

March 24, 2005

State of Arizona Office of the Auditor General
Debbie Davenport, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

Yuma Elementary School District One appreciates the Auditor General's complex task comparing the District with comparable school districts, especially considering the unique aspects of our transportation and technology department operations. The meeting on March 17, 2005, was a welcome opportunity to clarify the District's current status as to the recommendations offered by this performance audit. The following responses were covered with your team at that meeting and are provided here for reporting the status of the District in the departments audited.

The District agrees with each recommendation, and the following responses will address each recommendation by stating the status of the implementation of each of the recommendations.

CHAPTER 1 – Administration Recommendations and District Responses

1. The District should obtain detailed computer service billings so that it can appropriately classify the expenditures as administrative or plant operation and maintenance costs.
Response: This recommendation has been implemented by analyzing the expenditures of the technology consortium services for 2004-2005. Implementation involved reclassifying the services for maintenance and repair of all computers, networking, and related activities as separate and apart from administrative activities related to help desk functions, financial system and student administration system software support, and management of the department.
2. The District and its IGA partners should determine the factors that constitute usage to provide an equitable basis for allocation costs. Further, the partners should ensure that all associated costs, such as the CEO's office, are accounted for and appropriately allocated.
Response: This recommendation has been implemented by continuing to analyze the various devices used by each IGA partner. Implementation involved documenting the allocation of services based on number of desktop computers, IP phones, and other physical devices. The CEO office expenses are no longer charged through the technology department in 2004-

2005. All CEO purchase orders are through Yuma Elementary School District One for the K-20 office.

3. The District should evaluate its participation in the computer services IGA and determine if this is the most cost-effective method for obtaining its computer-related services.

Response: This evaluation has been implemented by quantifying all the services that would have to be duplicated in each of the school districts if there were separate technology departments. The District saves a significant amount through the IGA for computer services with the high school district.

4. The District should ensure that it follows competitive purchasing rules, including those related to sole source designations, when purchasing goods or services.

Response: A new Director of Procurement and Materials Management (effective March 23, 2005) will be providing services to the District. The District expects to implement this recommendation in 2004-2005 and beyond by reviewing all purchases, especially those involving cooperatives, consultants, and creating new procedures to more effectively ensure procurement of all goods and services.

Clarification and status of sole source procurement of literacy training consultant:

Although an RFP was used in 2004-2005 to procure the literacy consultant referred to in the performance audit, the auditor general's team still did not feel the consultant was procured competitively. Based on this final finding on the procurement, the District effectively cannot implement a correction in 2004-2005, but will implement the correction in 2005-2006 and beyond. In 2004-2005, although the procurement was not in compliance, the train-the-trainer model was implemented as follows:

Five main concepts for improvement in the literacy/writing program will be modeled and coached by the following district professional development coordinators:

Grade Level	Employee
Kindergarten	Gretchen Gross
First Grade	Dee Anderson
First Grade	Cynthia Leon
Second Grade	Alma Sandigo
Second Grade	Janna Perez
Third Grade	Carolyn Autry *
Fourth Grade	Nancy Hollenbeck *
Fifth Grade	Jamie Penny *
Sixth Grade	Melody Pinkston
Middle School (6-7-8 Grades)	Ed Richardson
Middle School (6-7-8 Grades)	Christy Wells *
Professional Development School	Abby Pemberton *

*In addition, five professional development coordinators are being trained to instruct, model and coach teachers in the basic initial literacy program formerly taught by the vendor.

Summary:

As noted, the District has a significant investment in the literacy/writing program. This particular vendor's product follows the No Child Left Behind standards for use, since it is a scientifically, research-based program, and the program has been approved as an NCLB intervention strategy, particularly for the over 3,000 English Language Learners in the District. In 2005-2006 the District will not need to use this vendor for basic training. District employees trained in 2004-2005 will instruct, model and coach teachers in this literacy program. The vendor may be used for refresher updates, but will not exceed procurement thresholds requiring bids or request for proposals.

CHAPTER 2 – Food Service Recommendations and District Responses

The District should monitor its food and supply costs and identify ways to lower them, such as purchasing items from vendors that do not add shipping charges and purchasing less expensive meal ingredients, instead of prepackaged foods, to ensure that the program will continue to be self-supporting.

Response: It is the continued goal of the Child Nutrition Department to keep its self-supporting status. Shipping costs that are included by some vendors are higher given the location of Yuma in relation to other comparable school districts. With Yuma being one of the fastest growing areas in Arizona, the District expects that more vendors with more competitive pricing will be available in the future. The Child Nutrition Department will implement this recommendation by continuing to monitor its food and supply costs and seeking even more competitive purchases as well as review operations to lower costs.

CHAPTER 3 – Student Transportation Recommendations and District Responses

1. The District should work with the high school district to determine a more equitable method for allocating the student transportation IGA's costs between the two districts.

Response: A formula to establish appropriate operational costs between the school districts was developed and implemented in November 2004. The formula developed is supported by actual school district transportation usage, based upon operational hours and miles, depreciation values, and common costs such as wages, benefits, utilities, common consumables, etc. Each district is responsible for their respective procurement of capital equipment and any non-route transportation usage.

2. The District should conduct analyses of the transportation IGA's costs to ensure that the labor and mileage billing rates are appropriate and that all costs are covered.

Response: A recent restructuring of the consortium administrative practices established monthly meetings of the school districts' financial officers and the respective department heads to regularly review financial and operational information. All cost analyses, revenues and expenditures, and operational information are presented and discussed to ensure that all entities have current and factual data. Financial and operational information developed within these regular meetings is presented to the Districts' administration and respective governing boards. In the area of higher labor/benefit costs, the past practice of benefiting all transportation staff and attempting to provide full time wages (37 or more weekly hours) is currently under review. A recommendation has been made to focus operations around part time staffing and eliminating excessive waste in the areas of

higher than average salaried supervisory positions and also to eliminate redundancy in those duties. It should also be noted that the consortium transportation operations are currently operating below the forecasted 2004/2005 budget. This is due to the restructuring of the consortium management and the system of checks and balances that have been implemented within the consortium financial meetings being the cornerstone of that improved operational efficiency.

3. The District should redesign and regularly review its bus routes for increased efficiency.

Response: Beginning on March 17, 2005, a new computer software transportation route program is being implemented. The program will be functional and fully operational by July 2005. This program provides electronic student address information, mapping and routing data, and school boundary information to ensure that efficient routes are developed and maintained. Targeting student passenger loads and route mileage on any school bus for efficient optimization will be possible.

4. The District should establish a review process to ensure that all services provided through the transportation IGA are appropriately billed and the revenues are collected and deposited.

Response: As a component of the consortium restructuring, all accounts payable and receivable occurring in the transportation operations are entered into the District's financial computer program (Visions Accounts Receivable module) and backup data immediately forwarded to the District to ensure that all financial accounting detail is provided and matches the billing rates and tracks revenue collected. The transportation department also has implemented more stringent methods of recording billing detail and requires supervisory review of related financial information to ensure that all relevant data is included and accounted for.

5. The District should ensure proper security of the vehicle parts inventory, including implementing a periodic or perpetual inventory system.

Response: The parts department office has been relocated to a central access point located in the inventory storage area. All parts inventories are now located behind locked access points and require a parts staff member to retrieve any needed item and also to permit inventory adjustments as parts are distributed. The parts access areas are now also monitored by the closed circuit security camera system. Additionally, a fleet management software program is currently being implemented. This software program ties parts replacements, repairs, inventories, and shop service hours into points of data that can be utilized for any operational detail. This improvement, along with the internal reassignments of service shop staff responsibilities, will provide better accountability by maintaining perpetual inventories and a verifiable history of service shop functions.

6. The District should consider increasing the security of its fuel cards to require entry of accurate odometer readings and vehicle and license plate numbers.

Response: The present fuel card system requires the vehicle driver to enter the card into the card reader and to key-in the vehicle's current odometer reading. The card reader identifies the card as assigned to a specific vehicle. As the current fuel procurement agreement is set to expire at the end of this fiscal year, a new fueling system requiring additional security features will be required in future agreements. Due to the extensive cost of upgrading the fuel security system any earlier, this would be very cost prohibitive and better suited to be implemented as a component of a new procurement agreement.

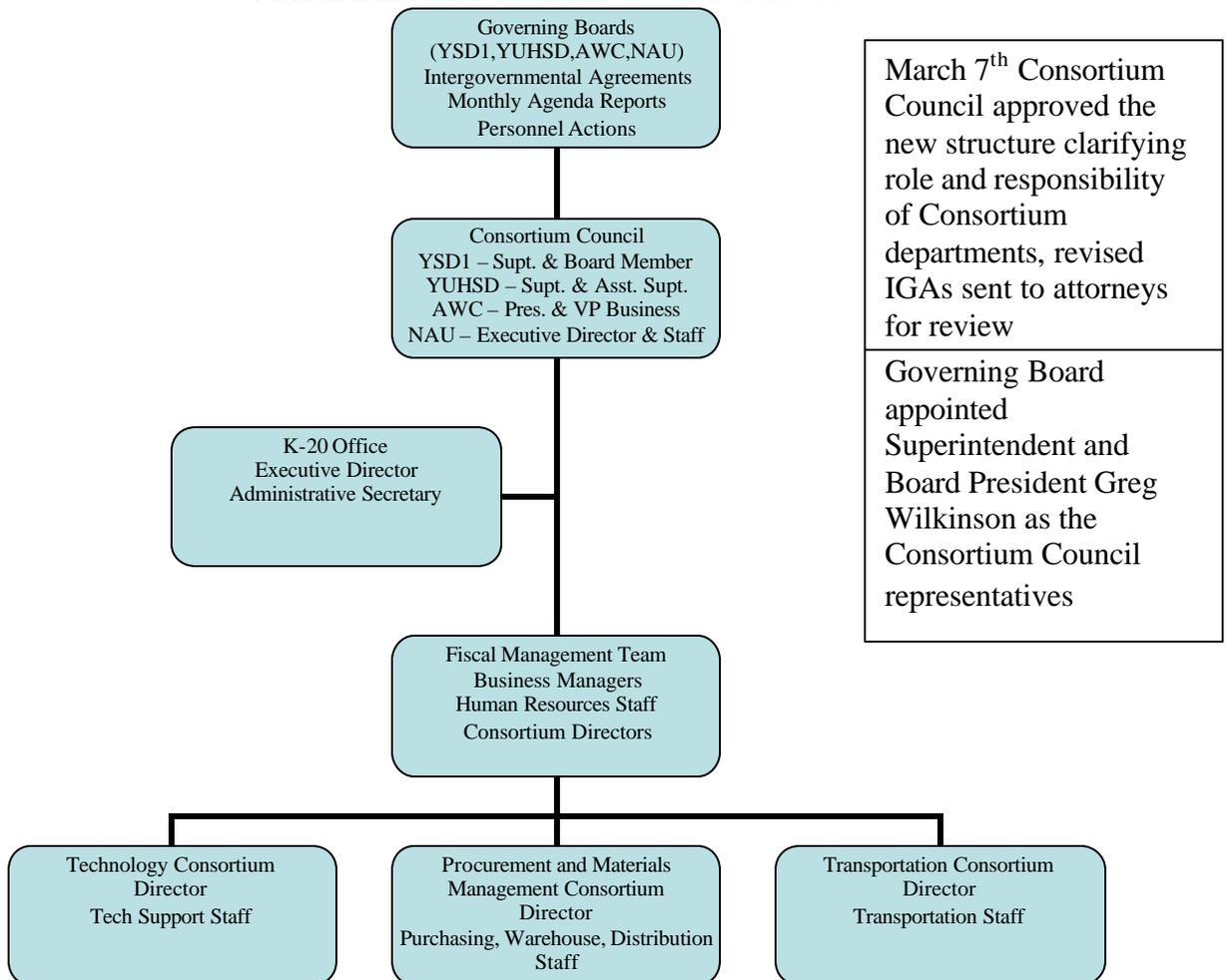
7. The District should ensure accurate mileage reporting to the Arizona Department of Education.

Response: In July 2004, a new mileage reporting spreadsheet was implemented that requires entries of 1) route miles, 2) student passenger information, and 3) hours and minutes spent on any given route segment. This new system of information was used for the 2004/2005 ADE 100 day report (Trans-55) and provided complete and correct information for the report. This was supported by an internal audit of the mileage information that entered data from driver log sheets into a spreadsheet for an entire fiscal year. Also a physical verification of vehicle odometer readings is now performed on a periodic basis.

8. The District should clarify the Yuma Educational Consortium’s role and authority, and discontinue any agreements the District does not have the authority to enter into, such as its transportation service agreements with the private schools and contracts that were not competitively procured.

Response: The following structure and procedure is currently in place as an interim procedure for Consortium Management.

**PROPOSED POLICY AND PROCEDURE FOR FISCAL MANAGEMENT OF THE
YUMA EDUCATIONAL TECHNOLOGY, TRANSPORTATION, PROCUREMENT AND
MATERIALS MANAGEMENT CONSORTIUMS**



The Fiscal Management Team will meet monthly, or more often as needed, to review the operations budget to include staffing, capital and general budget requirements.

The following will be presented to the Consortium Council for review and approval, then to member Governing Boards for monthly reporting and final action.

1. Approval of the Consortium Structure
 - a. Consortium Council
 - i. Original concept of an administrative committee would not require open meeting law, but meetings will be open to public
 - ii. Administrative committee would make recommendations to Governing Boards
 - iii. One vote per entity residing with the School District Superintendents, President of AWC, NAU Executive Director (may be designated to second member)
2. Intergovernmental Agreements
 - a. K-20 Master Agreement
 - b. Transportation IGA
 - c. Technology IGA
 - d. Procurement and Materials Management IGA
3. Budget for all agreements (2004/2005 and projected 2005/2006)
4. Any change to staffing (hiring, restructuring, termination)
 - a. Selection and hiring of Director of Procurement and Materials Management recommendation to Consortium Council then to Governing Board that serves as fiscal agent for action; information item to Governing Boards of other entities
 - b. Restructuring recommendations to Consortium Council for approval and recommendation to Governing Board that serves as fiscal agent for action; information item to Governing Boards of other entities
5. Monthly reports to the member Governing Boards

Responsibilities of the Fiscal Agency

- Compliance with Audit requirements
- Personnel Actions
- Salary and Employee Benefits (as applicable per Salary Schedules)
 - Workers Compensation
 - Leave Plan
 - Health Benefits
 - Retirement Benefits

Tentative Implementation Plan for 2004/2005

Action	Responsible Party	Projected Date
Revise Consortium Structure	Consortium Council	March 7, 2005
	Governing Boards	March Governing Board Meetings March 8 th District One voted to appoint Superintendent and Board President to the Consortium Council

Approval of Current IGAs	Consortium Council	March 7, 2005
	Attorneys of record for each entity	Month of March
Action	Responsible Party	Projected Date
	Governing Boards	April Governing Board Meetings (Separate or joint)
Selection and Hiring of Director of Procurement and Materials Management	YUHSD, YSD1, joint selection committee	February 28 th interviews conducted
	Consortium Council	March 7 th approved to recommend new hire to YUHSD
	Governing Boards	March 8 th YUHSD Governing Board meeting action taken March 8 th YSD1 Governing Board meeting introduction made during Consortium monthly report to board
Assessment of Procurement and Materials Management Consortium	New Director of Procurement and Materials Management & Fiscal Management Team	Month of March and April (new director start date of 3/23/2005)
05-06 Budgets	Fiscal Management Team	Prior to April Governing Board Meetings

Summary:

The administrative areas of the transportation consortium reporting and management procedures have been restructured to ensure that all areas of operations are reviewed and that all costs and issues are supported with full disclosure. The Director of Transportation now reports directly to school business managers at both school districts. The executive officer of the consortium has been reassigned from those duties, and the Transportation Director, through the District, now directly manages all transportation operations. Additionally, the complete review of operational practices outside of the consortium IGA members is underway, with additional operational changes anticipated to ensure complete compliance with all governmental requirements.

**CHAPTER 4 – Plant Operation and Maintenance
Recommendations and District Responses**

The District should continue to pursue termination of its agreement with its telephone vendor to eliminate the costs of the telephone system it no longer uses. Further, in the future, the District should perform cost-benefit analyses considering all pertinent costs, such as existing contracts, when evaluating major purchases.

Response: The District has implemented this recommendation. A credit will be issued in from the vendor in 2004-2005 for unused service. Cost-benefit analyses have been completed and evaluated.

CHAPTER 5 – Proposition 301 Monies Recommendations and District Responses

The District should ensure that its Proposition 301 plan addresses how it intends to spend base pay and menu options monies. Further, the plan should specify which of the six allowable options it is addressing with its menu options monies.

Response: The current Proposition 301 Plan defines the various goals required to receive the performance pay. The District currently defines the amount of base pay and menu options pay in the certified salary placement schedule, but does not specifically identify the number of teachers paid from the menu options for class size reduction. The District will implement this recommendation by bringing a Proposition 301 Plan to the Governing Board that includes not only how the performance pay will be spent, but also how the District will be spending the base and menu option money.

CHAPTER 6 – Classroom Dollars Recommendations and District Responses

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Response: The District is in the process of implementing this recommendation. A review of the Uniform Chart of Accounts and the current coding structure will be completed in 2004-2005. Assistance from the Auditor General's Accounting Division was offered and the District will direct specific questions to their office.

2. The District should closely analyze its non classroom spending to determine if savings can be achieved and if some of those monies can be redirected to the classroom.

Response: The District is in the process of implementing this recommendation. In conjunction with all the previous recommendations, it is expected that with implementation of the above recommendations, more dollars will be spent in the classroom through review of cost-benefit analyses, review of vendor contracts, and general improvements to the District's performance.

In conclusion, the District looks forward to meeting with your team in six months to further establish and document the improvements made by implementing the recommendations.

Sincerely,

Thomas D. Rushin
Superintendent
Yuma Elementary School District One