

# Eloy Elementary School District #11

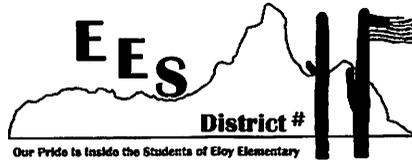
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## ADMINISTRATION:

Ruby James, Superintendent  
Edward Saucedo, Business Manager



## BOARD OF GOVERNORS:

Anna Ogle, President  
Paul Rodriguez, Board Clerk  
Ralph Moran  
Mary Tarango  
Frank Acuña III

May 22, 2017

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

Attn: Ms. Debra Davenport

Dear Ms. Davenport,

Eloy Elementary School District #11 has received and reviewed the Preliminary Draft Performance Audit conducted for Fiscal Year 2015.

Eloy Elementary appreciates the information provided in our FY2015 Performance Audit. With your assistance we are striving to improve and remain compliant with all legal requirements. The district agrees to implement recommendations made by the Auditor General's Office.

Your audit, like other audits, will help us improve our effectiveness with our fiscal responsibilities to our Students, Staff and Community. Included with this letter is the District's response to each finding and recommendations.

Sincerely,

Ms. Ruby James, Superintendent  
Eloy Elementary School District

**Finding 1: District's high administrative costs primarily due to higher staffing and additional compensation.**

**District Response:** Agree. According to the Auditor General's Performance Audit report, the district DID NOT inappropriately use its School Improvement monies. The District was awarded two separate SIG Comprehensive Grants near one million dollars. It required administrative personnel to oversee two school sites. As opposed to hiring a full time coordinator, the LEA Leadership team assumed the duties of implementing and monitoring both school improvement grants. The School and Leadership teams chose to build capacity from within for our LEA sustainability efforts. Implementing and monitoring of two SIG grants required extensive reporting, trainings, Professional Learning Community (PLC) meetings, parent meetings, observations, and required the leadership team mandatory participation in the National Institute for School Leadership (NISL) professional development training program. This training extended over a thirteen month period in FY15-16. Because of the additional duties required by the two grants, the Administration staff received extra duty contracts based on amounts budgeted in the ADE SIG approved budget as stated in the Auditor General's Performance Report page 4, paragraph 4.

- **District had higher administrative costs than peer districts:** Agree. In FY15, the district implemented and monitored two (2) comprehensive SIG Grants that required additional assistance to remain compliant and administer both grants with fidelity.
- **District employed additional administrative positions:** Agree. As stated in the Auditor General's Performance Audit Report, on page 3, paragraph 3 "As discussed in this reports overview, "Eloy ESD received more federal grant monies than the peer districts, on average, therefore, it may be reasonable for the district to spend more to administer these grants." This statement supports EESD's decision to hire additional staff. The hiring of additional staff was imperative to administer both school improvement grants. Also due to an audit finding in FY2014 a Corrective Action Plan was developed that included hiring an outside consultant to assist with compliance efforts.
- **District paid some higher administrative salaries, primarily through additional compensation:** Agree. In Fiscal Year 2015 the LEA staff received approved extra duty contracts for the implementing and monitoring two School Improvement Comprehensive Grants (SIG) close to a million dollars and this is supported by the Auditor General Performance Audit Report page 4, paragraph 4.
- **District paid its employees more additional pay than peer districts:** Agree. The District implemented and monitored two School Improvement Comprehensive Grants (SIG) near one million dollars which significantly increased the workload of district staff, and therefore approved extra duty contracts increased administrative costs.

- **Extra Duty Contracts associated with school improvement increased administrative salaries. Agree.**
  - **Federal School Improvement Grant (SIG):** In the Approved School Comprehensive Grant (SIG), ADE approved a budget for Administrative purposes. Eloy Elementary received two Comprehensive School Improvement Grants (SIG) with funding of approximately one million dollars.
  - **State Instructional Improvement Funds:** Due to midyear decreases in federal funding, the funding for LEA Implementation and Monitoring had to be reallocated from the SIG Grants to other funding sources as suggested by the ADE.

**Recommendation 1:** 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.

**District Response:** Agree: When the school Improvement funding cycle ends. Eloy will review, modify and make changes to produce cost savings.

**Recommendation 2:** To reduce its administrative travel costs, the District should limit the number of employees attending a given conference, seminar, or district-sponsored event to the key staff members who need to attend. In addition, the District should consider whether to continue paying administrators hourly pay rates in addition to their regular salaries for attendance at district-sponsored events.

**District Response:** Agree: The high travel cost was directly due to the mandatory trainings, conferences and meetings to implement and monitor the two SIG grants during FY15-16, which included staff attendance from both sites. When the school improvement funding cycle ends, travel cost will decrease significantly. EESD will review this recommendation, however, grant requirements will be given priority. EESD will continue to provide educational opportunities to disadvantaged students. The district will explore other avenues of compensating employees.

**Finding 2: District lacked adequate payroll and computer controls to protect it from errors and fraud. Agree:**

**Recommendation 1:** The District should create formal, written policies and procedures to govern its payroll expenditures that outline the process and controls for payroll preparation, processing, and approvals.

**District Response:** Agree: The District has created and implemented formal written policies and procedures to govern its payroll expenditures that outline the process and controls for payroll preparation, processing, and approvals.

**Recommendation 2:** The District should ensure that supervisors thoroughly review and approve all time sheets and overtime request forms to help ensure that employee pay amounts are accurate.

**District Response:** Agree: The district has implemented procedures to ensure that supervisors thoroughly review and approve all time sheets and overtime request forms to help ensure that employee pay is accurate.

**Recommendation 3:** The District should ensure that all pay is properly authorized and employees are paid correctly by completing PARs with proper approval prior to services being rendered and payments being made.

**District Response:** Agree: The district has implemented procedures to ensure that all pay is properly authorized and employees are paid correctly. The completion of PARs with proper approval prior to services being rendered and payments being made will be reviewed, signed, and dated.

**Recommendation 4:** The District should ensure that district officials review and approve detailed supporting payroll reports each pay period prior to final processing.

**District Response:** Agree: The district has implemented procedures to ensure that district officials review and approve detailed supporting payroll reports each pay period prior to final processing.

**Recommendation 5:** The District should limit access to Governing Board signature stamps to only those whose signature they represent.

**District Response:** Agree: The district has limited access to Governing Board signature stamps and can only be accessed and utilized by the Superintendent.

**Recommendation 6:** The District should implement and enforce password requirements related to password length, complexity, and expiration.

**District Response:** Agree: The district IT department has implemented a system to improve password requirements.

**Recommendation 7:** The District should limit employees' access to the accounting system to only the access necessary to meet their job responsibilities to help ensure that no single employees can initiate and complete a transaction without an independent review.

**District Response:** Agree: The Eloy Elementary School District immediately implemented a system that eliminated a single employees' ability to initiate and complete a transaction without an independent review.

**Recommendation 8:** The District should ensure proper oversight of its time clock system by periodically reviewing system logs that are automatically generated when time sheet changes are made.

**District Response:** Agree: The district office has implemented a system to ensure proper oversight of its timesheets and logs.

**Recommendation 9:** The District should review its contingency plan to ensure it is complete and test it periodically to identify and remedy deficiencies.

**District Response:** Agree: The district will review its contingency plan periodically to identify and remedy deficiencies.

**Finding 3:** High costs led to a food service program shortfall

**District Response:** Disagree. Per district's FY15 AFR, we had a beginning balance of \$91,500 and an ending balance of \$44,406. Per federal requirement guidelines, we are required to have a certain percentage of matching funds from M&O or Capital. Eloy Elementary disagrees with the Auditor General's Performance audit draft report that it "potentially" overproduced twenty-one thousand meals which equates to over seventy-three thousand dollars in food, labor, and other costs. Our records indicate that the meals served were the actual meals reported.

- **Overproduction resulted in waste:** We concur that there may have been a temporary shortfall, but, by the end of FY15, the cafeteria budget was financially self-sustaining.
- **Insufficient inventory oversight resulted in waste:** According to paragraph 3 of page 12, the A.G.'s Auditors alerted the staff that proper inventory procedures were not followed with can food storage. During their observation, Auditors found older can food items behind newer can food items. Due to miscommunication, the food service staff disposed of canned food items out of concern for the safety and welfare of students and staff.

**Recommendation 1:** To help reduce meal overproduction and waste, the District should implement food production controls, such as varying meal production based on past popularity of meals or having classroom teachers submit expected lunch counts.

**District Response:** Agree: The district has implemented a process to reduce meal overproduction and waste. Teachers are submitting lunch counts by mid-morning. Eloy Elementary has surveyed the students to gain insight of meal popularity.

**Recommendation 2:** The District should ensure proper oversight of its food inventory by conducting frequent physical inventory counts and reconciling counts to inventory records, ensuring that all food items ordered are received or the appropriate refunds are issued, ensuring it follows its first-in, first out inventory policy, and ensuring that all food purchased is used in meal production rather than being disposed of while it is still safe to eat.

**District Response:** Agree: The district has implemented a system where the food service director conducts physical inventory counts and reconciles the invoices to the inventory. EESD will continue to use its first-in, first-out inventory policy.

**Finding 4:** District had much higher transportation costs and should strengthen controls.

**District Response:** Agree. We agree as reported with the Auditor General's Performance audit that we have higher costs due to transporting special needs students that require special routes with fewer students per their IEPs.

**Recommendation 1:** The District should explore options that would allow it to obtain bus maintenance and repair services at lower costs, such as performing these services in-house or obtaining services from lower cost vendors.

**District Response:** Agree: Due to complicated diesel repairs, we believe it's most cost effective to outsource services as opposed to utilizing in-house services. In addition, we believe the liability factor of a state approved procurement vendor reduces potential costs and provides safer buses for our students. District will explore other options for vendors and services to reduce costs.

**Recommendation 2:** The District should develop and follow a formal preventative maintenance policy that meets the *State's Minimum Standards* and includes the maximum number of miles and the maximum amount of time a bus can travel before it receives preventative maintenance services. Additionally, the District should ensure that it receives and maintains documentation of the specific maintenance services and repairs that are performed on each bus.

**District Response:** Agree: The district will develop formal written preventative maintenance policies that meet the *State's Minimum Standards*.

**Recommendation 3:** The District should accurately calculate and report miles driven and students transported to ADE staff for state funding purposes.

**District Response:** Agree: Our transportation director has received training to accurately calculate and report miles driven and students transported. In addition, a software program is being utilized for accuracy.

**Other Findings:** District should ensure that revenues from a transportation Intergovernmental Agreement cover costs.

**District Response:** Agree. The district is currently reviewing a process to ensure that revenues from our IGA covers costs.

**Recommendation 1:** To ensure that the transportation IGA revenues cover its costs, the District should track and document the time its employees spend on IGA-related activities, as well as any other costs associated with it. If the District finds that its costs are not being covered, it should consider renegotiating the IGA's terms and charges or potentially ending its participation in the IGA.

**District Response:** The district is currently reviewing a process to ensure that revenues from our IGA covers costs.