report.

With regards to the calculations that indicated a District school bus was getting only 2.3 miles per gallon, the transportation department has informed us that during the 2006-07 school year bus drivers were required to punch in an odometer reading when gas was purchased and it may have been that numbers were transposed when this reading was input. The transportation department has instituted performance measures, which indicate that District buses do meet industry standards.

Action Already Taken by District: A credit card policy and procedures have been created, as well as a user agreement, which has been signed by each cardholder. As mentioned in the administrative section of this report, District fuel cards are now locked up when not in use, and are checked out to employees on an "as needed" basis. When employees check the cards back in, they must also submit a receipt with their signature and the vehicle number. Fuel receipts are being reconciled to billing statements by transportation and accounts payable employees.

4. Recommendation: The District should obtain, *review*, and maintain driving records on all of its drivers, both prior to and throughout their employment, and implement procedures to ensure that all driver requirements are met in accordance with DPS *Minimum Standards*.

District Response: The District agrees with this recommendation.

Action Already Taken by District: The administrative assistant in the transportation department obtains driving records for employees before they are hired and for all drivers two times annually. The transportation supervisor reviews the records, initials them, and

then the records are maintained in files, to ensure the drivers are meeting DPS minimum standards.

Plant Operation and Maintenance

1. **Recommendation:** The District should continue with its plans to reduce utility costs, and continue identifying ways to lower utility usage based on each school's particular facilities and equipment. Further, the District should educate staff and students about energy conservation and encourage them to conserve energy.

District Response: The District agrees with this recommendation. The District would like to point out that the calculations of utility costs per square foot may not be an accurate system to compare us with other Districts given the fact that an intergovernmental agreement between the District and Lake Havasu City allows the City's Parks and Recreation program to host programs in District owned buildings after school, on weekends and during the summer. A more appropriate method may have been to use calculations based on the number of hours that school buildings were used in conjunction with the per square foot method.

The District would also like to note that Unisource, the company that provides electricity to the District, raised their rates by 20% plus tax, effective July 2008.

Action Already Taken by District: In 2006-07, the District paid an outside firm to conduct an energy audit and the governing board then approved institution of an energy management program recommended by the firm. Energy costs totaled approximately \$2.2M in 2006-07, however in 2007-08 this amount decreased to approximately \$1.8M. In February of 2008, the District began evaluating and fine tuning an energy management system.

In October of 2008, the District's governing board approved replacement of the chiller at one of the District's elementary schools with a more energy efficient model. The parts from the chiller that was replaced were kept for use at one of the other District schools, which will also save money.

Staff and students continue to receive education on energy conservation. Employees have been asked to turn off lights when rooms are not being used and to power off computers and copy machines when employees leave at night. Employees have also been encouraged to take home personal appliances.

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.

District Response: The District reluctantly agrees with this recommendation. It is the District's contention that its employees have been very well educated on Proposition 301 funds and realize the amount that may be received depends on the amount of sales tax collected by the State of Arizona and that events, such as those that took place on September 11, 2001, have a direct impact on this. We do not feel the way the District has handled this in the past has affected teacher's performance. In the future however, based on State allocations, the District will specify historic ranges and current expectations of what may be earned on certified contracts.

Action Already Taken by District: Verbiage will be added to the 2009-10 certified contracts.

2. Recommendation: The District should review its performance pay plan to ensure that compensated activities are optional and that eligible employees are performing activities for which they are not already compensated during normal contracted hours.

District Response:

The District agrees with this recommendation. The District's 301 plan was written within statutory guidelines with the clear intent of compensating teachers for efforts towards going "above and beyond" in increasing student academic achievement. Voter and legislative intent driving performance pay was and is to compensate teachers for the efforts to help our students achieve. The district plan clearly meets the intent of this legislation. Our entire staff is absolutely committed to student achievement regardless of compensation.

Meaningful professional development is vital to meeting the needs of our students and in times of greatly diminished state educational funding, the district had little choice but to use some of our planned professional opportunities to support our site plan goals.

Teachers must complete and sign an agreement to indicate participation each fall. Teachers who do not choose to participate will be ineligible for all or part of those site fund dollars.

Action Already Taken by District:

The District's 301 committee will convene in January 2009 to address the findings and make the following changes:

- The framework of our performance pay plan will be modified to expressly state that participation in these "compensation activities" is optional. This will be stated in the district performance pay plan framework document and the school site presentation. The committee will have this modification approved by the District's governing board during the next scheduled meeting after committee approval.
- The committee will also ensure that all site fund eligible employees are not compensated from site fund monies for performing duties for which they are "already compensated during normal contracted hours". This too will be expressly stated in the District's performance pay plan framework and school site presentation after being governing board approved.

Classroom Dollars

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

District Response: The District agrees with this recommendation. Personnel assignments have been reviewed to ensure compliance. In the 2007-08, the Uniform Chart of Accounts was made much more explicit and the District is now using the correct codes.

Action Already Taken by District: During 2007-08 the Director of Business Services conducted a class for personnel; including technology, special services and grants; related to the proper use of account codes. The areas of concern, such as the coding of computer technicians, teacher trainers, clerical support, counselors, nurses and therapists, have been corrected. Job descriptions have been reviewed to ensure compliance with the Uniform Chart of Accounts for school districts. The generic codes used to pay stipends in the past have been corrected. Other areas, including teacher training, travel and staff meetings, and repair and maintenance of equipment have also been addressed.

2. Recommendation: The District should review its non-instructional spending to determine if savings can be achieved and some of these monies can be redirected to the classroom.

District Response: The District agrees with this recommendation. Potential savings that were addressed in the auditor general's report have been addressed previously in this report, however with regards to food service costs, we would like to note that all expenses for food services in the auditor's report were allocated to District students. During 2006-07 the District provided meals to three charter schools, through intergovernmental agreement contracts, in Lake Havasu City and these students were not recognized as Lake Havasu Unified School District #1 students and therefore were not allocated to expenditures.

Action Already Taken by District: The District has cancelled food service contracts with the charter schools. This means the charter schools had to institute their own food service programs as an extra capital expense to taxpayers.

Additionally, the District significantly increased its use of commodities during 2007-08 and 2008-09.

English Language Learner Programs, Costs and Funding

1. The District should continue to expand its English language development instruction to align with the models adopted by the ELL Task Force in September 2007.

District Response:

The District agrees with this recommendation and is in the process of fully implementing the task force models. As stated below, the District was implementing Arizona Department of Education approved task force plans at the time of the audit.

Action Already Taken by District:

During the 08/09 school year, the District is fully implementing the Arizona Department of Education, OELAS approved district and school site plans. These plans were approved prior to OELAS release of incremental costs funding to the district. These plans were developed in close cooperation with the OELAS and bring the District into full compliance with HB2064 to include four hours of English Language Development (ELD), again based on the approved ELL task force models. All students are appropriately grouped based upon AZELLA scores. The ELD curriculum includes the task force model components such as oral English, grammar, and reading.

The District will monitor changing ELL enrollment and make the necessary program adjustments for the 2009-2010 school year, when again the focus will be on improving student academic performance while maintaining ELL task force and HB2064 compliance.

2. The District should separately account for the incremental portion of ELL costs using the appropriate account codes, and retain documentation supporting how those amounts are determined.

District Response: The District agrees with this recommendation. In 2006-07 the District did receive \$55,200 in federal Title III monies and spent \$44,744.02. Additionally, the District received \$49,400 from the State for its CI program and spent \$49,382.00 of those monies. The \$134,200 in state aid mentioned in the audit report was spent on salaries and benefits for three ELL teachers, totaling approximately \$145,776; however their salaries were not coded to the new account codes.

Action Already Taken by District: The District currently does separately account for the incremental portion of ELL costs using the appropriate codes in maintenance and operations. Supporting documentation is retained.