

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

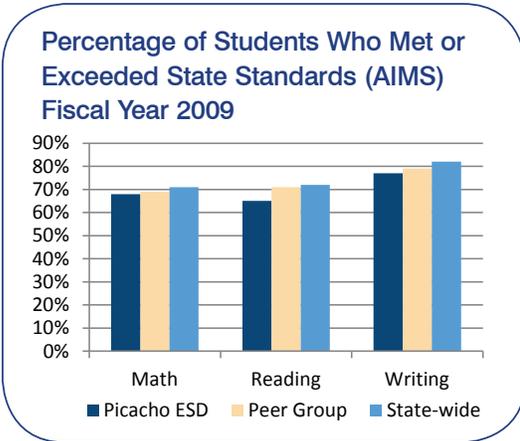
In fiscal year 2009, Picacho Elementary School District's student achievement was similar to peer districts', and its operational efficiencies were mixed. The District had high administrative costs and some weak payroll and purchasing controls. Plant operations costs were mixed, with per-pupil costs that were similar to peer districts' and per-square-foot costs that were 28 percent higher. Although the District's transportation program was reasonably efficient, it did not meet all state safety standards. The District's food service costs per meal were higher than peer districts' and the federal National School Lunch Program reimbursement rate. As a result, the District spent nearly \$36,000 of its Maintenance and Operation Fund monies to subsidize its food service operations. Further, many of the District's teacher performance pay plan goals did not promote improved job performance.



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Similar student achievement and mixed operational efficiency

Student achievement similar to peer districts'—In fiscal year 2009, Picacho ESD's student AIMS scores were slightly lower than peer districts' averages in reading but similar in math and writing. In addition, the District's school met "Adequate Yearly Progress" for the federal No Child Left Behind Act.



District's operational efficiency mixed—In fiscal year 2009, Picacho ESD's per-pupil administrative costs were 28 percent

higher than peer districts' primarily because it employed more administrative positions per pupil. The District's plant operations costs per pupil were similar to peers but costs per square foot were 28 percent higher. Picacho ESD's transportation program was reasonably efficient with lower per-mile costs and efficient routes. However, not all state standards were met. Food service costs per pupil were significantly higher primarily because the District served 21 percent more meals and partly because its per-meal costs were higher than peer districts'.

Expenditures by Function Fiscal Year 2009

Per Pupil	Picacho ESD	Peer Group Average
Administration	\$1,539	\$1,199
Plant operations	1,059	1,077
Food service	732	559
Transportation	443	474

Inadequate payroll and purchasing controls

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

Inadequate documentation for extra duty pay—The District did not always adequately document employees' additional pay. From a sample of 18 employees who received additional pay, 17 had no documentation showing prior approval.

Inadequate time sheet review—Supervisors did not always review and approve employees' timesheets. From a sample of 11 time sheets, we found that four were not reviewed by a supervisor and another four contained inaccurate reports of hours worked.

Weak purchasing controls—Although no improper transactions were detected in the sample we tested, the District had an increased risk of errors and fraud because two employees had the ability to initiate and complete purchase transactions on their own. The District also did not follow procurement requirements for the purchase of heating and cooling repair and maintenance services, gasoline, and

Internet services. Following procurement requirements may have helped the District obtain these goods and services for a lower price. For example, we found that the District paid about \$230 more per month for Internet services than the peer districts', on average.

Recommendations—The District should:

- Implement proper controls over payroll

processing and ensure additional pay is adequately approved and documented.

- Ensure proper supervisory review and approval of time sheets.
- Ensure purchases are independently reviewed and approved prior to the purchase being made and that procurement requirements are followed.

Food service program required a \$36,000 subsidy

In fiscal year 2009, Picacho ESD's \$2.95 cost per meal was 9 percent higher than the peer district average of \$2.70. Although 21 percent of students did not qualify for free or reduced-price lunches through the federal National School Lunch Program, the District decided many years ago to provide free meals to all students. The federal reimbursement for students not qualifying for the program is 26 cents compared to the \$2.59 reimbursement for a qualifying student's free meal. Because the per-meal reimbursement rate does not cover the cost of the meals, the District had to subsidize the

program with \$36,000 from its Maintenance and Operation Fund—monies that otherwise could have been spent in the classroom. From fiscal year 2005 through 2009, the District subsidized the program by a total of over \$200,000.

Recommendation—The District should evaluate the costs and benefits of providing free meals to all students, including the suitability of using district funds to subsidize the food service program rather than using them to meet other needs.

District's transportation program did not meet all state safety requirements

State standards require districts to demonstrate that their school buses receive systematic preventative maintenance and inspections. This includes periodic oil changes and tire, brake, safety signal, and exit inspections. The District had no procedures to ensure that such inspections occurred systematically. Further, in August 2009, the Department of Public Safety issued major violations for three of the District's five buses for defective brakes. In addition, the District is required to

conduct annual drug tests as well as random drug and alcohol tests of bus drivers, but the District only conducted annual drug tests.

Recommendations—The District should:

- Ensure preventative maintenance is performed.
- Conduct random drug and alcohol tests.

District performance pay plan needs improvement

The District's fiscal year 2009 performance pay plan allowed teachers to earn their performance pay mainly through activities that were already expected of employees and that did not promote improved teacher performance. For example, in order to qualify for performance pay under the District's plan, an employee had to do what was normally

expected, such as receiving an acceptable performance evaluation or encouraging parent participation.

Recommendation—The District should establish meaningful performance goals.