

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2009, Ajo Unified School District's student achievement was generally lower than both the peer districts' and state averages while it compared favorably with peer districts in operational efficiencies. The District's per-pupil costs were lower than the peer districts' in all operational areas. However, the District's inadequate accounting and IT controls put it at increased risk for errors and fraud. Further, the District's shift in classroom spending, particularly in fiscal year 2005, indicates that the District may have used Classroom Site Fund monies to supplant district monies that used to be spent in the classroom. Had Ajo USD continued to direct its monies into the classroom at the same rate it did in fiscal year 2001, it would have spent nearly \$160,000 more in the classroom in fiscal year 2009.

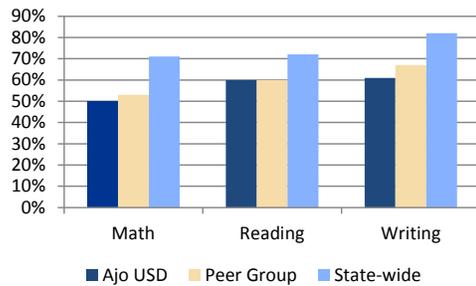


2011

Lower student achievement and most operational costs lower than peers'

Student achievement lower than peer and state averages—In fiscal year 2009, Ajo USD's student AIMS scores were lower than or similar to peer districts' averages and below state averages. Additionally, the District's high school failed to meet "Adequate Yearly Progress" for the federal No Child Left Behind Act because of its low 63-percent graduation rate.

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



District's operational costs lower—In fiscal year 2009, Ajo USD's \$1,092 per-pupil administration costs were 26 percent lower than the peer districts' \$1,466 average because the District employed fewer administrative staff.

The District's \$1,181 per-pupil plant

operations and maintenance costs were 19 percent lower than the peer districts' average primarily because it operated fewer square feet per pupil and its electricity costs were 27 percent lower per square foot.

The District's \$2.55 cost per meal was significantly lower than the \$3.32 peer group average. However, the District had to subsidize its food service program costs by about \$4,000 because it permitted students to charge meal costs and accumulate significant unpaid balances.

Because it transported a very small number of students, the District's per-pupil transportation costs were significantly lower than peer districts' and its per-rider costs were higher. The District's cost per mile was similar to peer districts'.

Expenditures by Function Fiscal Year 2009

Per Pupil	Ajo USD	Peer Group Average
Administration	\$1,092	\$1,466
Plant operations	1,181	1,458
Food service	325	467
Transportation	88	472

Inadequate accounting and IT controls increased risk of errors and fraud

Separation of duties lacking—One district employee was responsible for adding new employees to the payroll system, modifying employee information, entering/editing time sheets, recording payroll expenses, and distributing paychecks, with little or no supervisory review. Although no improper transactions were detected in the sample we tested, this lack of separation could permit false

payments or the creation of nonexistent employees.

Payroll system inadequate—The District did not have a delayed payroll system. As a result, employees were paid based on anticipated hours. A delayed payroll system would help ensure employees are paid correctly by giving the District time to make adjustments before making payments.

Authorization for additional pay inadequately documented—Some employees were paid for additional duties, but there was no documentation that the additional pay and duties received board approval prior to the work being done. Employee contracts or personnel action forms should include this information.

Increased risk of unauthorized access—Three district employees can perform all accounting system functions. Although no improper transactions were detected in the sample we tested, such broad access increases the risk of errors, fraud, or misuse of information, such as processing false invoices or adding nonexistent vendors.

Weak password requirements—The District does not require complex passwords with letters and numbers or periodic password changes.

Disaster recovery plan lacking—The District does not have a formal, up-to-date, and tested IT disaster recovery plan. Further, although the District stores backup tapes off-site, it does not regularly test whether it can restore its system from the backup tapes.

Recommendations—The District should:

- Ensure adequate separation of duties
- Establish a delayed payroll system to help ensure employees are paid correctly
- Document and approve in advance additional pay and duties
- Limit employees' accounting system access to only those functions necessary to perform their jobs
- Implement and enforce password requirements
- Create and implement a formal IT disaster recovery plan

Shift in spending indicates possible supplanting

Ajo USD's shift in classroom spending, particularly in fiscal year 2005, indicates that the District used Classroom Site Fund (CSF) monies to supplant other monies. Statute requires that districts use CSF monies to supplement and not supplant—that is, add to rather than replace—other monies spent in the classroom. In fiscal year 2001, before CSF monies were available, Ajo USD spent 60.2 percent of its operating dollars in the classroom. In fiscal year 2009, despite receiving over \$186,000 of CSF monies primarily earmarked for the classroom, the District spent only 58.3 percent in the classroom. Had the District continued to direct its other monies into the classroom at the same rate as in fiscal year 2001, the additional CSF monies would have boosted the District's classroom dollar percentage to 62.2 percent and it would have spent nearly \$160,000 more in the classroom in fiscal year 2009 alone.

The largest drop in the District's classroom spending came in fiscal year 2005 when it increased administrative spending by about \$200,000 to address technology issues. Classroom spending dropped by over 5 percentage points that fiscal year.

Although spending on administration has decreased since fiscal year 2005, the District's classroom spending is still lower than expected levels because the District increased its spending on student support and instructional support such as psychologists and speech therapists, teacher training, and curriculum development. Although spending in these areas is closely tied to the classroom, the increased spending should not come at the expense of classroom spending.

Recommendation—The District should ensure that CSF monies are used to supplement rather than supplant other monies spent on classroom instruction.

**Maintenance of Effort and Actual Classroom Dollar Percentages
Fiscal Years 2001 through 2009**

