Gila Institute for Technology

District did not collect all required student outcome data to help assess whether its career and technical education programs were effective in preparing students for high-need occupations and did not follow best practices regarding its unspent fund balance.
The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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November 24, 2021

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Gila Institute for Technology

Mr. Clay Emery, Superintendent
Gila Institute for Technology

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Gila Institute for Technology, conducted pursuant to Arizona Revised Statutes §15-393.01 and 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 the findings and recommendations and plans to implement all the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry
Lindsey A. Perry, CPA, CFE
Auditor General
Gila Institute for Technology

District did not collect all required student outcome data to help assess whether its career and technical education (CTE) programs were effective in preparing students for high-need occupations and did not follow best practices regarding its unspent fund balance

Audit purpose
To determine if the District was meeting its statutory purpose to prepare students for high-need occupations, spending State monies appropriately, and following best practices.

Key findings
• The District is a career and technical education district that offers CTE courses to high school students within its boundaries.
• The District is responsible for preparing students for high-need occupations and collecting key student outcome data to assess program effectiveness, but it was not collecting all the required data.
• Absent this key data, the District cannot demonstrate that the $2.1 million (FY 2019) it spent on its programs was effective.
• The District accumulated $2.93 million in its unspent fund balance by the end of FY 2020 but did not have a policy regarding the purpose of this fund balance or the amount it should maintain.
• Best practices recommend that the District establish an unspent fund balance policy to help ensure public transparency and accountability.
• This unspent fund balance could be used to meet students’ equipment needs that some member districts identified.

Key recommendations
The District should:
• Collect complete and reliable postgraduation employment and industry certification data for all its CTE students and analyze this data to evaluate how effectively its programs are preparing students for high-need occupations.
• Accurately report this data to the Arizona Department of Education when required.
• Follow best practices to develop and implement a formal policy for the level of fund balance it will maintain and for what purpose, and work with its member districts to determine if this balance could be used to purchase needed equipment.
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District overview

The Gila Institute for Technology (District) is a career and technical education district (CTED) that offers career and technical education (CTE) courses to high school students living within its boundaries. For more information about CTEDs and how they operate, see the Auditor General’s November 2020 and October 2017 CTED special reports.

Key CTED terms

Member districts—Arizona public school districts that form or join a CTED.

Satellite programs—CTE programs that receive support and oversight from the CTED and are operated by a member district at a regular high school campus.

Central programs—CTE programs operated by a CTED at a central campus location for students from its member districts or living within its boundaries.

The District had 15 central programs with 259 students and 17 satellite programs with 1,077 students in fiscal year 2019. See Appendix A, page a-1, for a listing of student enrollment and spending for satellite and central programs.

1 Student enrollment includes a single student multiple times if that student was enrolled in multiple CTE courses during the year (e.g., Automotive Technologies and Welding Technologies).

Audit results summary

<table>
<thead>
<tr>
<th></th>
<th>Central programs—19%</th>
<th>Satellite programs—57%</th>
<th>Administration and support services—24%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total spending</td>
<td>$2.1 million ($1,575 per student enrolled)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key areas reviewed

Central programs—The District partners with Eastern Arizona College (EAC) through intergovernmental agreements (IGAs) to offer its central programs. In fiscal year 2019, the District paid $286,000 in tuition and other fees for its students to attend programs at EAC in accordance with its IGAs and reimbursed certification testing fees to 35 students who provided copies of their earned certification. However, the District did not collect complete data on the industry certifications its students earned, and it did not collect other required student outcome data to help assess whether its programs were effective in preparing students for high-need occupations (see Finding 1, page 2).

Satellite programs—in fiscal year 2019, the District allocated $1.17 million in satellite program funding to its member districts in accordance with their IGAs and provided required professional development for satellite program teachers and evaluation and support for satellite programs. The District’s practice of retaining funding generated by its satellite programs each year resulted in a $2.93 million unspent fund balance by the end of fiscal year 2020. However, the District did not have a policy regarding the purpose and amount of fund balance to maintain (see Finding 2, page 5).

Administration and support services—the District’s administration spending of $356,095 was mostly to pay the salaries and benefits of the District’s superintendent, business manager, and administrative assistant, and the District’s support services spending of $153,105 was primarily to pay the salaries and benefits of the District’s student advisor and attendance clerk. We did not report any findings in this area or related to our review of the District’s payroll, purchasing, or IT controls.
District did not collect all required student outcome data in fiscal year 2019 to help assess whether its CTE programs were effective in preparing students for high-need occupations

District is responsible for preparing students for high-need occupations and has been directed to collect key student outcome data to help assess program effectiveness

According to State statute, Arizona’s high school CTE programs should prepare students for high-need occupations (see textbox) that normally do not require a baccalaureate or advanced degree, but lead to a certification or licensure if available, and provide students with sufficient skills for entry into an occupation. Therefore, it is important that CTEDs determine whether their programs are meeting this purpose by collecting and assessing key student outcome data. Further, federal and State programs have established accountability measures for CTE programs related to key student outcomes, including postgraduation employment and industry certifications earned, and recent reports from national research organizations like Advance CTE have also identified these student outcome measures as important for evaluating CTE programs’ effectiveness. These measures provide important information about whether students who completed a CTE program acquired a job related to their CTE program and learned the skills necessary to earn an industry certification.

Consistent with these national research organization reports, the District and other CTEDs have been directed to collect data related to student postgraduation employment and industry certifications earned to assess their CTE programs’ effectiveness. Specifically, in February 2016, a law passed requiring ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as 1 component of CTEDs’ annual achievement profiles. Further, in our October 2017 Arizona CTED special audit, we recommended that CTEDs, member districts, and ADE work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, to help evaluate CTE programs’ effectiveness.

1 Arizona Revised Statutes (A.R.S.) §§15-781 and 15-391.


3 Laws 2016, Ch. 4, §1, enacted A.R.S. §15-393.01.

4 See Arizona Auditor General report 17-212 Joint Technical Education Districts.
District did not collect data necessary to help assess whether its programs successfully prepared students for high-need occupations and led them to earn industry certifications

District did not collect student employment data to help assess program effectiveness in preparing students for high-need occupations—The District did not collect student postgraduation employment data for its CTE programs in fiscal year 2019 despite the student postgraduation employment rate being a required component of CTEDs’ annual achievement profiles since 2016. The District’s member districts collected and reported to ADE the postgraduation employment data for at least some of their students who completed either a satellite or central CTE program in fiscal year 2019, but the District did not collect and compile this data from its member districts to determine the student employment rates for the central CTE programs it operated. Further, the District did not collect postgraduation employment data for any home-schooled students who attended its central campus programs, and these students made up about 10 percent of the District’s central campus program enrollment in fiscal year 2019.

District did not collect complete and reliable industry certification data to help assess program effectiveness in leading students to earn an industry certification—In fiscal year 2019, the District collected industry certification data for 10 of its 15 CTE programs despite our 2017 recommendation to collect industry certification data for all CTE programs. Further, District officials reported that they relied on students to self-report to the District if they earned an industry certification and requested they provide a copy of their certification to be reimbursed for certification testing costs. However, not all students provided copies of their certifications, so the District could not verify the accuracy of all self-reported certification information. Further, District officials reported that they believed additional students took certification exams but did not report the results to the District, but District officials could not provide an estimate of how many.

Absent key student outcome data, the District cannot demonstrate the $2.1 million spent on its programs was effective—Without collecting complete and reliable key outcome data about jobs obtained and industry certifications earned by its students, the District could not demonstrate to students, parents, the public, and State policymakers that its programs were effective in achieving its statutory purpose of preparing students for entry into high-need occupations. Although the District may have been able to show anecdotally that a student in 1 program obtained a job post-graduation related to their CTE program or another student in a different program obtained an industry certification, absent complete and reliable key outcome data, the District could not demonstrate overall whether the $2.1 million in public monies it spent in fiscal year 2019 was a wise investment that enabled its programs to meet their statutory purpose. Additionally, by not collecting or monitoring key student outcome data, the District was unable to know whether public monies used on its specific programs may have been better spent on other more effective programs. Further, if a student’s desired goal was a job in a high-need industry, the District could not provide students and parents necessary information to know if attending the District’s programs would help the student achieve that goal.

District did not collect data because District officials were waiting for ADE to require it to do so

District officials reported that they did not collect student employment and industry certifications earned data for all students enrolled in the District’s CTE programs because they were waiting for ADE to require it to do so. Despite the 2016 law requiring ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as a performance indicator, ADE had not yet implemented this requirement for fiscal year 2019 and therefore had not prescribed the data CTEDs needed to collect. Further, despite our 2017

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5 The District’s member districts were required to collect and report to ADE postgraduation employment data for students who completed a CTE program because they received federal CTE funding from the Carl D. Perkins Act grant in fiscal year 2019. The District does not receive this federal funding, so ADE excluded it from the federal accountability reporting requirements.

6 The District did not reimburse any students for certification testing costs if they did not provide a copy of their certification to the District.

7 Laws 2016, Ch. 4, §1, enacted A.R.S. §15-393.01.
audit recommendations to CTEDs, their member districts, and ADE to work together to develop and implement ways to consistently collect data for all students participating in CTE programs, including industry certification data, they had not done so for fiscal year 2019.

In November 2020, after the time period we analyzed for this audit report, we issued a special study that identified similar data issues and causes at other CTEDs and recommended that ADE implement the 2016 statutory requirement to include each CTED in its annual achievement profiles and work with CTEDs and member districts to ensure accurate, complete, and comparable data is available to assess CTE program effectiveness, including employment and industry certification data. In response to these recommendations, ADE officials stated that they plan to create CTED annual achievement profiles and require all CTEDs to collect and report to ADE student employment and industry certification data for the 2021-2022 school year.

**Recommendations**

The District should:

1. Collect complete and reliable postgraduation employment and industry certification data for all its CTE students.

2. Analyze postgraduation employment and industry certification data, after collecting complete and reliable data, to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations.

3. Accurately report to ADE postgraduation employment and industry certification data for all its CTE students when ADE requires it to do so.

**District response:** As outlined in its response, the District agrees with the finding and recommendations and will implement the recommendations.

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8 See Arizona Auditor General report 20-209 Career and Technical Education Districts (CTEDs).
FINDING 2

District accumulated $2.93 million in unspent fund balance by end of fiscal year 2020 but did not have policy regarding purpose or amount to maintain

Best practices recommend District establish unspent fund balance policy to help ensure public transparency and accountability

The Government Finance Officers Association (GFOA), which is an association of over 20,000 public finance officials from all levels of government whose mission is to advance excellence in public finance, recommends that governments, including school districts, establish a formal policy, adopted by their appropriate policy bodies, for the purpose and level of fund balance that should be maintained. According to the GFOA, a government should consider its own unique circumstances and risks, including the predictability of its revenues and the volatility of its expenditures, when establishing this policy. Further, the GFOA recommends a government include in its formal policy the identified risks and other factors that were considered when adopting its fund balance policy to help explain to stakeholders the rationale for a seemingly higher than normal level of fund balance. Finally, although there are no requirements related to how much of a fund balance a school district can or must maintain or for what purpose, the GFOA recommends that governments, including school districts, maintain a fund balance of at least 2 months of operating expenditures but notes that this can vary significantly based on each government’s unique circumstances.

District did not have unspent fund balance policy to direct purpose and assess appropriateness of its $2.93 million in unspent funding at end of fiscal year 2020

The District ended fiscal year 2020 with $2.93 million in unspent funding but did not have a formal policy regarding the purpose and amount of this fund balance as recommended by best practices. As shown in Figure 1 on page 6, this unspent fund balance grew by nearly $1.09 million between fiscal years 2017 and 2020 because the District retained about 20 percent of the funding generated by its member districts’ satellite programs each year.\(^9\) However, the District spent very little of the satellite funding it retained each year, resulting in a large increase in fund balance over these years.\(^10\) To put this balance in context, the District’s fund balance of $2.93 million at the end of fiscal year 2020 was about 1.5 times its fiscal year 2020 spending of $2 million, or more than 1 year of operating reserves. This amount exceeded the GFOA-recommended fund balance amount of (at least) 2 months of operating reserves. District officials stated that they had informal plans to use the growing fund balance to support future equipment needs for member districts’ satellite programs, such as purchasing computers and other equipment for a new CTE building or program. Although District leadership acknowledged the District’s

\(^9\) Students enrolled in a member district’s satellite program can generate up to an additional 0.25 average daily membership (ADM) above the 1.0 ADM limit that a student traditionally would generate for being enrolled in regular academic courses. This additional 0.25 ADM in funding is provided to the CTED, and the CTED allocates a portion of this funding directly to the member district to help cover the member district’s costs for operating the satellite program.

\(^10\) During fiscal year 2017, the District constructed a new administrative building at a cost of $1.1 million. This resulted in the decrease in the District’s ending fund balance between fiscal years 2016 and 2017.
unspent fund balance was high, the District’s lack of a formal fund balance policy made it unable to demonstrate if the amount of its unspent fund balance as of June 30, 2020, was appropriate.

**Figure 1**
District’s ending fund balance
Fiscal years 2016 through 2020
(Unaudited)

![Graph showing District’s ending fund balance from 2016 to 2020](source: Auditor General staff analysis of District-reported ending fund balance data for fiscal years 2016 through 2020.)

**District’s unspent fund balance could be used to meet member districts’ equipment needs**

Although District officials stated that they had informal plans to use the District’s unspent fund balance to support future equipment needs for member districts’ satellite programs, some satellite programs had equipment needs at the end of fiscal year 2020 that the District could have used its unspent fund balance to meet. For example, one member district informed us its Culinary Arts program needed an estimated $350,000 kitchen renovation to update its equipment to be more in-line with a commercial-style kitchen (see Photo 1), and another member district informed us that it identified about $143,000 in needed equipment upgrades across 5 of its programs. District officials indicated that they knew of some of these needs because member district officials reported the needs to them during quarterly meetings with member districts’ CTE directors. However, the District had not worked with its member districts to plan if and how it could use its unspent fund balance to help purchase needed equipment for member districts’ satellite programs.

**Photo 1**
Differences between Culinary Arts program kitchens at 2 member districts

![Photo 1](source: Member district 1 photo provided by District officials in November 2021 and member district 2 photo taken by Auditor General staff in October 2019.)

**Member district 1**
Kitchen in need of an estimated $350,000 renovation.

**Member district 2**
Commercial-style kitchen.

Source: Member district 1 photo provided by District officials in November 2021 and member district 2 photo taken by Auditor General staff in October 2019.
**Recommendations**

The District should:

4. Follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the fund balance.

5. Work with its member districts to plan if and how the District could use its unspent fund balance to help purchase needed equipment for member districts’ satellite programs and incorporate this into its formal fund balance policy.

6. Review its practice of retaining satellite funding each year and implement any needed changes to achieve the fund balance policy the District adopts.

**District response:** As outlined in its response, the District agrees with the finding and recommendations and will implement the recommendations.
SUMMARY OF RECOMMENDATIONS

Auditor General makes 6 recommendations to the District

The District should:

1. Collect complete and reliable postgraduation employment and industry certification data for all its CTE students (see Finding 1, pages 2 through 4, for more information).

2. Analyze postgraduation employment and industry certification data, after collecting complete and reliable data, to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations (see Finding 1, pages 2 through 4, for more information).

3. Accurately report to ADE postgraduation employment and industry certification data for all its CTE students when ADE requires it to do so (see Finding 1, pages 2 through 4, for more information).

4. Follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the fund balance (see Finding 2, pages 5 through 7, for more information).

5. Work with its member districts to plan if and how the District could use its unspent fund balance to help purchase needed equipment for member districts’ satellite programs and incorporate this into its formal fund balance policy (see Finding 2, pages 5 through 7, for more information).

6. Review its practice of retaining satellite funding each year and implement any needed changes to achieve the fund balance policy the District adopts (see Finding 2, pages 5 through 7, for more information).
District’s fiscal year 2019 spending

Tables 1, 2, and 3 detail the District’s fiscal year 2019 spending. Table 1 shows the District’s spending for satellite programs by member district, the number of students enrolled in satellite programs at each member district, and the District’s spending per student enrolled. Almost all the District’s spending for satellite programs was in the form of allocation payments to its member districts based on the funding those programs generated for the District and in accordance with the intergovernmental agreements (IGAs) the District established with its member districts. In fiscal year 2019, the District received $1.43 million in funding generated from satellite programs and allocated $1.17 million to its member districts. In addition to the District’s spending for satellite programs shown in Table 1, member districts spent over $722,000 in fiscal year 2019 on their satellite programs from other funding sources, primarily maintenance and operations monies. This spending is not included in the amounts shown in Table 1. A.R.S. §15-393 requires member districts to use the monies generated from students attending CTE courses at a satellite campus to supplement, not supplant, monies from other sources that were spent on CTE prior to joining a CTED.

Table 1
District spending for satellite programs by member district
Fiscal year 2019

<table>
<thead>
<tr>
<th>Member district</th>
<th>Spending</th>
<th>Students enrolled</th>
<th>Spending per student enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safford Unified School District</td>
<td>$467,647</td>
<td>354</td>
<td>$1,321</td>
</tr>
<tr>
<td>Thatcher Unified School District</td>
<td>197,698</td>
<td>161</td>
<td>1,228</td>
</tr>
<tr>
<td>Pima Unified School District</td>
<td>182,498</td>
<td>225</td>
<td>811</td>
</tr>
<tr>
<td>Morenci Unified School District</td>
<td>131,298</td>
<td>110</td>
<td>1,194</td>
</tr>
<tr>
<td>Duncan Unified School District</td>
<td>117,376</td>
<td>105</td>
<td>1,118</td>
</tr>
<tr>
<td>Fort Thomas Unified School District</td>
<td>105,512</td>
<td>122</td>
<td>865</td>
</tr>
<tr>
<td>Total</td>
<td>$1,202,029</td>
<td>1,077</td>
<td>$1,116</td>
</tr>
</tbody>
</table>

Source: Auditor General staff analysis of fiscal year 2019 District-reported accounting and enrollment data.

Table 2 on page a-2 shows the District’s spending for central programs by CTE program, the number of students enrolled in each CTE program, and the spending per student enrolled for each program. The District partners with Eastern Arizona College (EAC) through IGAs to offer its central programs. In fiscal year 2019, the District paid $286,000 in tuition and other fees for its students to attend programs at EAC in accordance with its IGAs. The District’s central program spending also includes salaries and benefits for the District’s teacher aide/substitute teacher, classroom supplies, textbooks, and student certification testing fees.
## Table 2
District spending for central programs by CTE program
Fiscal year 2019

<table>
<thead>
<tr>
<th>CTE program name</th>
<th>CTE program description</th>
<th>Spending</th>
<th>Students enrolled</th>
<th>Spending per student enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Services</td>
<td>Provide routine nursing-related care of patients in hospitals or long-term facilities</td>
<td>$156,003</td>
<td>76</td>
<td>$2,053</td>
</tr>
<tr>
<td>Cosmetology and Related Services</td>
<td>Help others care for their hair, skin, and nails</td>
<td>82,452</td>
<td>34</td>
<td>2,425</td>
</tr>
<tr>
<td>Sports Medicine and Rehabilitation</td>
<td>Develop skills in injury prevention and assessment with an emphasis on athletic performance</td>
<td>35,308</td>
<td>30</td>
<td>1,177</td>
</tr>
<tr>
<td>Mechanical Drafting</td>
<td>Learn 3D design and modeling, residential and commercial architectural design and planning, and cartography</td>
<td>27,737</td>
<td>39</td>
<td>711</td>
</tr>
<tr>
<td>Welding Technologies</td>
<td>Develop a working knowledge of blueprint reading and welding processes using thermal cutting equipment</td>
<td>24,893</td>
<td>28</td>
<td>889</td>
</tr>
<tr>
<td>Laboratory Assisting</td>
<td>Learn to complete a variety of tasks, including operating equipment, processing samples, and tracking patient records</td>
<td>13,490</td>
<td>1</td>
<td>13,490</td>
</tr>
<tr>
<td>Pharmacy Support Services</td>
<td>Develop a foundation of knowledge, skill sets, and resources for understanding the pharmacist’s role in health promotion and disease prevention</td>
<td>11,556</td>
<td>6</td>
<td>1,926</td>
</tr>
<tr>
<td>Business Management</td>
<td>Learn to plan, organize, direct, and control the functions and processes of a firm or organization</td>
<td>9,328</td>
<td>8</td>
<td>1,166</td>
</tr>
<tr>
<td>Automotive Technologies</td>
<td>Repair, service, and maintain all types of automobiles</td>
<td>9,039</td>
<td>12</td>
<td>753</td>
</tr>
<tr>
<td>Law and Public Safety</td>
<td>Apply management and criminal justice practices to law enforcement administration and operations</td>
<td>7,074</td>
<td>10</td>
<td>707</td>
</tr>
<tr>
<td>Medical Assisting Services</td>
<td>Provide medical office administrative services and perform clinical duties such as patient intake and care</td>
<td>6,630</td>
<td>1</td>
<td>6,630</td>
</tr>
<tr>
<td>Film and TV Production</td>
<td>Produce digital films and videos and learn traditional and emerging video production techniques</td>
<td>3,962</td>
<td>6</td>
<td>660</td>
</tr>
<tr>
<td>Graphic Design</td>
<td>Design and create visual concepts for commercial and promotional needs</td>
<td>3,675</td>
<td>5</td>
<td>735</td>
</tr>
<tr>
<td>Early Childhood Education</td>
<td>Learn about child growth and development to provide appropriate learning activities and care for preschool-aged children</td>
<td>850</td>
<td>2</td>
<td>425</td>
</tr>
<tr>
<td>Industrial Electrician</td>
<td>Learn to install, service, and repair wiring, conduits, fixtures, and other electrical devices and systems in an industrial or commercial setting</td>
<td>520</td>
<td>1</td>
<td>520</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$392,517</strong></td>
<td><strong>259</strong></td>
<td><strong>$1,516</strong></td>
</tr>
</tbody>
</table>

Source: Auditor General staff analysis of ADE’s CTE program descriptions and fiscal year 2019 District-reported accounting and enrollment data.
Table 3 shows the District’s spending for administration and support services by spending category, including a brief description of the primary expenditures in each category, and the spending per student enrolled for each category. Spending per student enrolled in Table 3 is calculated using the District’s total satellite and central enrollment of 1,336.

Table 3
District spending for administration and support services
Fiscal year 2019

<table>
<thead>
<tr>
<th>Spending category</th>
<th>Spending description</th>
<th>Spending</th>
<th>Spending per student enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>Primarily includes salaries and benefits for superintendent, business manager, and administrative assistant; spending for administrative technology services and supplies; and spending for audit, consulting, and lobbying services.</td>
<td>$356,095</td>
<td>$267</td>
</tr>
<tr>
<td>Instruction support and student support services</td>
<td>Primarily includes salaries and benefits for student advisor and attendance clerk; stipends for member districts’ CTE counselors; and spending to support career and technical student organizations.</td>
<td>115,421</td>
<td>86</td>
</tr>
<tr>
<td>Other support services</td>
<td>Primarily includes spending for plant operations and maintenance of central administrative building, including property insurance, maintenance, custodial, and utilities.</td>
<td>37,684</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$509,200</td>
<td>$381</td>
</tr>
</tbody>
</table>

Source: Auditor General staff analysis of fiscal year 2019 District-reported accounting and enrollment data.
Objectives, scope, and methodology

We have conducted this performance audit of the District pursuant to A.R.S. §§15-393.01 and 41-1279.03(A)(9). This audit focused on the District’s efficiency and effectiveness primarily in fiscal years 2019 and 2020 in preparing students for high-need occupations.

We used various methods to review the specific objectives and issues addressed in this performance audit. These methods included reviewing career and technical education statutes, rules, and policies and procedures; interviewing District staff; and reviewing District documentation and information from the District’s website. We also used the following specific methods to meet the audit objectives:

• To determine if the District spent CTED monies consistent with requirements and to enhance its central programs, we reviewed intergovernmental agreements between the District and EAC, reviewed statutory requirements, compared enrollment and billing reports, and interviewed District and EAC staff. We also reviewed copies of certifications earned by students and compared these to the reimbursements the District provided to students in fiscal year 2019. We did not report any findings in this area.

• To determine if the District spent CTED monies consistent with requirements and to enhance its satellite programs, we reviewed District Annual Financial Reports, funding the District received for its central and member districts’ satellite programs, allocations it made to its member districts, and its unspent fund balances; reviewed intergovernmental agreements between the District and its member districts; researched best practices for fund balance policy; and interviewed District staff about whether the District had a policy pertaining to how much unspent funding the District could accumulate and for what purpose. We also toured some of the District’s central programs and member districts’ satellite programs and interviewed member district staff about their satellite program needs.

• To determine which outcome data the District collected and reviewed and whether it used that information to assess its programs’ effectiveness in preparing students for high-need occupations, we reviewed State and federal statutes, guidance, and reports and conducted interviews with District staff.

• To determine whether the District offered its programs in an efficient manner, we reviewed the District’s and member districts’ operating and equipment spending by program, calculated the spending for each program on a per student enrolled basis, and compared this spending to member districts’ averages. We also conducted interviews with District staff to assess whether the District applied an analytical framework, such as cost-benefit or cost-effectiveness analyses, or collected outcome data to assess the efficiency of its programs. We did not report any findings in this area.

• Our work on assessing internal controls, including information system controls, included reviewing the District’s policies and procedures; interviewing District staff; and, where applicable, testing the District’s compliance with its policies and procedures, the Uniform System of Financial Records for Arizona School Districts, and IT industry frameworks. We also evaluated the District’s internal controls related to expenditure processing and scanned all fiscal year 2019 payroll and accounts payable transactions in the District’s detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for all 4 individuals who received payments in fiscal year 2019 through the District’s payroll system and reviewed supporting documentation for 30 of the 930 fiscal year 2019 accounts payable transactions. We did not identify any improper transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2019 spending and prior years’ spending trends to assess data validity...
and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. We reported our conclusions on applicable internal controls in Findings 1 and 2 (see pages 2 through 7).

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

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.

We express our appreciation to the District’s board members, superintendent, and staff for their cooperation and assistance throughout the audit.
November 23, 2021

Lindsey Perry  
Arizona Auditor General  
2910 N. 44th Street, Suite 410  
Phoenix, AZ. 85018

Ms. Perry:

Gila Institute For Technology has received and reviewed the Performance Audit report conducted during the 2019-2020 school year. The recommendations made will assist our efforts to enhance and improve our internal operating procedures. After the opportunity to reflect and engage in the findings, GIFT District agrees with the findings and recommendations resulting from the audit and plans to expedite and implement the said recommendations. We continually strive to perform at the highest levels of academic and fiscal management.

GIFT would like to thank the audit team for their insight, professionalism, and courtesy throughout the audit process, along with the opportunity to engage in discussions and collaboration. If you have any questions, please feel free to contact me or Mrs. Michele Johnson, Business Manager.

Sincerely,

Clay Emery
Finding 1: District did not collect all required student outcome data in fiscal year 2019 to help assess whether its CTE programs were effective in preparing students for high-need occupations

District Response: The District agrees with the finding. We agree with the finding, but acknowledge that much of this was out of the scope of control for GIFT and would prefer that it be a finding that was not reportable, but rather a recommendation for increased effectiveness. GIFT has begun to gather data since the initial recommendation from the Auditor General’s Office, but without direction and structure from The Arizona Department of Education, most efforts have been done without feedback as to whether they are adequate, up to now.

We are very willing to pursue this and see the need to do so. It does feel like a new “un-funded mandate” from the state. The Arizona Department of Education is currently developing a new metric for implementation. K-12 Districts have been given metrics and a platform to perform this function. Currently, most CTEDs can only follow up via one to one communication (telephonically or email) when it comes to a “where are they now” type of situation which we are willing to do.

We acknowledge that this was stated by the Auditor General’s Office, and understand that GIFT needs to increase effectiveness in the pieces regarding the types of data collected and especially how that data is utilized to evaluate effectiveness. See samples below:

From Auditor General Report for GIFT -

District did not collect data because District officials were waiting for ADE to require it to do so

District officials reported that they did not collect student employment and industry certifications earned data for all students enrolled in the District’s CTE programs because they were waiting for ADE to require it to do so. Despite the 2016 law requiring ADE to include each CTED in its annual achievement profiles and include student postgraduation employment rate as a performance indicator, **ADE had not yet implemented this requirement for fiscal year 2019 and therefore had not prescribed the data CTEDs needed to collect.**

From Auditor General Special Study 2021

Some CTEDs and member districts were required to collect student job placement and industry certification data, but their data was inaccurate and incomplete

Not all CTEDs and member districts were required to track and report student job placement and industry certification data **because ADE did not implement statutory requirement** and CTEDs, member districts, and ADE did not implement prior audit recommendation.

We look forward to working with The Arizona Department of Education and The Auditor General’s office to move this forward.

ADE/CTE has recently created an Arizona Industry Credential Incentive Program, which GIFT is participating in. Additionally, GIFT submits JTED completer data to the state for graduated students.
**Recommendation 1:** Collect complete and reliable postgraduation employment and industry certification data for all its CTE students.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See response above.

**Recommendation 2:** Analyze postgraduation employment and industry certification data, after collecting complete and reliable data, to evaluate the effectiveness of its CTE programs in preparing students for high-need occupations.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See response above.

**Recommendation 3:** Accurately report to ADE postgraduation employment and industry certification data for all its CTE students when ADE requires it to do so.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See response above.

**Finding 2:** District accumulated $2.93 million in unspent fund balance by end of fiscal year 2020 but did not have policy regarding purpose or amount to maintain

**District Response:** The District agrees with the finding. Again, GIFT agrees with the finding, but would rather it be a recommendation for increased effectiveness.

GIFT has consistently provided funding to satellites to facilitate everything that is requested. Often, communications between the LEA Satellite and their CTE Departments may be such that a request is made to LEA administration and CTE directors, and that may not be passed along to the CTED. This would create the perception that GIFT was not providing for what is asked for.

ARS 15-393 states the following in regards to CTED funding with member districts:

*The school district or charter school and the career technical education district shall determine the apportionment of the average daily membership for that pupil between the school district or charter school and the career technical education district.*

GIFT has created a policy/process – a “special projects program” for member districts to access additional funds for purchases or projects that exceed the scope of their annual funding.

An evaluation of the “unspent fund balance” was conducted by GIFT. In this evaluation, anecdotal evidence was gathered in regards to other CTEDs and member district’s reserves.
GIFT set a “goal range amount” to distribute for these projects. Projects can range from positions, capital items, or a combination thereof.

The GIFT board approved the creation of the “special projects fund” in fall 2020.

Member district administration (superintendents, principals, CTE directors) as well as teachers were notified of it’s creation.

A brief “form” was created to request funds and distributed to member districts and to Eastern Arizona College.

Since it’s creation, GIFT has been able to:
- provide districts with 3 additional shuttles for transportation to central campus programs and other CTE uses
- acquire equipment for auto shops including alignment machines and training materials
- fund a part time position in the cosmetology program at EAC
- partner in the construction of a playground for the pre-school/ECE program at a member campus.
- embark on a remodel of three culinary classrooms to transition from “home ec” classes to a culinary industrial kitchen model.
- provide laptops for instruction in an industrial electrician class.

GIFT continues to inform member districts of the program at each meeting with member districts.

**Recommendation 4:** Follow best practices guidance by developing and implementing a formal policy for the level of fund balance that it will maintain and for what purpose it will maintain the fund balance.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See above response.

**Recommendation 5:** Work with its member districts to plan if and how the District could use its unspent fund balance to help purchase needed equipment for member districts’ satellite programs and incorporate this into its formal fund balance policy.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See above response.

**Recommendation 6:** Review its practice of retaining satellite funding each year and implement any needed changes to achieve the fund balance policy the District adopts.

**District Response:** The District agrees with the recommendation and will implement the recommendation.
See response above.