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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

December 14, 2007

The Honorable Robert Blendu, Chair
Joint Legislative Audit Committee

The Honorable John Nelson, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed a 24-month followup of the Phoenix Elementary School District's implementation status for the 16 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2005. As the attached grid indicates:

- 12 recommendations have been implemented;
- 1 recommendation was partially implemented; and
- 3 recommendations are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations resulting from the September 2005 performance audit.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

cc: Ms. Myriam Roa, Chief Executive Officer
Governing Board
Phoenix Elementary School District

Phoenix Elementary School District 24-Month Follow-Up Report To Performance Audit Report Issued September 2005

CHAPTER 1: Administration

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should review its administrative positions and their related duties to determine how administrative staffing can be reduced to a more appropriate level.	Implemented at 12 months	
2. The District should recover the overpayments made to employees. Further, the District should use contracts and stipends to establish the pay rates and maximum amounts to be paid. And the District should designate an employee to review actual pay and contract amounts to ensure that employees are paid the correct amounts.	Partially implemented	The District established a repayment schedule for the teacher, but refuses to pursue collection of the \$8,400 overpayment to the former Assistant Superintendent of Business Services. Although district management believes a verbal agreement supports this pay increase, Governing Board minutes do not indicate that a pay increase was formally approved.
3. The District should designate an individual to manage access to its accounting system, ensuring access rights are compatible with job duties. Also, access rights should be deactivated immediately after an employee's termination.	Implementation in process	The District is continuing its efforts to match system-access rights to job duties for better security. However, there were still several employees with more access than needed to complete their job duties.

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CHAPTER 2: Food Service

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should evaluate the purpose of its central kitchen and then determine proper staffing needs.	Implemented at 12 months	
2. To help reduce the potential for waste and theft and to ensure that adequate control over inventory is maintained, the District should implement inventory management procedures, including: <ul style="list-style-type: none"> a. Establishing receiving procedures, including assigning specific employees to receive and verify deliveries. b. Managing inventory on a first-in-first-out basis, including regular rotation so that the oldest items are used first. c. Establishing inventory tracking and documentation procedures, including physical inventory counts and monthly inventory reconciliation procedures. 	Implemented at 6 months	

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CHAPTER 2: Food Service (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. The District should evaluate its entire central warehouse delivery process to determine appropriate staffing levels and minimize damage to food items.	Implemented at 12 months	
4. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures, such as cost per meal and meals per labor hour, and compare them with similar districts'.	Implemented at 18 months	

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CHAPTER 3: Student Transportation

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should limit the amount of nondriving time for which it pays its bus drivers.	Implementation in process	The District has made efforts to use drivers in various support functions, such as custodial, warehouse, and clerical duties, during their nondriving hours. However, based on review of district records for a few drivers, auditors noted that all of these drivers reported overtime hours while also reporting 2 to 3 hours of nondriving time per day.
2. The District should review and modify its bus routes to increase their efficiency.	Implemented at 12 months	
3. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, including cost per mile, cost per rider, driver productivity, bus capacity utilization, and ride times.	Implementation in process	The District has implemented a new routing software program and is now collecting information to allow the calculation of performance measures. However, the District has not calculated its cost per mile, bus capacity utilization, or ride times or used performance measures to make decisions concerning its transportation program.

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CHAPTER 4: Plant Operation and Maintenance

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should evaluate alternatives and take appropriate actions to reduce plant operation and maintenance costs and potentially redirect these monies into the classroom. At a minimum, the District should review ways to offset the high costs of maintaining excess space in its many underutilized schools.	Implemented at 12 months	

CHAPTER 5: Proposition 301 Monies

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should ensure that it correctly calculates amounts due in accordance with the Governing Board-approved performance pay plan so that eligible employees receive the proper amounts of pay.	Implemented at 12 months	

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CHAPTER 6: Classroom Dollars

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.	Implemented at 24 months	
2. The District should closely analyze its spending in noninstructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.	Implemented at 12 months	
3. The District should evaluate its use of student support services consultants and the cost benefit of hiring additional therapists and psychologists to reduce its dependence on consultants. Further, the District should ensure that its existing employees are used to the extent possible to further reduce its use of consultants.	Implemented at 12 months	

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CHAPTER 7: Desegregation Monies

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. The District should collect data sufficient to evaluate the effectiveness of its desegregation expenditures in achieving the stated goals, including an ongoing evaluation of its schools' racial and ethnic compositions. Further, the District should document the planned and actual effects that its various desegregation programs have in addressing the associated desegregation goals.</p>	<p style="text-align: center;">Implemented at 24 months</p>	<p>The District has begun collecting data to evaluate its desegregation program's effectiveness. Phoenix ESD has attempted to provide its students the opportunity to attend schools that are racially diverse by attracting students from outside its district boundaries. The District spends about \$8 million annually to comply with its racial desegregation agreement. In fiscal year 2008, Phoenix ESD reported that 85 percent of its students are Hispanic and that it attracted 1,153 students from outside its district boundaries. However, only 271 of those students were not Hispanic, and thus, the desegregation expenditures had minimal impact on the District's goal of increasing racial diversity.</p>