



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

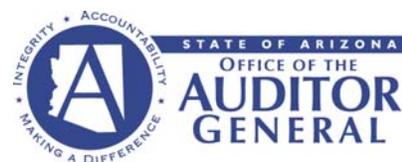
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Performance Audit

# Tolleson Union High School District

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FEBRUARY • 2008



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**Debra K. Davenport**  
Auditor General

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**STATE OF ARIZONA**  
**OFFICE OF THE**  
**AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

February 12, 2008

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board  
Tolleson Union High School District

Dr. Kino Flores, Superintendent  
Tolleson Union High School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Tolleson Union High School District* conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with 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 of the findings and recommendations.

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

This report will be released to the public on February 13, 2008.

Sincerely,

Debbie Davenport  
Auditor General

# SUMMARY

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The Office of the Auditor General has conducted a performance audit of the Tolleson Union High School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, the accuracy of district records used to calculate the percentage of dollars spent in the classroom, and the District's English Language Learners (ELL) program.

## Administration (see pages 5 through 11)

In fiscal year 2006, the District's administrative costs per pupil and number of administrative positions were similar to the comparable districts'. However, Tolleson UHSD did not adequately control some expenditures and did not always maintain documentation. For example, \$26,000 of purchases on the Superintendent's district credit card, including items such as meals, flowers, employee gifts, and repairs on his personal vehicle, were not properly documented and may not have been appropriate. Other district purchases on store charge accounts were also not properly documented. In addition, the District inappropriately paid to some staff cell phone stipends that were not specified in employment contracts and do not appear to have been approved by the governing board. Further, the District did not establish proper user security to protect its accounting system's integrity. For example, several accounting system users were given access to more functions than were necessary for their duties, and access had not been removed for three former employees. Finally, the District holds an annual golf fund-raiser, but spent less than half of the proceeds for the intended purposes. Also, it is unclear if statute allows school districts to conduct such fund-raisers. Use of the district credit card and the fund-raiser's proceeds are under further review by the Auditor General's Office.

## Student transportation (see pages 13 through 15)

The District's student transportation costs were similar to comparable districts' costs, but the program still needs improvement. Tolleson UHSD spent more on student transportation than it received in related revenues, subsidizing its program by approximately \$148,000 in fiscal year 2006. Also, its reported number of riders did not agree with supporting records. Further, performance measures such as bus capacity and cost per mile would facilitate program management.

## Plant operation and maintenance (see pages 17 through 18)

Tolleson UHSD's \$741 per-pupil and \$5.44 per-square-foot plant costs were similar to those of districts with similar size and number of students. Further, the District is preparing for the anticipated reduction in excess utility funding by working to replace older, less efficient equipment and implementing a software program to analyze utility consumption. The law authorizing additional funding for excess utilities is set to expire at the end of fiscal year 2009.

## Proposition 301 monies (see pages 19 through 22)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education purposes. Tolleson UHSD's plan for spending its Proposition 301 monies was complete, addressing how its base pay, performance pay, and menu option monies were to be spent, and the District spent its Proposition 301 monies according to statutory guidelines. However, auditors found that about 56 employees received incorrect amounts of Proposition 301 monies because of a clerical error. Of the 39 errors that were more than \$100 each, 24 employees were underpaid by as much as \$2,700 each, and 15 employees were overpaid by as much as \$2,600 each.

## Classroom dollars (see pages 23 through 25)

Statute requires the Auditor General to determine the percentage of every dollar that Arizona school districts spend in the classroom. Therefore, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After correcting more than \$3 million of accounting errors, Tolleson UHSD's fiscal

year 2006 classroom dollar percentage decreased by almost 4 percentage points to 57.7 percent, which is lower than the state average of 58.3 percent for the same fiscal year and the national average of 61.5 percent.

In addition, Tolleson UHSD's fiscal year 2006 per-pupil spending was also lower than the state and national averages. This lower spending, coupled with the lower classroom dollars percentage, resulted in the District's spending \$3,402 per pupil in the classroom versus the state average of \$3,981 and the national average of \$5,274. Two reasons for the lower per-pupil spending included Tolleson UHSD's spending less federal and state program monies than the comparable districts and receiving a smaller amount of funding because its teachers were less experienced than other districts' teachers.

## English Language Learner programs, costs, and funding (see pages 27 through 32)

Statute requires the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2006, Tolleson UHSD identified approximately 4 percent of its students as English Language Learners and provided instruction for them in several different types of programs, including structured English immersion, bilingual education, and compensatory instruction components.

In fiscal year 2006, Tolleson UHSD did not separately account for ELL-related costs, and they could not be determined from the District's records. During fiscal year 2007, the District began recording the incremental portion of some ELL teachers' salaries, but did not identify these costs for all ELL teachers. These incremental salary costs represent the additional costs involved in educating non-English speaking students and occur because the ELL teachers have smaller class sizes than teachers with English-proficient students.

For fiscal year 2007, the District received an additional \$56,332 through the Compensatory Instruction (CI) Fund budget process; however, these monies were not spent in fiscal year 2007. District officials indicated that the monies were received too late in the year to implement additional CI programs. At the beginning of the 2007-2008 school year, the District was awaiting ADE's final approval of the fiscal year 2008 CI budget before starting the CI programs even though the fiscal year 2007 funding was available.



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# INTRODUCTION & BACKGROUND

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The Office of the Auditor General has conducted a performance audit of the Tolleson Union High School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, the accuracy of district records used to calculate the percentage of dollars spent in the classroom, and the District's English Language Learners program.

The Tolleson Union High School District is located approximately 14 miles west of Phoenix and encompasses parts of the cities of Tolleson, Phoenix, Avondale, Glendale, and Goodyear, as well as part of the Gila River Indian Community. In fiscal year 2006, the District served 7,365 students in grades 9 through 12. Three schools served students in grades 9 through 12, while the newest school, opened in fiscal year 2005, only offered grades 9 and 10.

A 5-member board governs the District, and a superintendent and 2 assistant superintendents manage it. In fiscal year 2006, the District reported employing 4 principals, 11 assistant principals, 348 certified teachers, 52 instructional aides, and 296 other employees, such as administrative staff, bus drivers, and custodians.

## District programs and challenges

Tolleson UHSD offers a wide range of instructional and extracurricular programs (see textbox). For example, students at the junior and senior levels may participate in Career and Technical Education (CTE) Academies, which offer career training in construction, culinary arts, drafting and design technology, financial services, sports medicine, and welding technology.

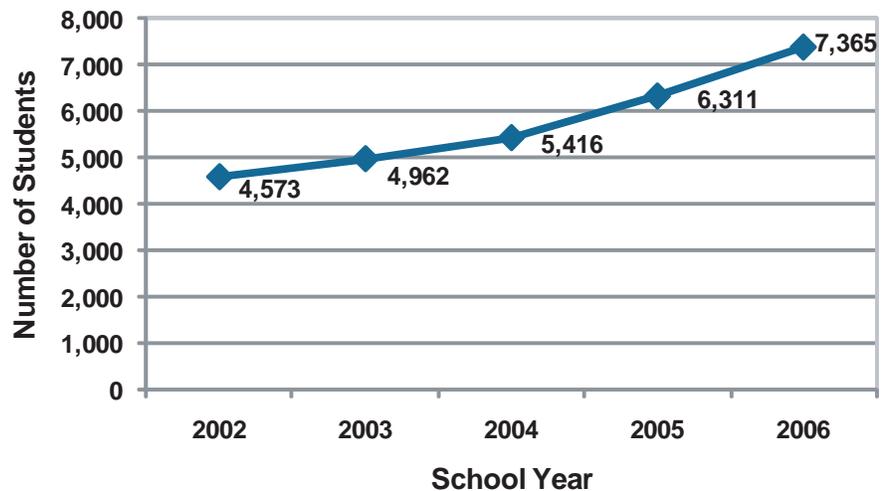
For the 2006 school year, the District had one school labeled "highly performing" and three schools labeled "performing plus" through the Arizona LEARNS program. Additionally, three of the four schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, while the fourth school did not because student test scores did not meet state standards.

### The District offers:

- Integrated mathematics
- Reading intervention program
- Honors and AP programs
- Career and Technical Education Academies
- Gifted and Talented program
- Performing, visual, and culinary arts programs
- ROTC
- ASU Rodel program
- On-site special education
- Sports Medicine/Allied Health programs

According to district officials, the District's primary challenge has been student population growth. As shown in Figure 1 below, the District's student population has been steadily increasing, with the population having grown 61 percent since 2002. The District opened a new school in fiscal year 2005 and plans to open a fifth high school in 2009 and a sixth in 2010.

Figure 1: District Growth in Attending Students  
(Unaudited)



Source: Average daily membership counts obtained from the Arizona Department of Education.

## Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on three operational areas: administration, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, because of A.R.S. §15-756.02 requirements, auditors reviewed the District's English Language Learners (ELL) program to review its compliance with program and accounting requirements.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2006 summary accounting data for all districts and the Tolleson Union High School District's fiscal year 2006 detailed

accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2006 expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared them to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus routing. Auditors also reviewed fiscal year 2006 transportation costs and compared them to similar districts'. The District's lack of reliable ridership records limited some efficiency analysis.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2006 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2006 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and other expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.
- To assess the District's compliance with ELL program and accounting requirements, auditors reviewed and evaluated the District's testing records for students who had a primary home language other than English, interviewed district personnel about the District's ELL programs, and reviewed and evaluated the District's ELL-related revenues and costs.

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express their appreciation to the Tolleson Union High School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.



# CHAPTER 1

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## Administration

Tolleson UHSD's administrative costs per pupil and number of administrative positions were similar to the comparable districts'. However, the District did not adequately control and document some expenditures, and also inappropriately paid cell phone stipends to some staff that were not specified in employment contracts and do not appear to have been approved by the governing board. In addition, the District did not establish proper user security to protect the integrity of its accounting system. Further, some fund-raising proceeds from a District-sponsored golf fund-raiser were not used for intended purposes, and it is unclear if statute allows the District to conduct such events.

### What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district levels. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.<sup>1</sup>

Administrative costs are monies spent for the following items and activities:

- General administrative expenses are associated with the governing board's and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

<sup>1</sup> Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

## Administrative costs per pupil were similar to comparable districts'

The District's per-pupil administrative costs were similar to the average for comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that had a similar number of students and schools as Tolleson Union High School District. As noted in the Auditor General's November 2002 special study, *Factors Affecting School Districts' Administrative Costs*, district type does not appear to be a significant factor influencing per-pupil administrative costs, and therefore, district type was not a primary factor in selecting comparable districts. The following tables use fiscal year 2006 cost information because it is the most recent year for which all comparable districts' cost data was available.

As Table 1 illustrates, Tolleson UHSD's \$585 administrative cost per pupil was similar to both the comparable districts' average and to the state-wide average for other similarly sized districts.

**Table 1: Total and Per-Pupil Administrative Cost Comparison**  
Fiscal Year 2006  
(Unaudited)

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil
Agua Fria UHSD	\$3,562,816	4,763	\$748
<b>Tolleson UHSD</b>	<b>4,309,613</b>	<b>7,365</b>	<b>585</b>
Prescott USD	3,064,483	5,274	581
Lake Havasu USD	3,209,488	6,236	515
Yuma UHSD	4,786,080	9,819	487
Humboldt USD	2,991,795	6,144	487
<b>Average of the comparable districts</b>	<b>\$3,522,932</b>	<b>6,447</b>	<b>\$564</b>
<b>State-wide average for large districts</b>			<b>\$591</b>

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education.

The District had a similar number of administrative positions—Tolleson UHSD employed a similar number of administrative positions as the comparable districts. As shown in Table 2 (see page 7), the District had 67.8 administrative positions, one for about every 109 students, while the comparison districts averaged one administrator for every 106.5 students.

Table 2: District Staffing Level Comparison  
Fiscal Year 2006  
(Unaudited)

District Name	Number of	
	Administrative Staff <sup>1</sup>	Students Per Administrative Staff
Humboldt USD	48.3	127.3
Lake Havasu USD	53.0	117.7
<b>Tolleson UHSD</b>	<b>67.8</b>	<b>108.7</b>
Yuma UHSD	98.3	99.9
Prescott USD	53.0	99.5
Agua Fria UHSD	54.0	88.2
<b>Average of the comparable districts</b>	<b>61.3</b>	<b>106.5</b>

1 The number of administrative staff shown is based on full-time equivalents (FTE). For example, an employee working half-time in an administrative position would be counted as 0.5 FTE.

Source: Auditor General staff analysis of district-reported fiscal year 2006 payroll data and average daily membership information obtained from the Arizona Department of Education.

## Inadequate control and documentation for some expenditures

The District did not have adequate procedures over the use of the credit card assigned to the Superintendent and other charge accounts. Also, cell phone stipends were inappropriately paid to some employees, and the District did not establish proper user security over its accounting system. Finally, Tolleson UHSD's fund-raising activities do not appear allowable, and some proceeds may not have been spent for the stated purpose.

**Inappropriate uses of the Superintendent's credit card**—The Superintendent is assigned a district credit card approved for superintendent and governing board travel and general supplies expenses. The District receives and pays the monthly statements for this credit card. During fiscal year 2006, the Superintendent charged nearly \$26,000 on his district credit card for meals, flowers, employee gifts, travel, fuel, and repairs on his personal vehicle. Of the 298 purchases on the card during the year, the Superintendent retained receipts for 114 of the purchases, which totaled about \$13,100. Using the available receipts and the monthly credit card statements, auditors identified many inappropriate charges.

- **Meal purchases while not on travel status**—According to the District's policy, to be eligible for meal reimbursements, employees must be 35 or more miles

away from their residence and workplace. In fiscal year 2006, the District paid almost \$4,000 for 112 purchases that the Superintendent made at restaurants that appeared to be within 35 miles of the district office. Based on notes written on the receipts, some meal purchases were for district employees, board members, and nonemployees. As the Superintendent and other employees were not on travel status, these meal purchases were not allowable.

- **Excessive meal expenses**—Tolleson UHSD's travel policy establishes limits for lodging and meals while traveling for district business. However, the Superintendent did not always comply with these limits. For example, the Superintendent and the five governing board members traveled to a conference in Chicago. While at the conference, the Superintendent charged a dinner totaling \$423 on the District's credit card. Although the persons attending the meal were not listed, if the six members from the District were included, the average meal per person would be \$70. This amount is \$50 more per person than the maximum dinner reimbursement that the District's policy allows. At least four other meal purchases on this trip also exceeded allowable reimbursement rates, but supporting documentation was not sufficient to determine the amount of excess charges.
- **Personal vehicle expenses**—The Superintendent charged \$3,436 in vehicle registration, repair, and maintenance on his personal vehicle to the district credit card. Further, additional purchases totaling \$2,894 were made at gas stations, but there is not adequate documentation to determine whether the purchases were made for district business.
- **Personal medical expenses**—The Superintendent charged \$517 of personal medical expenses on his district credit card. Although the Superintendent's contract provided that the District would pay for an annual physical examination, the supporting records indicate these charges were not for a physical examination.
- **Gifts to employees**—During fiscal year 2006, the Superintendent purchased twelve \$100 gift cards and purchased flowers on 14 occasions totaling about \$1,150. District officials indicated that these purchases were gifts for employees. The gift card recipients' names were not documented, and receipts were submitted for only 3 of the flower purchases. According to Attorney General Opinion I97-003, only gifts of nominal value may be given to public employees. Because the District did not maintain documentation of the recipients and purposes for these gifts, we could not determine if these exceeded a nominal value.

The purchases on the Superintendent's credit card are under further review by the Auditor General's Office.

Proper use of charge accounts was not ensured—Tolleson UHSD has charge accounts with a grocery store and a home improvement store to allow schools to quickly and easily purchase items needed for culinary arts classes, school activities, maintenance, and repairs. However, the District has not developed criteria for the use of these accounts, such as the types and dollar amounts of purchases allowed. To purchase from these vendors, a district employee takes a purchasing card or copy of the approved blanket purchase order to the store. During fiscal year 2006, the District made about 500 charge account purchases totaling about \$36,000.

District procedure requires purchasers to submit itemized receipts to the accounts payable clerk, who is responsible for reviewing the purchases and processing vendor payments. However, since the clerk does not have knowledge of the schools' day-to-day needs, these reviews are ineffective to determine whether the purchases were appropriate. Instead, a direct supervisor who would know whether the items purchased were necessary and used at the school site should review the purchases. Then, before payment, the accounts payable clerk should verify that receipts show supervisory approval.

Further, although Tolleson UHSD's stated policy is to pay the charge account invoices only when they are supported by a detailed receipt, 46 purchases totaling more than \$3,400 were not supported. Without detailed receipts, the District cannot determine what items were actually purchased. This practice increases the risk of fraudulent purchases since items these vendors sell are convenient for personal use.

Cell phone stipends inappropriately paid to some staff—In addition to their contract pay, certain district employees were paid monthly cell phone stipends of \$38 to \$67 in fiscal year 2006. The stipends, totaling about \$22,000 in fiscal year 2006, were paid to 41 staff, such as an assistant superintendent, principals and assistant principals, plant foremen, department directors, and IT technicians. Tolleson UHSD has been paying these stipends for about 5 years, but they are not included in employment contracts and do not appear to have been approved by the District's governing board.

Districts may only pay amounts to employees that are provided for in the employees' contracts or other formal documents. Attorney General Opinion 184-034 states that "a flat sum-certain increase in salaries is permissible only if it is contracted for **prior** (emphasis added) to the time that the services are rendered." Further, the District has not performed an evaluation of which employees should receive cell phone stipends, including the business reason for why they are needed or how the various stipend amounts were developed.

Tolleson UHSD should evaluate the necessity and amounts of cell phone stipends, develop a district policy for them, and present the policy to the governing board for approval. Further, to ensure that a proper agreement exists on employee compensation, the District should incorporate any approved cell phone stipends into the appropriate employment contracts.

**Accounting system controls need improvement**—The District has not established proper user security to protect the integrity of its accounting system. Specifically, two accounting system users were given access to all accounting system modules, including the ability to add new vendors, record vendor invoices, and print checks. The users' access also gave them the ability to add new employees and change employee pay rates. Allowing an individual the ability to initiate and complete a transaction without an independent review and approval exposes the District to increased risk of errors, fraud, and misuse of sensitive information, such as processing false invoices or adding nonexistent vendors. Fourteen other system users were given more access than necessary for their duties, and the expanded access would also allow them to initiate and complete transactions without review. Further, auditors also noted three former employees whose access was not removed from the system although they had terminated district employment 2 to 10 months earlier.

## Fund-raising proceeds not used for intended purposes

The District spent less than half of its fund-raising proceeds for the intended purposes. For about 10 years, Tolleson UHSD has operated an annual golf tournament to solicit tax-deductible contributions from local businesses and individuals. The purpose of the event is to provide scholarships to students and for student incentives to encourage students to continue their educational pursuits. In fiscal year 2006, the tournament cost totaled about \$15,000, including about \$9,000 for golf course fees, and about \$6,000 for gifts and prizes. The District deposited about \$33,000 of donations into a district account designated for the fund-raiser. In fiscal year 2006, Tolleson UHSD spent about \$8,600 of the net proceeds for scholarships and advanced placement classes, but spent about another \$9,300 for other purposes. These expenditures included about \$6,800 on meals and gifts for employees and \$1,000 in donations to other organizations.

The Superintendent and his staff run the golf tournament, and proceeds are deposited into a district account and spent by the District. Although state statute permits districts to receive gifts and donations, it does not specifically authorize fund-raisers. Because fund-raising activities are outside of regular school operations, it is unclear if statute allows a school district to perform fund-raisers. A 1985 Attorney General Opinion (I85-110) concluded that a school district could not organize a booster club for fund-raising, but this opinion did not address a school district conducting fund-raising on its own. Therefore, the District should seek advice from counsel to determine whether its fund-raising activity is legal.

Further, along with the golf tournament, Tolleson UHSD also held a raffle for various items, including golf gear, gift baskets purchased from the Superintendent's spouse, and logo shirts. According to Attorney General Opinion I84-018, a school district is not eligible to conduct raffles or other lotteries.

The uses of golf tournament proceeds are under further review by the Auditor General's Office.

## Recommendations

1. The District should ensure that purchases made on the Superintendent's district credit card are in accordance with district policies, including proper documentation and allowability of all purchases. The District should also seek legal counsel regarding past unallowable purchases and whether any reimbursements are required.
2. The District should establish appropriate expenditure controls and documentation. Specifically, the District should:
  - a. Improve its procedures for charge account purchases, ensuring that supervisors review and approve purchases before payment and that detailed receipts support each purchase.
  - b. Evaluate its use of cell phone stipends, including eligible positions and appropriate amounts, and develop a district policy on the cell phone stipends for governing board consideration and approval. Further, any authorized cell phone stipends should be incorporated into employment contracts.
3. The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval.
4. The District should use fund-raising proceeds only for the purposes stated when the donations were solicited.
5. The District should no longer operate the fund-raising raffle and should seek counsel regarding the legality of its fund-raising golf tournament.



# CHAPTER 2

## Student transportation

The District's student transportation costs were similar to comparable districts' costs, but the program still needs improvement. Tolleson UHSD spent more on student transportation than it received in related revenues, subsidizing its program by approximately \$148,000 in fiscal year 2006. Also, its reported number of riders did not agree with supporting records. Further, performance measures, such as bus capacity and cost per mile, would facilitate the District's program management.

### Background

During fiscal year 2006, Tolleson UHSD transported students to and from its four high schools. In addition to regular and special needs routes, the District provided transportation for field trips, athletic events, and after-school activities. While its transportation department provided most trips, the District contracted for the transportation of 15 special needs students and for some activity and athletic trips. Tolleson UHSD uses staggered start and end times for its schools, enabling buses to transport students to and from two different schools, thereby allowing the District to use fewer buses and drivers. With its growth and frequent school boundary changes, the District has maintained a policy to transport its students to their original high school, regardless of boundary changes.

### Transportation costs were average, but the program was subsidized

The District subsidized its transportation program by approximately \$148,000 in fiscal year 2006. Further, reported rider counts did not agree to supporting records, some bus files lacked maintenance and inspection information, and performance measures were not established and monitored.

#### Transportation Facts for Fiscal Year 2006

Riders*	n/a
Bus drivers**	25
Mechanics	2
Regular routes	110
Special-needs routes	43
Average daily route miles	2,813
Total route miles	582,425
Total noncapital expenditures	\$1,792,818

\* Not available because of insufficient district records.

\*\* Full-time equivalents.

Fiscal year 2006 costs were average—As Table 3 illustrates, Tolleson UHSD’s cost per mile was about 4 percent higher than the average of the comparable districts, while its cost per student was 14 percent lower. These differences between cost per mile and cost per student relate to Tolleson UHSD’s traveling 20 percent fewer miles per student, on average. Tolleson UHSD is about one-half the geographic size that the comparable districts averaged.

Table 3: Students Transported, Route Mileage, and Costs  
Fiscal Year 2006  
(Unaudited)

District Name	Average Daily Membership <sup>1</sup>	Total Route Miles	Total Noncapital Expenditures	Cost Per Student	Cost Per Mile
Humboldt USD	6,144	979,020	\$2,357,548	\$384	\$2.41
Sierra Vista USD	6,845	669,628	1,812,843	265	2.71
Lake Havasu USD	6,236	334,062	964,060	155	2.89
<b>Tolleson UHSD</b>	<b>7,365</b>	<b>582,425</b>	<b>1,792,818</b>	<b>243</b>	<b>3.08</b>
Prescott USD	5,274	398,901	1,231,130	233	3.09
Agua Fria UHSD	4,763	491,488	1,810,533	380	3.68
<b>Average of the comparable districts</b>	<b>5,852</b>	<b>574,620</b>	<b>\$1,635,223</b>	<b>\$283</b>	<b>\$2.95</b>

<sup>1</sup> Tolleson UHSD’s reported number of riders did not agree to its supporting records; therefore, average daily membership is used for analysis.

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data, and district mileage reports and average daily membership information provided by the Arizona Department of Education.

Transportation program subsidized—Despite having similar costs, the District subsidized its transportation program as expenditures exceeded the related funding by approximately \$148,000 in fiscal year 2006. These monies could have otherwise been available to spend in the classroom. Further, had the District achieved the \$2.95 average cost per mile, it could have saved \$75,000.

The District’s lack of reliable rider counts prevented further analysis to identify the potential causes of this subsidy, such as low bus capacity utilization. Tolleson UHSD has not kept accurate rider counts, but appears to have overstated its ridership. Based on the recorded rider counts, it appears that the District overstated its fiscal year 2006 ridership by about 10 percent. Further, to test the reliability of ridership records, auditors observed a sample of routes on May 10, 2007, and the drivers’ recorded counts were overstated by an average of 11 percent. Such inaccuracies preclude using the data for further analysis of the District’s efficiency, such as calculating cost per rider and bus capacity usage.

**Failure to accurately report**—By inaccurately reporting its ridership, the District failed to comply with A.R.S. §15-945, which requires school districts to calculate state transportation aid based on eligible riders and route miles. While state transportation funding is primarily determined by miles driven, rider counts are a factor in determining a reimbursement rate category. In this instance, it does not appear that overstating riders caused the District to be in the wrong reimbursement rate category and receive incorrect funding. Based on auditor-estimated rider counts, it appears Tolleson UHSD had a sufficient number of miles traveled and average miles per rider to qualify for the aid it received.

**Performance measures were not established and monitored**—Although the District subsidized the program, it has not established and monitored performance measures for student transportation. Measures such as cost per mile, cost per rider, and student ride times can help the District identify areas for improvement. Additionally, monitoring data on driver productivity and bus capacity utilization can help identify route segments with low ridership, segments that may be effectively combined, or buses that are overcrowded. With such performance measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed. For fiscal year 2008, the District began utilizing rider counts to more evenly distribute riders among routes.

## Recommendations

1. The District should accurately track and report student transportation riders to ensure it receives proper transportation funding.
2. To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, driver productivity, and ride times.



# CHAPTER 3

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## Plant operation and maintenance

Tolleson UHSD's per-pupil and per-square-foot plant costs were similar when compared to plant costs of districts of similar size and number of students. The District is working to replace older, less efficient equipment and to analyze its utility consumption.

### What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

## Per-student plant costs were similar to comparable districts'

As shown in Table 4 (see page 18), the District's \$741 per-pupil and \$5.44 per-square-foot plant costs were similar to the comparable districts' averages. At 136 square feet per pupil, the District's facilities were also similarly sized. Tolleson UHSD has been growing fairly rapidly, with an average 13 percent annual growth in student population over the past 5 years. To address this growth, the District opened its fourth school in fiscal year 2005, and is planning to open a fifth school in 2009 and a sixth school in 2010.

## The District is preparing for anticipated reduction in excess utility funding

In fiscal year 2006, the District budgeted about \$1.8 million for excess utility costs. A.R.S. §15-910 allows districts to increase their budget for utility costs that are in excess of an adjusted base year amount. However, the legal provision allowing this budget adjustment will expire at the end of fiscal year 2009. According to district officials, they are preparing for this funding change with various methods designed to closely monitor and control energy costs. Specifically, the District is using energy management systems at three of its four schools and plans to incorporate similar

Table 4: Plant Costs and Square Footage Comparison  
 Fiscal Year 2006  
 (Unaudited)

District	Plant Costs				
	Total	Per Student	Per Square Foot	Total Gross Square Footage	Square Footage Per Student
Prescott USD	\$3,243,574	\$615	\$4.28	758,386	144
Humboldt USD	3,872,078	630	5.23	740,356	121
Lake Havasu USD	4,476,661	718	5.17	865,300	139
<b>Tolleson UHSD</b>	<b>5,458,912</b>	<b>741</b>	<b>5.44</b>	<b>1,003,695</b>	<b>136</b>
Yuma UHSD	7,655,308	780	6.67	1,147,706	117
Agua Fria UHSD	4,096,947	860	6.08	674,023	142
<b>Average of the comparable districts</b>	<b>\$4,668,914</b>	<b>\$721</b>	<b>\$5.49</b>	<b>837,154</b>	<b>132</b>
<b>State-wide average of large districts</b>		<b>\$730</b>	<b>\$5.95</b>		

Source: Auditor General staff analysis of district-reported fiscal year 2006 accounting data and average daily membership information obtained from the Arizona Department of Education, and fiscal year 2006 gross square footage information obtained from the Arizona School Facilities Board.

systems in its fourth school and all future schools. The District is also in the process of replacing older equipment with more energy-efficient equipment, which will allow the one affected school to be placed on a lower electricity rate plan. Additionally, the District is implementing a software program to better track and analyze utility consumption and to identify additional opportunities for savings.

# CHAPTER 4

## Proposition 301 monies

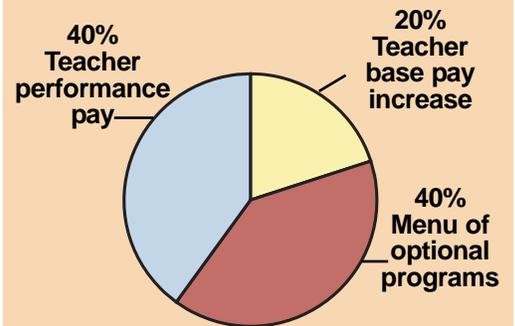
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Tolleson UHSD's plan for spending its Proposition 301 monies was complete, addressing how its base pay, performance pay, and menu option monies were to be spent, and the District spent its Proposition 301 monies according to statutory guidelines. However, about 56 employees received incorrect amounts of Proposition 301 monies because of a clerical error.

### Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the state Classroom Site Fund for distribution to school districts and charter schools. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

During fiscal year 2006, Tolleson UHSD received a total of \$2,561,258 in Proposition 301 monies and distributed \$2,274,885 to employees. Unspent Proposition 301 monies remain in the District's Classroom Site Fund for future years.

Required apportionment of Proposition 301 monies



- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

## Proposition 301 plan was complete, and monies spent for allowable purposes

A committee of department chairs, administrators, and teachers developed the District's Proposition 301 plan, which the Governing Board approved. The plan identified certificated personnel as eligible to receive monies. The District paid its Proposition 301 monies to teachers, librarians, guidance counselors, and social workers.

The District spent Proposition 301 monies as follows:

**Base Pay**—Monies for base pay increases were incorporated into the salary schedule and paid throughout the year in employees' regular paychecks. Each eligible full-time employee received \$1,211, plus salary-related benefits.

**Performance Pay**—Eligible employees earned performance pay based on their school site's performance rather than individual achievement. If a site did not reach its goals, the monies remained allocated to that site for eligible employees to earn in future years. As a result of the varying amounts available for each site, eligible full-time employees could earn between \$2,423 and \$3,382, plus related benefits, based on these components:

- **Student Achievement (40 percent of performance pay)**—To earn these monies, three of the four schools had to achieve Adequate Yearly Progress and a School Achievement Profile label of Performing, Highly Performing, or Excelling for the 2005-2006 school year as determined by the Arizona Department of Education. The fourth school was new and not eligible for the ADE labels. Therefore, this school had alternative criteria of accomplishing three of four student achievement goals: improve TerraNova scores over the previous year's scores; increase the percentage of graduation credits earned over the prior year's; achieve a gain of 10 percent in pre- and post-test scores; or improve the students' overall grade point average over the prior year.
- **Graduation/Persistence Rates (20 percent of performance pay)**—These monies were earned based on students' staying in school and earning appropriate credits for promotion into the next grade or graduation.
- **Parent/Student Satisfaction Survey (5 percent of performance pay)**—These monies were earned if the site achieved an increased level of satisfaction on the parent and student satisfaction surveys compared to previous year's survey results, or received a score of 90 percent or better on the parent survey and 85 percent or better on the student survey.

- **Drop-out Rate (20 percent of performance pay)**—These monies were earned based on achieving a dropout rate of 6 percent or less, or improving over the prior year.
- **Absence Rate (10 percent of performance pay)**—These monies were earned based on achieving an absence rate of 8 percent or less, or showing improvement over the prior year.
- **School Suspension/Discipline Referrals (5 percent of performance pay)**—These monies were earned based on the school's reducing its number of out-of-school suspensions compared to the prior year, or 90 percent of all students' not receiving discipline referrals during the school year.

Performance pay increases for eligible employees averaged about \$1,900, mostly because two schools did not meet the student achievement goal.

**Menu Options**—Statute allows school districts to choose among six different options for allocating the menu monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

A.R.S. §15-977 also specifies that these monies cannot be used for administration. Further, beginning in 2004, the Legislature also specified that Classroom Site Fund monies spent for AIMS intervention, class size reduction, and dropout prevention be spent only on instruction, except that they cannot be spent for athletics.

The District chose to pay the menu monies as salaries and related benefits to eligible employees at each school that submitted a site action plan approved by the Superintendent. The site action plans were required to be aligned with the performance pay goals and to provide school-specific goals and measurements to address AIMS intervention, dropout prevention strategies, and teacher development. Each school site submitted a plan that was approved by the Superintendent, and eligible employees received \$2,422 each.

## The District paid several employees incorrect Proposition 301 amounts

In fiscal year 2006, the District spent its Classroom Site Fund monies for purposes allowed by law. However, as many as 56 of the 410 employees who earned Proposition 301 monies were paid more or less than the amount specified by the District's plan mostly because of errors in determining full-time and part-time status. Of the 39 errors that were more than \$100 each, 24 employees were underpaid by as much as \$2,700 each and 15 employees were overpaid by as much as \$2,600 each. As a result, these employees were not paid the correct amounts of salary based on the terms of their employment contracts. The District made a similar error in fiscal year 2007 Proposition 301 payments. During this audit, the District made corrections for many of the fiscal year 2007 payments and is in the process of correcting the fiscal year 2006 payments.

## Recommendation

The District should ensure that it correctly calculates pay amounts in accordance with the Governing Board-approved plan. Further, the District should continue to review and recover overpayments made and make payments to employees who were underpaid.

# CHAPTER 5

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## Classroom dollars

A.R.S. §41-1279.03(A)(9) requires the Auditor General to determine the percentage of every dollar that Arizona school districts spend in the classroom. Because of this requirement, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After correcting for more than \$3 million of accounting errors, Tolleson UHSD's classroom dollar percentage decreased from a previously reported 61.4 percent to 57.7 percent. The adjusted percentage is below both the state-wide average of 58.3 percent for fiscal year 2006 and the national average of 61.5 percent.

### The District did not accurately report its fiscal year 2006 costs

The District did not consistently classify its payroll and other expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs, including both instructional and nonclassroom expenditures. The District's accounting errors totaled approximately \$3,366,500, reducing its classroom dollar percentage by 3.7 points. For example:

- Approximately \$466,000 in salary and benefit costs associated with several instructional support positions, including teacher mentors and librarians, were misclassified as instruction costs. Instead, based on the nature of their duties, these positions should have been classified as instructional support costs.
- Approximately \$441,000 in salary and benefit costs for positions associated with athletic activities were misclassified as instructional costs. These positions included assistant principals and their secretaries, a groundskeeper, and ticket takers and security guards working at athletic events. Although certain athletic duties, such as coaching, should be recorded as instruction, duties that do not involve student instruction should be recorded to the appropriate noninstructional area.

- Approximately \$180,000 in contracted health, speech, and psychological services were misclassified as instruction costs. These expenditures should have been classified as student support services based on the nature of the services.
- Approximately \$131,000 in postage expenses were misclassified as plant operation and maintenance costs rather than as business administration costs.

Adjusting for these and other errors decreased the District's instruction expenditures by approximately \$1.6 million and increased its administration expenditures by about \$1.5 million.<sup>1</sup> For fiscal year 2006, the District's corrected classroom dollar percentage is 57.7 percent and the administrative percentage is 9.9 percent. As shown in Table 5, Tolleson UHSD had a lower classroom dollar percentage than the comparable districts', state, and national averages.

**Table 5: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function  
Fiscal Year 2006  
(Unaudited)**

Spending	Tolleson UHSD		Comparable Districts' Average <sup>1</sup>		State Average 2006		National 5-Year Average	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total Per Pupil		\$5,891		\$6,196		\$6,833		\$8,576
Classroom dollars	57.7%	\$3,402	58.4%	\$3,614	58.3%	\$3,981	61.5%	\$5,274
Nonclassroom dollars								
Administration	9.9	585	9.0	564	9.4	643	11.0	943
Plant operations	12.6	741	11.6	721	11.2	768	9.6	823
Food service	4.3	255	5.3	326	4.7	323	3.9	334
Transportation	4.2	243	5.3	330	4.2	290	4.0	343
Student support	7.5	441	7.2	450	7.2	490	5.1	438
Instructional support	3.3	194	2.6	160	4.8	327	4.7	403
Other	0.5	30	0.5	31	0.2	11	0.2	18

<sup>1</sup> The districts used in this comparison group are the same as those used in the administration and plant operation and maintenance chapters, and include Agua Fria UHSD, Humboldt USD, Lake Havasu USD, Prescott USD, and Yuma UHSD.

Source: Auditor General staff analysis of fiscal year 2006 School District Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics' (NCES) annual report, *Digest of Education Statistics* and fiscal years 2000 through 2004 NCES Common Core of Data [<http://nces.ed.gov/ccd/>].

Because Tolleson UHSD had fewer total dollars per pupil, its per-pupil spending in nonclassroom areas, while similar to the comparable districts', consumed larger percentages of its available resources. For example, it spent \$741 per pupil on plant

<sup>1</sup> The tables in Chapter 1 on Administration reflect the corrected administration costs after these adjustments.

operations, but that amount represented 12.6 percent of its total per-pupil spending, while the comparable districts' similar average spending represented 11.6 percent.

## Total per-pupil spending is lower

As shown in Table 5 (see page 24), Tolleson UHSD's per-pupil spending was lower than the state and national averages. This lower spending, coupled with the lower classroom dollars percentage, resulted in the District's spending \$3,402 in the classroom versus the comparable districts' average of \$3,614 and the state average of \$3,981. The lower per-pupil spending is partly due to the District's spending less federal and state program monies than the comparable districts. Programs such as federal Title 1 grants distribute the majority of monies based on the number of students living at or below the poverty level. Due to Tolleson UHSD's comparatively low student poverty rate, it spent only \$70 per student from Title I grants in fiscal year 2006, while the comparable districts averaged \$159 per pupil.

The District also received a smaller amount of funding because its teachers were less experienced than other districts' teachers. Three of the comparable districts have more experienced teachers and, because of the Teacher Experience Index funding adjustment, received about \$88 more per student, on average.

## Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts.
2. The District should review its noninstructional spending to determine if savings can be achieved and some of these monies can be redirected to the classroom.



# CHAPTER 6

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## English Language Learner programs, costs, and funding

A.R.S. §§15-756.12 and 41-1279.03(9) require the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2006, Tolleson UHSD identified approximately 4 percent of its students as English Language Learners and provided instruction for them in several different types of programs, including Structured English Immersion (SEI), bilingual education, and compensatory instruction (CI) components. The District did not separately account for ELL-related costs in fiscal year 2006 and was in the process of determining and allocating ELL-related costs for fiscal year 2007. The District received an additional \$56,332 through the CI Fund budget process late in fiscal year 2007, but had not begun offering any new programs with these monies.

### Background

English Language Learners are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. ELL students are identified through a state-adopted language proficiency test. School districts and charter schools are required to administer this test to students if the primary language spoken in the student's home is other than English, and then re-test annually those students identified as ELL. School districts must then report the test results to the Arizona Department of Education (ADE).

By reporting their numbers of ELL students, districts are eligible for additional monies for ELL programs through the State's school funding formula, the federal Title III program, and other sources. In addition, effective in September 2006, HB 2064 established the Structured English Immersion and Compensatory Instruction funds and programs. Among other things, this law established an English Language Learners Task Force to develop and adopt research-based, cost-efficient SEI program models and establish procedures for determining the models' incremental

costs—that is, the costs incurred that are in addition to those associated with teaching English-fluent students. The law also requires the Office of the Auditor General to biennially audit the State’s ELL program, review ELL requirements in school district performance audits, and conduct financial audits of the SEI and CI budget requests of school districts selected for monitoring by ADE.

## Types of English Language Learner Programs in Arizona

During fiscal year 2006, school districts and charters offered ELL programs that are described in statute as Structured or Sheltered English Immersion, Bilingual, and Mainstream.<sup>1</sup>

- Structured English Immersion, or Sheltered English Immersion, is an English language acquisition process providing nearly all classroom instruction in English, but using a curriculum designed for children who are learning the language.
- Bilingual education/native language instruction is a language acquisition process providing most or all of the instruction, textbooks, and teaching materials in the child’s native language. Many bilingual programs were eliminated after Proposition 203 was approved in November 2000.<sup>2</sup> However, some districts still maintain these programs for parents who sign waivers to formally request that their child be placed in a bilingual program.
- Mainstream involves placing ELL students in regular classrooms along with English-fluent students when the student is close to becoming English proficient or when there are not enough ELL students to create a separate SEI class. Generally, ELL students in mainstream classrooms receive the same instruction as English-fluent students, but receive additional support, such as small group lessons or assistance from an instructional aide.

Effective in fiscal year 2007, ELL compensatory instruction programs are defined as programs that are in addition to normal classroom instruction, such as individual or small group instruction, extended-day classes, summer school, or intersession, and that are limited to improving the English proficiency of current ELL students and those who have been reclassified within the previous 2 years.

<sup>1</sup> These programs are described in A.R.S. §15-751.

<sup>2</sup> In November 2000, voters passed Proposition 203, requiring that schools use English to teach English acquisition and that all students must be placed in English classrooms. The law required that schools use SEI programs and eliminated the use of bilingual programs unless approved by parents with signed waivers.

Figure 2: ELL Requirements for School Districts and Charter Schools  
House Bill 2064 Provisions

**School districts and charter schools are required to:**

- Assess the English proficiency of new students when it is indicated that the primary language spoken in the home is other than English. In addition, students already identified as ELL must be tested annually.
- Monitor former ELL students who have been reclassified as English proficient and re-test their language proficiency annually for 2 years.

**School districts and charter schools with ELL students can:**

- Submit a CI budget request to ADE and use these monies as specified to supplement existing programs.
- Adopt an SEI model and submit an SEI budget request to ADE, then use the monies as specified to supplement existing programs.

Source: Auditor General staff analysis of Laws 2006, 2nd Regular Session, Chapter 4 (HB 2064).

## District's ELL Program

State law requires that districts administer an English proficiency test to all students with a primary home language other than English. In fiscal year 2006, Tolleson UHSD administered the Stanford English Language Proficiency (SELP) exam to these students and identified 281 students as English language learners. The ELL students are placed in the District's ELL program, which has three components, including SEI, bilingual, and Compensatory Instruction classes.

**Structured English Immersion**—These classes are provided at each of the District's four schools. The beginner SEI Language Block is designed for ELL students at the Pre-Emergent, Emergent, and Basic levels (see textbox). The block includes four 55-minute periods of English Language Development (ELD), with two of those periods integrating some social studies and science concepts into the ELD lessons each day. According to the District, ELD classes focus on listening, speaking, reading, and writing skills, with emphasis on grammar, and are taught in English. The

### Levels of English Language Proficiency:

**Pre-emergent**—Student does not understand enough language to perform in English.

**Emergent**—Student understands and can speak a few isolated English words.

**Basic**—Student may understand slower speech, and speak, read, and write simple words and phrases, but often makes mistakes.

**Intermediate**—Student can understand familiar topics and is somewhat fluent in English, but has difficulty with academic conversations.

**Proficient**—Student can read and understand texts and conversations at a normal speed, and can speak and write fluently with minor errors.

Source: Arizona Department of Education.

intermediate block includes two periods of ELD, and the intermediate ELL students attend mainstream classes for their other content areas, such as social studies and science.

**Bilingual Programs**—In addition to the SEI English Language Block, ELL students may also have the option of taking bilingual math, bilingual social studies, or bilingual science classes. According to the District, approximately 70 percent of the 281 ELL students took bilingual classes in fiscal year 2006, with all of these students also attending the beginner or intermediate SEI language blocks. A parent must sign a waiver before a student can participate in bilingual classes.

Comparison of English-Proficient and Beginner SEI Block Schedules

English-Proficient Class Schedule	Beginner SEI Class Schedule
English Science Math Wellness (Physical Education and Health) Computers or Elective Elective	English Language Block 1-2 English Language Block 1-2 English Language Block 1-2 English Language Block 1-2  Math or Bilingual Math Math Lab or Elective

Tolleson UHSD offers Spanish bilingual classes only because the majority of its ELL students speak Spanish, and the classes are available only at schools with teachers having a bilingual teaching endorsement. Two of the District's four schools offered bilingual classes in fiscal year 2006, and a third school has since begun offering them. According to district officials, the

classes are taught mainly in English because students are tested in English, but bilingual teachers use Spanish when necessary to explain course content. Using the same textbooks along with teacher-prepared bilingual materials, these classes cover the same content as regular math, science, or history classes.

**Compensatory Instruction**—In fiscal year 2006, Tolleson UHSD provided after-school tutoring and a Summer Immersion Program for its ELL students. These classes were taught by the same teachers who taught ELD classes during the regular school day. According to district officials, after-school tutoring sessions reinforced the language development lessons taught during the school day and also provided students with assistance in content areas. Tutoring was offered from 1 to 2 hours per day, and the District estimated that five to ten students per school attended each day. The Summer Immersion Program was a 3-week, 4-hours-per-day program with beginner and intermediate classes. The beginner class covered basic English language development, such as reading, word recognition, and pronunciation. The intermediate class covered more advanced English language development, such as writing and grammar. The District's attendance roster indicated that 36 students registered for the summer session.

Participation in both tutoring and Summer Immersion were voluntary. Students and their parents were notified of the programs' availability. For students who were struggling or failing, letters were sent to their parents encouraging student participation in the tutoring and summer programs.

**Teaching Staff**—In fiscal year 2006, the 13 fulltime-equivalent ELL teaching positions were filled with teachers having English as a Second Language (ESL) or bilingual teaching endorsements, and the bilingual classes were taught by bilingual-endorsed teachers. Teachers with an ESL endorsement received a \$500 stipend, and those with a bilingual endorsement received a \$1,000 stipend. Additionally, the District staffed its ELL program with a program director, an administrative assistant, a clerk, and two classroom instructional aides.

## District's ELL funding and costs

Beginning in fiscal year 2007, school districts are required to identify and report ELL incremental costs. Incremental costs are those in addition to the normal costs of educating English-proficient students. Incremental costs would not include costs that replace the same types of services provided to English-proficient students. As shown in the textbox example, if ELL instruction is provided in smaller classes, the additional teachers needed to achieve the smaller class size would be an incremental cost.

In fiscal year 2006, Tolleson UHSD did not separately account for ELL-related costs, and incremental costs could not be determined from the District's records. During fiscal year 2007, the District began recording the incremental portion of some ELL teachers' salaries, but had not identified these costs for all ELL teachers.

In fiscal year 2006, the District received about \$168,500 in ELL-related funding, including \$96,897 in additional state aid known as ELL B-weight monies, \$41,333 in federal Title III monies, and \$30,281 in state ELL grants. However, since the District had not determined its ELL-related costs, auditors could not determine if the District's ELL funding adequately covered its incremental costs.

For fiscal year 2007, Tolleson UHSD also received an additional \$56,332 through the CI Fund budget process. The District's budget request included increasing hours for after-school tutoring, adding two more Summer Immersion classes, and adding a summer English Language Development program. According to the District's budget request, the CI monies, shown in Table 6 (see page 32), will be used to pay for teacher and instructional aide salaries and benefits to provide these classes.

ADE did not distribute CI Fund monies to districts and charters until May 2007, at the end of the school year. Tolleson UHSD officials indicated they did not implement these additional CI programs in fiscal year 2007 as it was too late to develop the curriculum, find teachers, and notify students of class availability. The tutoring and

### Incremental cost example:

- Average class size of 25 students, but ELL class size of 15.
- Average teacher salary of \$42,000 (excluding stipends and other special pay).
- 825 total students would require 33 teachers.
- With 75 ELL students, 5 ELL teachers would be required, and the remaining 750 students would require 30 teachers, for a total of 35 teachers.

ELL program salary cost:  
 $\$42,000 \times 5 \text{ ELL teachers} = \$210,000$

ELL incremental salary cost:  
 $\$42,000 \times 2 \text{ additional teachers} = \$84,000$

**Table 6:** Tolleson Union High School District Compensatory Instruction Fund Budget Request Summary  
Fiscal Year 2007

<b>Description</b>	<b>Fiscal Year 2007</b>
After-school tutoring—teacher salaries	\$35,750
Summer immersion—teacher salaries	3,630
Summer immersion—instructional aide salaries	1,755
Summer school—teacher salaries	6,600
Employee-related expenses at 18 percent	8,597
<b>Total CI Fund budget request</b>	<b>\$56,332</b>

Source: District's CI Fund budget request forms and ADE's Grants Management system.

Summer Immersion classes that were provided in fiscal year 2007 were funded mostly from federal Title III monies. Tolleson UHSD also applied for fiscal year 2008 CI monies requesting funding for similar programs. However, at the beginning of the 2007-2008 school year, the District had not started implementing the new CI programs despite having fiscal year 2007 funding available. District officials stated that they were awaiting ADE's final approval of the fiscal year 2008 CI budget before starting the programs.

## Recommendation

In preparation for developing the District's SEI budget request, the District should identify and record all ELL incremental costs.

# DISTRICT RESPONSE





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SUPERINTENDENT  
Kino V. Flores, Ed.D.

January 31, 2008

Debra Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

RE: Response to Tolleson Union High School District #214 2005-2006 Performance Audit

Dear Ms. Davenport:

This correspondence and the attached responses constitute Tolleson Union High School District's ("District") response to the Auditor General's Performance Audit Report ("Report").

The Report includes a number of recommendations in the areas of administration, student transportation, Proposition 301 monies, classroom dollars, and English Language Learner programs, costs, and funding. The District is in general agreement with the suggested recommendations and in some cases had already noted the deficiency and made necessary corrections under new departmental management. The District is in the process of implementing other recommendations noted to ensure compliance with all state and federal laws. Consistent with the philosophy that has driven the Tolleson Union High School District for many years, we will continue to be respectful of our constituents by striving for outstanding academic progress, fiscal responsibility, and compliance with state and federal statutes.

Tucked in the middle of the rapidly expanding communities of Avondale, Glendale, Phoenix, and Tolleson, the Tolleson Union High School District is experiencing a shift from a rural district to an urban district. Student population increased by eight percent (8%) during the previous two years resulting in zero capacity at all District high schools and solidifying the need for an additional high school, Sierra Linda, which is scheduled to open for the 2008-2009 school year.

Dedicated teachers, support staff, and administrators, believe in the District's mission to guarantee higher levels of learning for all students. They have been instrumental in instilling the value of an education in our students, as evidenced by an increase in the graduation rate from 58% in 1999 to 83.3% in 2006. The students' desire to learn has also resulted in a reduction of 3.6% in the dropout rate, far below the State and County rates of 6.4% and 6.3%, respectively.

Student achievement test scores have increased by 45% in the language, reading, and math portions of the TerraNova. The number of students who have passed the tenth grade AIMS math and writing has also increased over previous years. A rigorous school improvement process has resulted in our schools receiving AZ LEARNS labels of Performing, Performing Plus, and Highly Performing.

Through the collaborative efforts of our business partners, community members, and non-profit agencies, the District has been successful in raising in excess of \$1.5 million for student scholarships and classroom incentives. Students who once were faced with the prospect of ending their education at the twelfth-year level have been presented with opportunities to further their education.

Through the generosity of the area's land owners, the District has been successful in obtaining four 55-acre parcels of land. Numerous meetings with architects, contractors, and city and county officials resulted in two high schools, Copper Canyon and La Joya Community, being built on time and within budget. We anticipate the same for Sierra Linda High School and have begun the planning process for high school No. 6.

As the number of students continues to increase, we will continue to explore ways to improve effectiveness and efficiency for our departments as they service our students, staff, and community ensuring the best use of our taxpayers' dollars. Additionally, we will strive to increase the number of dollars going directly into the classroom while maintaining other necessary student services that directly affect the learning that occurs in the classroom.

We appreciate the time, effort, and professionalism displayed by your staff while on assignment at our District. We are confident that a collaborative effort between the District and your office will assist us in attaining the goals outlined in the Performance Audit.

Sincerely,

Kino V. Flores, Ed.D.  
Superintendent

**Tolleson Union High School District**  
**Response to Auditor General's Performance Audit Report**

**Administration**

1. Recommendation: The District should ensure that purchases made on the Superintendent's District credit card are in accordance with District policies, including proper documentation and allowability of all purchases. The District should also seek legal counsel regarding past unallowable purchases and whether any reimbursements are required.

District Response: The District agrees with and will implement this recommendation. Legal counsel's review as recommended above will also include an analysis of the "allowability" of credit card charges and whether credit charges were in accordance with District policies or any compensation agreement the District had with the Superintendent. If any charges are determined by legal counsel to be unallowable, the Superintendent has agreed to personally reimburse the District.

Action Already Taken by District: The District has retained legal counsel in accordance with the Auditor General's recommendation. The Superintendent no longer has a District credit card.

2. Recommendation: The District should establish appropriate expenditure controls and documentation. Specifically, the District should:

Recommendation a. Improve its procedures for charge account purchases, ensuring that supervisors review and approve purchases before payment and detailed receipts support each purchase.

District Response: The District agrees with and will implement this recommendation.

Action Already Taken by District: The District has implemented procedures at the site level to ensure expenditures made on store charge accounts are reviewed by a supervisor, or designee, to ensure all purchases are necessary and appropriate.

Recommendation b. Evaluate its use of cell phone stipends, including eligible positions and appropriate amounts, and develop a District policy on the cell phone stipends for Governing Board consideration and approval. Further, any authorized cell phone stipends should be incorporated into employment contracts.

District Response: The District agrees with and has effectively already implemented this recommendation.

Action Already Taken by District: Effective FY2007-2008, the District eliminated cell phone stipends for all employees unless the employee's contract specifically provided for this benefit.

3. Recommendation: The District should implement proper access controls over its accounting system so that individual employees do not have the ability to initiate and complete a transaction without an independent review and approval.

District Response: The District agrees with the recommendation. In fact, the District's online accounting system internal controls are separate and distinct from physical access to end products (checks). Therefore, no individual employee has the ability to initiate and complete a transaction without an independent review and approval. The District will strengthen its accounting system internal control by better limiting the two employees' access by setting separate access parameters.

Some of the duplication of access between the Payroll Department and Human Resources Department can be eliminated once the Human Resources Department assumes responsibility for all of its job functions and fully implements the Visions software. The District has made a recent management change in its Human Resources Department and a timeline for implementation of these improvements has been given to the new leadership.

4. Recommendation: The District should only use fundraising proceeds for the purposes stated when the donations were solicited.

District Response: The District agrees with and will implement this recommendation.

If applicable, the phrase 'staff incentives' will be added to any and all future fundraising materials to ensure donors have a complete understanding of how donations will be used. The District acknowledges that the express term 'staff incentives' was not specifically included in the fundraising brochure. However, staff morale is positively affected by small incentives such as staff luncheons, t-shirts for security personnel, etc. which directly benefits student learning in the classroom.

5. Recommendation: The District should no longer operate the fundraising raffle and should seek counsel regarding the legality of its fundraising golf tournament.

District Response: The District agrees with this recommendation and will initiate the necessary actions to make sure any future fundraisers are fully compliant with the rules, regulations, and laws applicable to the District.

The District operated the raffles and fundraisers with good intentions and students clearly benefited. Specifically, the raffles and fundraisers provided students with scholarships and incentives and the opportunity to participate in extracurricular activities they would not have been able to afford. Many students have gone to college because scholarship funds were made available.

Action Already Taken by District: The District has retained legal counsel as recommended by the Auditor General. Furthermore, the District has arranged for any and all future fundraising activities to be conducted by a qualifying organization, commonly referred to as a 501(C)(3) Organization.

## **Student Transportation**

1. **Recommendation:** The District should accurately track and report student transportation riders to ensure it receives proper transportation funding.

**District Response:** The District agrees with and will implement this recommendation.

**Action Already Taken by District:** The District has implemented a system to ensure student transportation riders are accurately tracked and reported to the Department of Education. The District has implemented a system to ensure the number of students reported accurately reflects the total of actual riders on a daily basis.

2. **Recommendation:** To aid in evaluating the costs and efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile, cost per rider, driver productivity, bus capacity utilization, and ride times.

**District Response:** The District agrees with and will implement this recommendation.

**Action Already Taken by District:** New personnel hired by the District in June of 2006 have implemented certain improvements to routing. They will continue to work on routing improvements to ensure efficient and effective student transportation at the most advantageous cost possible.

## **Proposition 301 Monies**

1. **Recommendation:** The District should ensure that it correctly calculates pay amounts in accordance with the Governing Board-approved plan. Further, the District should continue to review and recover overpayments made and make payments to employees who were underpaid.

**District Response:** The District agrees with this recommendation and will implement the necessary measures to ensure amounts due employees are correctly calculated in accordance with the Governing Board's approved plan and take appropriate measures to recover overpayments made and make payments to employees that were underpaid. The District expects to have the overpayments and underpayments corrected by June 30, 2008.

It should be clarified that miscalculations are applicable only to District merit payments, otherwise known as Fund 012 payments. The District's software at the time did not allow staff to pull individual employee work day records, so the District used master listings from the Human Resources Department. The records did not accurately reflect any leaves without pay. Consequently, some employees were paid incorrectly.

**Action Already Taken by District:** The District has pulled actual attendance and FTE data from its Visions system to calculate the correct payment amount for each employee. The District has also implemented an improved 6/5ths contract system, which will simplify this calculation and ensure its accuracy. These changes and improvements were made for

FY2006-2007 final performance payments made in October 2007 for staff that were employed with the District.

### **Classroom Dollars**

1. Recommendation: The District should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts.

District Response: The District agrees with this recommendation.

Action Already Taken by District: Prior to the audit, the District had reviewed its coding to ensure compliance with the USFR Chart of Accounts. All suggested changes were made via adjusting journal entries in FY2006-2007. The District is also retraining employees and training new employees who code personnel action forms to ensure accuracy and consistency.

2. Recommendation: The District should review its noninstructional spending to determine if savings can be achieved and some of these monies can be redirected to the classroom.

District Response: The District agrees with this recommendation.

However, the District strongly believes that many of its support services increase the likelihood of student success in the classroom. While the District strives to keep administrative costs low, there are other direct student service costs such as psychological services, counselors, student transportation, social workers, security guards, etc. that are necessary to ensure success in the classroom. These costs are not classified as 'classroom' expenditures, even though they directly benefit the students. The District's goal is to remain 'lean' administratively and to ensure its students receive all services necessary to ensure success in the classroom and to promote the best learning environment possible.

### **English Language Learner Programs, Costs, and Funding**

1. Recommendation: In preparation for developing the District's SEI budget request, the District should identify and record all ELL incremental costs.

District Response: District agrees with this recommendation and is awaiting final direction (still not available on the ADE website at this writing) from the Department of Education to ensure its coding is in compliance with the new requirements.