

Eloy Elementary School District

CONCLUSION: In fiscal year 2015, Eloy ESD's student achievement was slightly lower than peer districts', and it operated with higher per pupil costs in most noninstructional areas. Specifically, the District's administrative costs were higher primarily because of higher staffing levels and additional employee compensation for performing extra duties. In addition, the District did not follow proper payroll controls, which allowed unauthorized payments to be made, and the District needs to improve its computer controls. Although the District's plant operations cost per square foot was similar to the peer districts' average, its cost per pupil was higher than the peer districts', but the District has taken some steps to correct the higher cost per pupil. In addition, the District's food service cost per meal was higher than the peer districts' average primarily because of food waste, and the District experienced an \$89,000 food service program shortfall. Finally, the District's transportation program was less than efficient partly because the District had higher repair and maintenance costs than the peer districts, on average.

Slightly lower student achievement and high costs in most areas

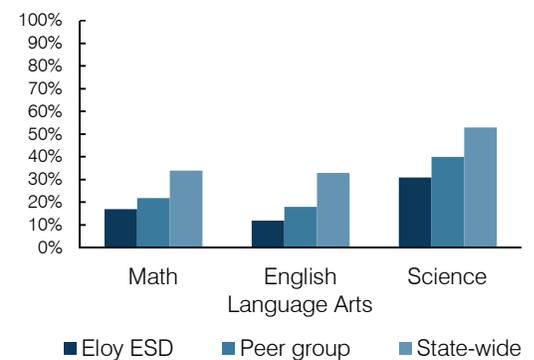
Student achievement slightly lower than the peer districts'—In fiscal year 2015, Eloy ESD's student test scores were similar in math and slightly lower in English language arts and science when compared to the peer districts' averages. In that same fiscal year, two of the District's three schools were part of a required school improvement process because some students did not demonstrate sufficient academic progress for at least 2 consecutive years. One of these schools had been part of the school improvement process since fiscal year 2012, and the second school entered the process in fiscal year 2015.

Costs high in most operational areas—In fiscal year 2015, Eloy ESD's administrative costs were higher primarily because of higher staffing levels and additional employee compensation for performing extra duties. Although the District's plant operations cost per square foot was similar to the peer districts' average, its cost per pupil was higher than the peer districts', but the District has taken some steps to correct the higher cost per pupil. In addition, the District's food service cost per meal was higher than the peer districts' average primarily because of food waste, and the District experienced an \$89,000 food service program shortfall. Finally, the District's transportation program was less than efficient partly because the District had higher repair and maintenance costs than the peer districts, on average.

Much higher administrative costs

In fiscal year 2015, Eloy ESD's administrative costs per pupil were 40 percent higher than the peer districts' average primarily because it had higher district office administrative staffing levels and it paid some higher salaries. More specifically, Eloy ESD employed one district office administrative full-time equivalent (FTE) position for every 119 students while the peer districts averaged one district office administrative FTE for every 178 students. The District's staffing levels were higher partly because it employed more grants-related positions that administered the District's various federal and state grants. Because Eloy ESD received more federal grant monies than the peer districts, on average, it may be reasonable for the District to spend more to administer its grants. Costs were high also because the

Percentage of students who met or exceeded state standards
 Fiscal year 2015



Comparison of per pupil expenditures by operational area
 Fiscal year 2015

	Eloy ESD	Peer group average
Administration	\$1,452	\$1,036
Plant operations	1,075	929
Food service	865	586
Transportation	406	505

District paid some district office administrative employees higher salaries than the peer districts averaged. For example, the average salary for Eloy ESD's business services staff was 10 percent higher than the peer districts' average salary for business services staff. District office administrative salaries were higher than peer district averages because Eloy ESD paid these employees an average of 25 percent of their total pay in extra duty pay that was in addition to their base salaries, while extra duty pay accounted for an average of only 5 percent of peer district employees' total pay.

Recommendation

The District should review its administrative staffing levels and related salaries and benefits, including additional compensation, and determine if they can be modified to produce cost savings, and make changes accordingly.

Proper payroll controls not followed, which allowed unauthorized payments to be made

We reviewed fiscal year 2015 detailed payroll and personnel records for 30 employees and found that the District lacked formal, written payroll policies and procedures and did not follow proper controls. For example, employee time sheets were not always reviewed by supervisors, documentation was not maintained to support changes to employee information, and final payroll documentation was not always properly reviewed. As a result, a district employee, with little or no supervisory review, had the ability to initiate and complete payroll transactions and was able to process unsupported or false payments. In this case, the individual received \$23,504 in overtime payments from August 2013 through January 2016 that were not approved by district officials. At the time of this report's release, this individual had been indicted on 14 felony counts related to theft, misuse of public monies, fraudulent schemes, and forgery.

Recommendation

The District should create formal, written payroll policies and procedures and follow proper payroll controls.

High costs led to food service program shortfall

Eloy ESD's fiscal year 2015 \$3.44 cost per meal was 22 percent higher than the peer districts' \$2.81 average, and the program was not self-supporting, with expenditures exceeding revenues by more than \$89,000, monies that otherwise potentially could have been spent in the classroom. Food waste was a primary contributor to the District's higher costs. We observed the District's food service operations and noted large amounts of food that cafeteria staff threw away. Further, we reviewed meal production records for two of the District's three schools and estimated that these two schools potentially produced over 21,000 more meals than they served during fiscal year 2015, which equates to over \$73,000 in meal production costs. Further, the District did not always properly oversee its food inventory. For example, we found that the District ordered nearly 400 pounds of shredded turkey and turkey loaf, but the District could not locate these items in its inventory, and they had not been used for meal preparation.

Recommendation

The District should reduce meal overproduction and food waste and ensure proper oversight of its food inventory.

District had much higher transportation costs

In fiscal year 2015, Eloy ESD's transportation costs were much higher than peer districts', on average, partly because it operated a smaller program than peer districts and drove more miles to transport special needs students. However, costs were also higher because Eloy ESD's outsourced bus maintenance and repair costs of 84 cents per mile were more than twice as high as the 32-cents-per-mile average for the four peer districts that also outsourced maintenance and repair services. To help reduce its costs, Eloy ESD should explore options for obtaining its maintenance and repair services at a lower cost.

Recommendation

The District should explore options for lowering its bus maintenance and repair services.