



WILSON ELEMENTARY SCHOOL DISTRICT NO.7

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December 8, 2003

Ms. Debbie Davenport
Auditor General
Office of the Auditor General
2910 North 40th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Enclosed is the Wilson Elementary School District #7 response to the Auditor General's Performance Audit Report. The District appreciates the time, effort and assistance provided by the Office of the Auditor General. We would like to acknowledge the efforts of Ms. Natalie Coombs, Audit Manager, and her team members assigned to the Wilson School District audit. They displayed a great deal of professionalism, and kept communication open throughout the process.

Overall, the district is in agreement with the report and has taken steps to implement the recommendations.

There are also additional explanatory comments the district is providing as part of our response.

The District made major accounting changes in 2002-03 to ensure that all transactions were coded in accordance with the Uniform Chart of Accounts for school districts. In the future the District will work with all regulatory State agencies to ensure compliance with budgeting and coding guidelines. The recommendations enclosed in the Audit Report will assist us in attaining this goal.

Please do not hesitate to contact me if you have any questions or are in need of further clarification.

Sincerely,

Antonio Sanchez, Administrator

Chapter I—Administration: Administrative Costs

District Comments:

Wilson Elementary School District is a unique school district in that it is a small inner-city school district. The District has recently been identified as one of the most impoverished small districts in the state. Challenges facing the District include language barriers, student safety, high mobility rate, and disadvantaged backgrounds. In spite of these challenges, the District provides a safe learning environment that maximizes student achievement. Comparison schools in the audit are of similar size; however, their locations are more rural.

The charter high school had been planned to create a sense of continuity for the students at a time when the dropout rate was high for former Wilson students. The charter high school has been severed from the elementary school and is now running independently.

Administrative processes are being internally reviewed for compliance with statutes and the USFR. Recommendations will be used as a springboard to determining possible improvements in effectiveness or efficiency.

Administrative costs have been reviewed extensively. Initial findings indicate salaries are in line with neighboring inner-city districts. Staff longevity has impacted administrative costs, however the District has taken action to reduce all costs.

Audit Recommendations and District Responses:

1. The District should evaluate its administrative expenditures, including salaries, employee benefits, purchased services, and supplies costs and identify specific expenditures that can be reduced to make more money available to spend in the classroom.

District Response to Recommendation #1:

The District has taken steps to implement this recommendation by evaluating all administrative expenditures. The District agrees that administrative costs were high in 2002 and 2003 due to staff longevity and purchased services. Administrative staffing was been reduced in 2003-04 school year. In the judgement of District administration, current salaries are reasonable in light of staff longevity, and in comparison to neighboring, urban districts. Because every student at Wilson has a computer on his or her desk, we have also found additional expenses, such as a network engineer, are necessary.

The District has resolved many issues and is working toward the resolution of others. The District will continue to evaluate expenses, realizing that until all legal and personnel issues are finalized, there will be high administrative costs.

2. The District should make sure that advance payments meet statutory requirements.

District Response to Recommendation #2:

Prior to the completion of the audit, the District had implemented this recommendation. The District agrees with the recommendation.

Audit Recommendations and District Responses:

1. At the end of the Superintendent's current contract term, or upon issuing a new contract, the District should revise the provision requiring the District to provide a personal-use vehicle, and should ensure contract provisions clearly define the contract's amount and other benefits, such as health care coverage to be provided.

District Response to Recommendation #1:

The District agrees with the recommendation. When a new contract is being considered, it will be reviewed for clarity and precision, with an emphasis on the Auditor General's recommendation.

2. The District should consult with a tax adviser to determine its obligations for reporting taxable vehicle and expense account benefits provided to the Superintendent in his contract.

District Response to Recommendation #2:

The District agrees with the audit recommendation, and will consult tax advisers to determine the obligation for reporting taxable expenses.

Audit Recommendations and District Responses:

1. The District should ensure that it no longer subsidizes charter high school costs and that it recovers any equipment, such as computers, that it had loaned to the charter school under the intergovernmental agreement.

District Response to Recommendation #1:

The District agrees it should not subsidize the charter high school. As the Arizona Department of Education, Maricopa County and Auditor General's office have clarified charter school regulations, the District has complied with these regulations. The District has recovered all equipment.

Audit Recommendations and District Responses:

1. The District should ensure that it follows procurement rules, including obtaining oral or written quotations, and sealed bids as appropriate.

District Response to Recommendation #1:

The District agrees with the audit recommendation, and is in the process of proactively improving procurement procedures to comply with statutes and the Uniform System of Financial Records (USFR).

Audit Recommendations and District Responses:

1. The District should evaluate that all reimbursement requests include adequate documentation to ensure expenditures are appropriate and are for authorized purposes.

District Response to Recommendation #1:

The District agrees with the audit recommendation, and is developing procedures to ensure that expenditures are appropriate and are for authorized purposes.

2. The District should establish a policy for credit card use and ensure that balances are paid in full and timely to avoid finance charges and late fees.

District Response to Recommendation #2:

The District agrees with the audit recommendation, and will examine credit card use and will develop procedures for credit card control.

3. The District should ensure that the revolving fund balance does not exceed \$5,000 and that the account is not used to pay expenditures such as salaries and benefits.

District Response to Recommendation #3:

The district agrees with the audit finding, and has implemented the recommendation.

4. The District should ensure that it no longer issues blank checks and should closely monitor signature stamps to ensure that only authorized employees have access to them and that the stamps are used appropriately.

District Response to Recommendation #4:

The District agrees with the audit finding, and has implemented the recommendation.

Chapter II—Food Service

District Comments:

The food service program is currently covering its costs and providing meals in accordance with the Federal Food & Nutrition Program. Approximately 95% of the student population is eligible for free and reduced-price lunches. Department of Agriculture commodities are used extensively. The District is reviewing the costs of its food service program and the efficiency of program procedures. Most of the income to the District is from the federal reimbursement program.

Audit Recommendations and District Responses:

1. To comply with state procurement rules and optimize the use of food service monies, the District should evaluate all food purchases to determine whether they could be purchased at a better price from the cooperative purchasing group's contracted vendors.

District Response to Recommendation #1:

The District agrees food service monies must be optimized and will continuously seek the lowest prices.

2. To properly manage inventories and protect them against loss, theft, or spoilage, the District should:
 - a. Consistently count and inspect items received before paying for them,
 - b. Date-stamp food supplies and manage inventory on a first-in, first-out basis.

Response to Recommendation #2:

The District agrees and will use a system of rotation to assure first-in, first-out use of inventories, and will evaluate this practice to ensure proper inventory management.

Audit Recommendations and District Responses:

1. To help identify high-cost areas and remain self-supporting the District should identify, calculate, and analyze performance measures and periodically assess financial results.

District Response to Recommendation #1:

The District agrees with the audit recommendation to analyze performance measures and periodically assess financial results.

2. The business office should regularly provide the food service director with financial data, such as revenue and expenditure reports.

District Response to Recommendation #2:

The District agrees with the audit recommendation and will provide financial data to the food service director.

Audit Recommendations and District Responses:

1. To protect food service collections against theft or loss, the District should: a. train staff to enter transactions directly into its computerized system, or ensure it reconciles cash to the manual listing, b. lock cash drawers when not in use.

District Response to Recommendation #1:

- a. The District agrees, one school is currently entering transactions directly into its computerized system, and the District is in the process of implementing this recommendation at the other site.
 - b. The food service director has reviewed cash handling guidelines with all staff and holds regular training sessions for staff.
2. The District should not allow adults to charge meals in accordance with ADE's CNP guidelines.

District Response to Recommendation #2:

The District agrees with the audit recommendation, and had implemented this guideline prior to the completion of the audit.

Audit Recommendations and District Responses:

1. Analyze the total costs of providing food services.

District Response to Recommendation #1:

The District agrees with the audit recommendation and will analyze the total cost of providing food services.

2. Enter into a CNP-approved agreement that ensures adequate compensation for all costs incurred.

District Response to Recommendation #2:

The District agrees that in 2002 there was no CNP-approved agreement with the charter high school, although the District did receive Federal reimbursement for the meals served. For the 2003-04 school year, the District entered into a CNP-approved agreement with the charter high school and as noted above, will perform an analysis to ensure adequate compensation of costs.

Chapter III—Student Transportation

District Comments:

In the past it was decided to use an independent contractor to provide transportation in order to (a.) limit district liability exposure and (b.) ensure cost effectiveness. The location of the schools, and student safety dictates the decision for additional transportation.

Audit Recommendations and District Responses:

1. Prior to renewing its transportation contract for fiscal year 2005, the District should evaluate its transportation costs and then identify alternatives that will allow it to operate a more cost-effective transportation program. In addition, the District should ensure that all information included in any transportation RFP is accurate to help ensure it obtains the best possible price.

District Response to Recommendation #1:

The District agrees to evaluate transportation costs and identify alternatives. Additionally, and prior to renewing the Request for Proposal for 2005 the District will ensure the accuracy of transportation information

2. The District should ensure that contractor invoices for student transportation services are accurate and reflect the terms of the contract. Additionally, the District should seek to recover the \$60,822 from its contractor for the bus it was billed for but was not provided with in fiscal years 2002 and 2003.

District Response to Recommendation #2:

The District agrees with the audit recommendation. The District will implement the recommendation by reviewing further and negotiating for billing adjustments.

3. The District needs to review its transportation routes to ensure the routes are efficient and determine the number of buses needed.

District Response to Recommendation #3:

The District agrees with the audit recommendation. Prior to the completion of the audit, the District implemented a review of transportation routes in order to ensure that routes are efficient and to determine the number of buses needed.

Audit Recommendations and District Responses:

1. The District should file a corrected transportation report with ADE. In the future, the District should obtain detailed reports from the contractor and accurately report student rider counts and mileage to ADE to ensure its state transportation aid is correct.

District Response to Recommendation #1:

The District agrees with the audit recommendation, and will file corrected transportation reports. Additionally, the District will implement above-mentioned recommendations in order to ensure that its state transportation aid is correct.

2. The District should ensure the charter high school reimburses the cost of its student transportation.

District Response to Recommendation #2:

The District agrees and will implement the recommendation by requesting reimbursement from the charter high school.

Audit Recommendations and District Responses:

1. The District should update its policy for alcohol and controlled substance testing to align it with the Department of Public Safety's standards. Additionally, the District should monitor its driver's certification and ensure that the driver is screened randomly for drug and alcohol use.

District Response to Recommendation #1:

The District agrees with the recommendation, and is in the process of updating all district policies, including those for transportation.

Chapter IV—Plant Operation and Maintenance

District Comments:

The District strives to meet all the needs of its students and their families. Many community service organizations and programs are centered at the District due to the constituents of the District. Consequently, the buildings and grounds are extensively used long after the regular school day. For example, District buildings are used to provide before- and after-school tutoring, adult education classes, sports and recreational activities for students and families. Moreover, technology has been a major focus of the District. The District provides one computer every student. All of these factors contribute to a high use of electricity and operational resources.

Audit Recommendations and District Responses:

1. The District should determine the actual amount subsidized for the charter high school's utilities and waste disposal costs for fiscal year 2002 and 2003, and then seek reimbursement. The District should also ensure that it does not subsidize the charter high school in the future.

District Response to Recommendation #1:

The District agrees with the audit recommendation and will review all reimbursements, costs and services to ensure that the District has not subsidized the charter high school.

2. The District should develop a district-wide energy conservation plan, which could include:
 - a. Monitoring utilities use to identify and correct inefficiencies. Steps may include such things as working with an energy consultant, evaluating lighting and other electricity uses, limiting temperature ranges on thermostats, and determining whether specific problems, such as water leaks, exist.
 - b. Initiating other energy reduction efforts, such as evaluating future computer, lighting, or other purchases for energy efficiency.
 - c. Educating staff and students about energy conservation and encouraging them to help reduce the District's energy use.
 - d. Evaluating whether to charge any community group for a fee for using its facilities.

District Response to Recommendation #2:

The District agrees with the audit recommendations to develop a district-wide energy conservation plan. The District will identify and correct inefficiencies, and will develop an internal evaluation of energy costs in order to lower costs and increase efficiency. Staff and students will be educated about reducing energy use. The District will consider usage fees for outside groups using the District facilities.

Audit Recommendations and District Responses:

1. The District should reevaluate its salary levels for custodial and maintenance positions based on market surveys or other factors and make adjustments.

District Response to Recommendation #1:

The District agrees with the audit recommendation and will evaluate salary levels.

2. The District should evaluate whether it could save money by having its own staff maintain the grounds.

District Response to Recommendation #2:

The District agrees with the audit recommendation, and will conduct an evaluation of the costs of grounds maintenance.

3. The District should determine the value of cleaning services provided to the charter high school and seek reimbursement.

District Response to Recommendation #3:

The District agrees to review services provided and will seek reimbursement as appropriate.

Chapter V—Proposition 301 Monies

District Comments:

Since the inception of the Proposition 301 funds, the District has endeavored to use the funds to enhance the salaries and benefits of the teaching staff. The District will continue to refine the Proposition 301 plan.

Audit Recommendations and District Responses:

1. The District should obtain approval of its Proposition 301 plan, including performance pay plan requirements.

District Response to Recommendation #1:

The District agrees with the audit recommendation. The District is in the process of reviewing the entire Prop. 301 plan. Upon completion, it will be submitted to the Board for approval.

2. The District should clarify its performance pay plan to specify what the goals are, how they will be measured, what level of achievement is required for accomplishment, and how much money is attached to each goal.

District Response to Recommendation #2:

The District agrees with the audit finding, and is in the process of implementing the recommendation.

Chapter VI Classroom Dollars

District Comments:

The District made major accounting changes in 2002-03 to ensure that all transactions were coded in accordance with the Uniform Chart of Accounts for school districts. In the future the District will work with all regulatory State agencies to ensure compliance with budgeting and coding guidelines.

Audit Recommendations and District Responses:

1. The District should ensure expenditures of capital monies and lease proceeds are in accordance with statute and the Uniform Chart of Accounts.

District Response to Recommendation #1:

The District agrees with the audit finding, and has implemented the recommendation.

2. The District should notify the State Board of Education about the expenditures in excess of the general budget limit and should file a revised annual financial report for fiscal year 2002.

District Response to Recommendation #2:

The District agrees with the audit finding, and the District will be working closely with the Department of Education for the resolution of these issues in compliance with statutes and the USFR to implement the recommendation.

Audit Recommendations and District Responses:

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

District Response to Recommendation #1:

The District agrees with the audit finding, and has implemented the recommendation.

Chapter VII- Desegregation

District Comments:

The District serves a student population that is 95% Hispanic and 60% English Learner, and 95% are eligible for free/reduced lunch. The desegregation plan provides funds to increase services to these learners. There is now increased oversight to ensure desegregation funds are appropriately used to support these instructional goals.

Audit Recommendations and District Responses:

1. The District should ensure that its desegregation expenditures directly support its desegregation plan.

District Response to Recommendation #1:

The District agrees with the audit finding, and has implemented the recommendation.