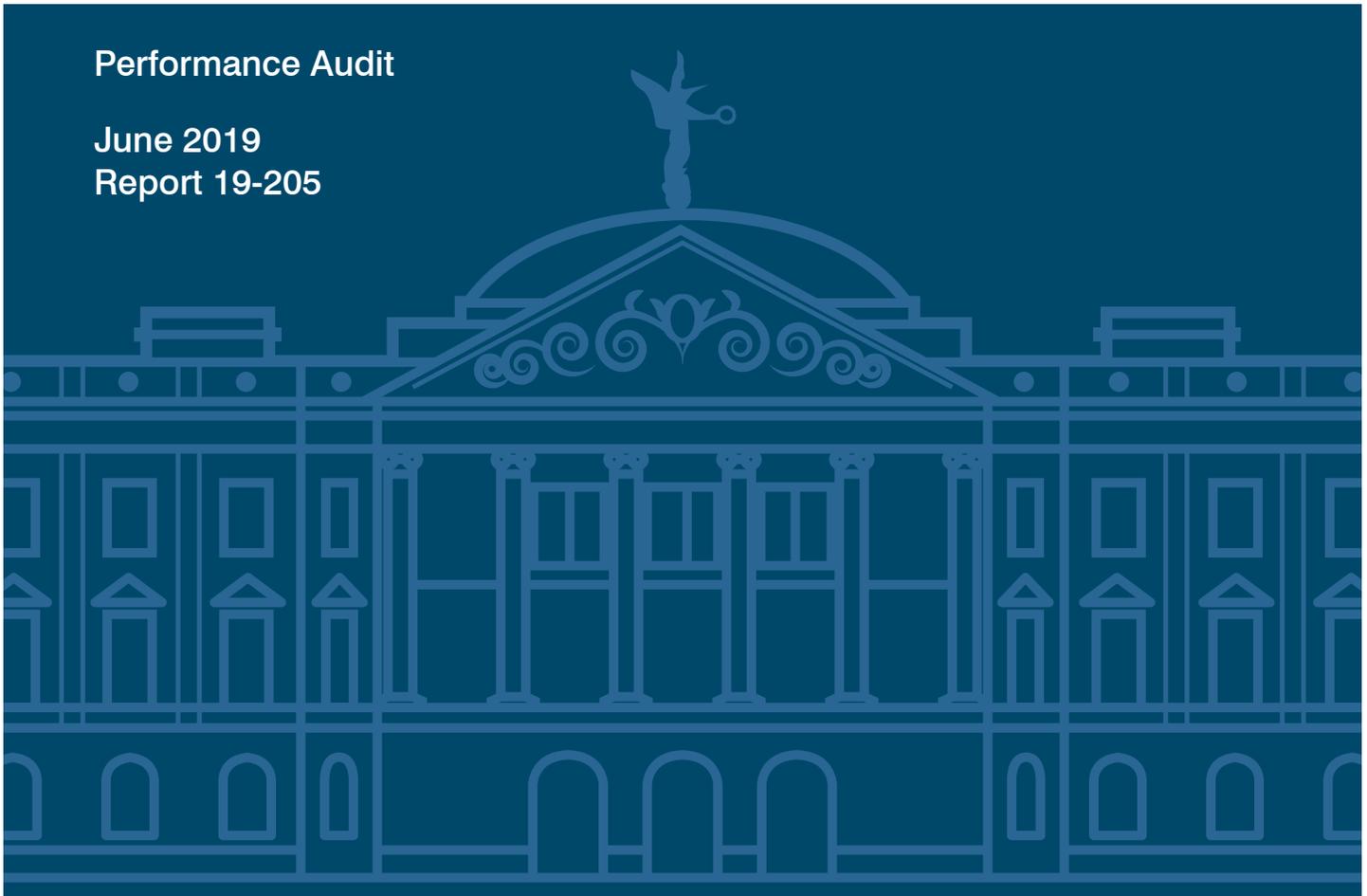


Parker Unified School District

Performance Audit

June 2019
Report 19-205



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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June 27, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Parker Unified School District

Mr. James Lotts, Superintendent
Parker Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Parker Unified School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03. I am also transmitting within 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 and plans to implement or implement a modification to all of the recommendations.

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

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General



Parker Unified School District

CONCLUSION: In fiscal year 2017, Parker Unified School District's (District) student achievement was slightly higher than districts' in its peer group, and its operational efficiencies in noninstructional areas were mixed. Specifically, the District spent less than its peer districts on administration and operated an efficient food service program. However, the District spent more on its plant operations and its transportation program and lacked some internal controls in these noninstructional areas. We identified about \$1.1 million in potential annual operational cost savings in noninstructional areas, or about \$600 per pupil—savings that could be spent on instruction. Lastly, the District should strengthen some of its accounting, computer, and building access controls.

Potential annual noninstructional savings Based on fiscal year 2017 data

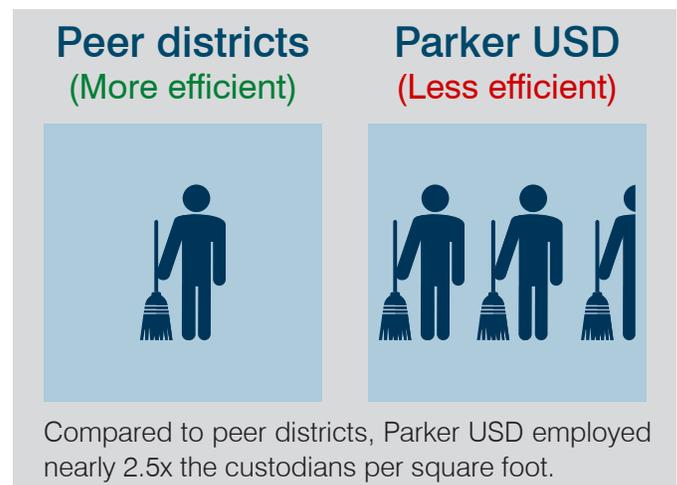
| Recommendation | Total | Per pupil |
|---------------------------------------|--------------------|--------------|
| Reduce excess building space | \$ 612,572 | \$327 |
| Reduce custodial staffing | 218,042 | 116 |
| Reduce plant supply spending | 201,647 | 108 |
| Reduce transportation supply spending | 51,359 | 27 |
| Reduce bus driver overtime | 28,302 | 15 |
| Reduce fuel spending | 18,127 | 10 |
| Total potential annual savings | \$1,130,049 | \$603 |

District spent more on plant operations and may save \$1 million annually by implementing changes

District maintained excess building space—The District maintained excess building space by operating its schools at just 63 percent of their total designed capacities in fiscal year 2017. The District can reduce its excess building space by operating 1 less elementary school and distributing its students to other District schools. The District could save over \$600,000 in plant operations costs alone if it operated 1 less school and likely would experience additional savings in school administration and food service.

District employed more custodians than peer districts—If the District had staffed its custodians at the same level as its peer districts averaged, it could have employed 8 fewer full-time custodians and saved about \$218,000. Additionally, if the District reduced its excess building space as discussed in the previous section, it could further reduce its custodial staffing by about 2 full-time custodians, potentially saving another \$51,000.

District spent more than double peer districts' average on general plant supplies and lacked controls to safeguard them—The District did not monitor or track its general plant supplies spending to ensure it had adequate controls over supplies, including inventory controls. This lack of controls may have contributed to its higher spending on plant operations. If the District had spent at the peer districts' average for its general plant supplies, it could have saved about \$200,000 in plant operations costs.



Recommendations

The District should:

- Evaluate excess building space at its schools and determine and implement ways to reduce it.
- Review its custodial staffing levels and determine and implement ways to reduce plant operations costs.
- Monitor and track its spending on general plant operations supplies to determine what causes its high spending and implement ways to reduce it, including improving controls over its supplies inventory.

District could have saved almost \$100,000 in its transportation program and obtained more transportation funding

District spent more on general transportation supplies than peer districts, lacked controls to safeguard its supplies, and lacked documentation to demonstrate it regularly maintained buses—The District did not monitor or track its general transportation supplies spending to ensure that it had adequate controls over supplies, including inventory controls. This lack of controls may have contributed to its higher transportation spending. If the District had spent at the peer districts' average for its general transportation supplies, it could have saved about \$51,000 in transportation costs. Additionally, the District could not demonstrate that it regularly maintained its school buses, which helps ensure students' safety and extend the useful life of its school buses.

District spent more on bus driver salaries and benefits than peer districts—In fiscal year 2017, the District spent more on bus driver salaries and benefits because it paid out almost \$100,000 in overtime wages for bus-driving duties. However, the District likely could have saved over \$28,000 in salaries and benefits if it had better utilized its available bus drivers and allocated driving duties to those bus drivers who were scheduled to work fewer than 40 hours per week.

District spent more on bus fuel than peer districts and lacked adequate controls—In fiscal year 2017, the District spent more on bus fuel because it did not take advantage of all fuel tax exemptions available to it and potentially because it did not adequately control its fuel inventory. If the District had spent at the peer districts' average for fuel, it could have saved about \$18,000 in transportation costs.

District incorrectly reported transportation information for State funding purposes—In fiscal year 2017, the District incorrectly reported miles and riders to the Arizona Department of Education (ADE) for State funding purposes, resulting in the District being underfunded by about \$183,000 in State monies.

Recommendations

The District should:

- Monitor and track its general transportation supplies spending and implement ways to reduce it, including ensuring that school bus preventative maintenance is conducted in a systematic and timely manner.
- Review its transportation staffing levels and assignments and determine and implement ways to reduce costs.
- Review its transportation fuel spending and determine and implement ways to reduce it, including taking advantage of all fuel tax exemptions available to it and improving controls over its fuel inventory.
- Accurately calculate and report miles and riders to ADE for State funding purposes and work with ADE regarding needed corrections to its transportation funding reports until all funding errors are corrected.



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DISTRICT OVERVIEW

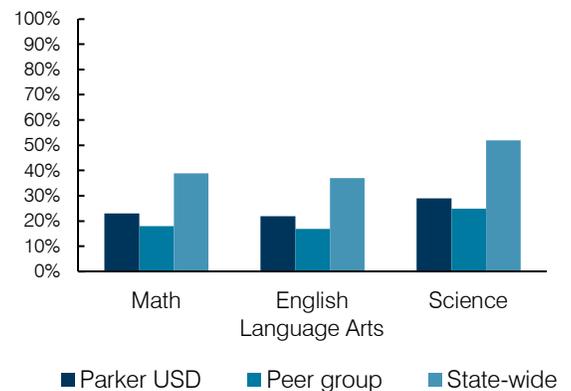
Parker Unified School District (District) is located along the Arizona-California border in La Paz County. The District encompasses over 700 square miles and includes a large part of the Colorado River Indian Tribes' Reservation. In fiscal year 2017, the District served 1,875 students in kindergarten through 12th grade at its 6 schools. The District spent about \$17.3 million in total operational spending, or \$9,217 per pupil, with 50.8 percent of this spending for instruction—an amount that was almost 1 percentage point lower than its peer districts'.^{1,2}

In fiscal year 2017, the District's student achievement was slightly higher than districts' in its peer group, and the District's operational efficiencies in noninstructional areas were mixed, with the District spending more than its peer districts, on average, in some operational areas and less in others. Specifically, the District spent less than its peer districts on administration and operated an efficient food service program. However, the District spent more than its peer districts on its plant operations and transportation programs and lacked some internal controls in these areas. The District also needs to strengthen some of its accounting and computer controls, as well as improve controls over access to its buildings. Overall, for fiscal year 2017, we identified about \$1.1 million the District likely could have saved through efficiency improvements, or about \$600 per pupil—savings that could have been spent on instruction. These savings, if spent on teacher salaries and benefits, are equivalent to an additional \$9,600 per teacher or, put differently, equivalent to 22 additional teachers. These cost savings represent only a portion of the long-term savings the District could realize because these savings could continue to be captured in future years.

District had slightly higher student achievement than peer districts'

In fiscal year 2017, 23 percent of the District's students passed the State assessment in Math, 22 percent in English Language Arts, and 29 percent in Science. As shown in Figure 1, the District's passage rates were slightly higher than its peer districts' averages. The District's fiscal year 2017 graduation rate of 81 percent was similar to the peer districts' 76 percent average and the State's 78 percent average. Under the Arizona Department of Education's (ADE) A-F Accountability System, 3 of the District's schools received C letter grades and 1 received a D letter grade in fiscal year 2017. Two of the District's schools did not receive a letter grade in fiscal year 2017.³

Figure 1
Percentage of students who passed State assessments
Fiscal year 2017
(Unaudited)



Source: Auditor General staff analysis of fiscal year 2017 test results on Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) and Arizona's Instrument to Measure Standards (AIMS).

¹ Operational spending includes costs incurred for the District's day-to-day operations. See Appendix page a-1 for further explanation. Instructional spending includes salaries and benefits of teachers and teachers' aides, textbooks and instructional software, and other classroom supplies.

² We developed 3 peer groups for comparative purposes. See Appendix page a-1 for further explanation of the peer groups.

³ One school did not receive a letter grade because it served only students in kindergarten through 2nd grade, which do not take State assessments. Another school did not receive a letter grade because it was an alternative high school, and ADE does not yet issue letter grades for these schools.

District operated with mixed efficiencies

As shown in Table 1 and based on our review of various efficiency measures, the District operated with mixed efficiencies in fiscal year 2017. Specifically, the District spent less on administration per pupil and food service per meal than peer districts averaged. However, the District operated its plant operations and transportation programs less efficiently and spent more than peer districts' averages. Further, the District was able to spend \$423 more per pupil in total because it received more federal impact aid funding as a result of being partially located on the Colorado River Indian Reservation.⁴ However, the District spent only \$142 of this additional funding on instruction.

District spent slightly less on administration but needs to strengthen some controls—

The District's \$1,018 per pupil administrative spending was 8 percent less than its peer districts' \$1,102 average, primarily because the District spent less than its peer districts on professional services, such as the use of consultants, accountants, lawyers, and other administrative support services. However, the District should strengthen some of its accounting and computer controls and ensure that building keys are appropriately distributed and tracked (see Finding 3, page 17).

District may be able to save about \$1 million in plant operations spending—The District's spending on plant operations was 39 percent more per square foot and 8 percent more per pupil than its peer districts', on average. The District spent more because it maintained excess building space, employed more custodians than peer districts, on average, and spent more on general plant supplies. The District also lacked controls over its supplies inventory, which likely contributed to its higher general plant supplies spending. We identified about \$1 million in potential plant operations cost savings, or about \$550 per pupil (see Finding 1, page 3).

District operated an efficient food service program and spent less than its peers—The District operated its food service program efficiently, spending \$3.24 per meal, which was slightly less than the peer districts' \$3.54 average. The District's lower spending primarily resulted from lower salaries and benefits spending than its peer districts, on average.

District likely could have saved almost \$100,000 in transportation spending and incorrectly reported transportation information resulting in about \$183,000 of underfunding—The District spent 25 percent more per mile and 6 percent more per rider than its peer districts', on average. Specifically, the District spent more on general supplies, salaries and benefits, and bus fuel. The District also lacked controls over its general supplies and fuel inventory and lacked documentation demonstrating it regularly maintained its buses, all 3 of which likely contributed to the District's higher transportation spending. By implementing more efficient practices and controls, the District likely could have saved almost \$100,000 in transportation program spending, or about \$52 per pupil. Further, the District incorrectly reported student transportation information for State funding purposes resulting in about \$183,000 of underfunding, or about \$98 per pupil (see Finding 2, page 9).

Table 1
Efficiency measures relative to peer averages
Fiscal year 2017
(Unaudited)

| Operational area | Spending measure | Parker USD | Peer group average | State average |
|-------------------|------------------|------------|--------------------|---------------|
| Total operational | per pupil | \$9,217 | \$8,794 | \$8,141 |
| Instruction | per pupil | 4,683 | 4,541 | 4,377 |
| Administration | per pupil | 1,018 | 1,102 | 844 |
| Plant operations | per square foot | 7.23 | 5.20 | 6.30 |
| | per pupil | 1,388 | 1,289 | 977 |
| Food service | per meal | 3.24 | 3.54 | 2.88 |
| Transportation | per mile | 3.26 | 2.60 | 3.84 |
| | per rider | 1,445 | 1,363 | 1,198 |

Source: Auditor General Staff analysis of fiscal year 2017 district-reported accounting data; Arizona Department of Education student membership data; School Facilities Board square footage data; and district-reported data of meals served, miles driven, and riders transported.

⁴ Impact aid monies are federal monies awarded to school districts that have lost property tax revenue due to the presence of tax-exempt federal property or that have experienced increased expenditures due to the enrollment of federally connected children, including children living on Indian lands.



District had high plant operations spending and may save \$1 million annually by implementing changes

In fiscal year 2017, the District spent 39 percent more per square foot and 8 percent more per pupil on plant operations than its peer districts, on average. We identified 3 issues that contributed to the District’s higher plant operations spending. Specifically, the District (1) maintained excess building space, (2) employed more custodians than peer districts averaged, and (3) spent more on general plant supplies than peer districts averaged. Table 2 summarizes our recommendations to address these issues, which if implemented could result in \$1 million in annual savings, or about \$550 per pupil.

Table 2
Potential annual plant operations savings
Based on fiscal year 2017 data

| Recommendation | Total | Per pupil |
|---------------------------------------|--------------------|--------------|
| Reduce excess building space | \$ 612,572 | \$327 |
| Reduce custodial staffing | 218,042 | 116 |
| Reduce general supply spending | 201,647 | 108 |
| Total potential annual savings | \$1,032,261 | \$551 |

Source: Auditor General staff analysis of fiscal year 2017 Arizona Department of Education student membership data and District-reported accounting data.

Issue 1: District maintained excess building space

District operated half its schools well below designed capacities, resulting in higher plant spending

The District spent \$1,388 per pupil on its plant operations, which was 8 percent more than its peer districts’ \$1,289 spending average, in fiscal year 2017. The District spent more partly because it maintained excess building space by operating half of its schools far below their designed capacities. In fiscal year 2017, the District had a total capacity for 3,060 students at its schools but had a student population of only 1,935 students.⁵ As shown in Table 3 on page 4, the District operated its schools at just 63 percent of their total designed capacities. Specifically, at 3 of its schools, the District utilized less than 65 percent of the schools’ designed capacities, with 1 school operating at only 32 percent of its designed capacity. The excess space was apparent when we visited the schools and observed many classrooms that were empty or being used for purposes other than instruction, such as storage.

As shown in Figure 2 on page 4, the District has been maintaining excess building space for at least a decade, during which time its building capacity and number of students have remained relatively stable. Maintaining excess building space is costly to the District, which does not receive any additional funding to cover the costs of maintaining its excess space because districts are primarily funded on their number of students.

⁵ In Arizona, kindergarten students are counted as 0.5 students for State funding purposes. However, because Parker USD’s kindergarten program is a full-day program and these students occupy classroom space for an entire school day, we counted each kindergarten student as 1 student to calculate percentage of building capacity used at each school. This results in 60 more students being included in our analysis of building capacity used, compared to the 1,875 students mentioned in this report’s District overview on page 1.

Table 3**Percentage of capacity used, number of students, and remaining student capacity by school
Fiscal year 2017**

(Unaudited)

| School name | Percentage of capacity used | Number of students | Remaining student capacity |
|---|-----------------------------|--------------------------|----------------------------|
| Le Pera Elementary School | 32% | 243 | 528 |
| Blake Primary School | 64 | 369 | 208 |
| Parker High School | 58 | 501 | 361 |
| Wallace Elementary and Junior High Schools ¹ | 97 | 782 | 28 |
| Parker Alternative School | 100 | 40 | 0 |
| Totals | 63% | 1,935² | 1,125 |

¹ Wallace Elementary School's and Wallace Junior High School's students have been combined in this table for purposes of calculating a single capacity-utilization rate because the 2 schools share a campus.

² For the purpose of calculating percentage of capacity used, the number of students includes each kindergarten student as 1 student instead of a 0.5 student because the District's kindergarten program is full-day and these students occupy classroom space for an entire school day.

Source: Auditor General staff analysis of fiscal year 2017 Arizona Department of Education student membership data and fiscal year 2017 building-capacity information obtained from the Arizona School Facilities Board.

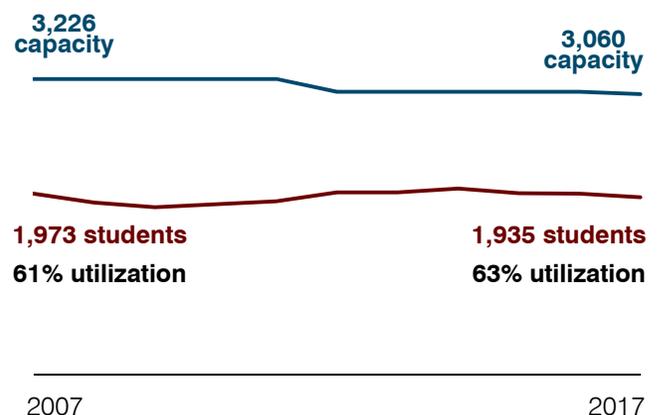
District can reduce excess building space and save over \$600,000 annually

The District has options to reduce its excess building space by operating 1 less elementary school and distributing its students to other schools in the District. For example, as shown in Table 3, in fiscal year 2017, Le Pera Elementary School had unused capacity for 528 students, and Blake Primary School had unused capacity for 208 students. The District could close either Le Pera Elementary School or Blake Primary School and still accommodate all the students from the closed school at the remaining schools.

Given the District's spending per square foot in fiscal year 2017 to operate its facilities, the District could have saved almost \$370,000 to over \$600,000 alone if it had closed 1 of the 2 elementary schools that used less than 65 percent of their designed capacities depending on which school was closed. In addition to plant operations savings, the District likely would have experienced substantial savings from not having school administration and not operating a food service program at the school. Although it can be difficult and painful for a district to consider closing a school, it is a critical consideration because, as stated earlier, the District's funding is based primarily on its number of students and not on its amount of square footage. Reducing excess building space would free up dollars

Figure 2 Comparison of District's designed capacity and number of students¹ Fiscal years 2007 through 2017

(Unaudited)



¹ Number of students includes each kindergarten student as 1 student. Although each kindergarten student is reported as a 0.5 student for State funding purposes, Parker USD's kindergarten program is a full-day program and these students occupy classroom space for an entire school day. For this reason, it was appropriate to include each kindergarten student as 1 student for capacity utilization purposes.

Source: Auditor General staff analysis of fiscal years 2007 through 2017 Arizona Department of Education student membership data and fiscal years 2007 through 2017 building capacity information obtained from the Arizona School Facilities Board.

that instead could be spent on instruction, such as for teacher salaries or instructional supplies, such as pencils, paper, and workbooks.

Recommendation

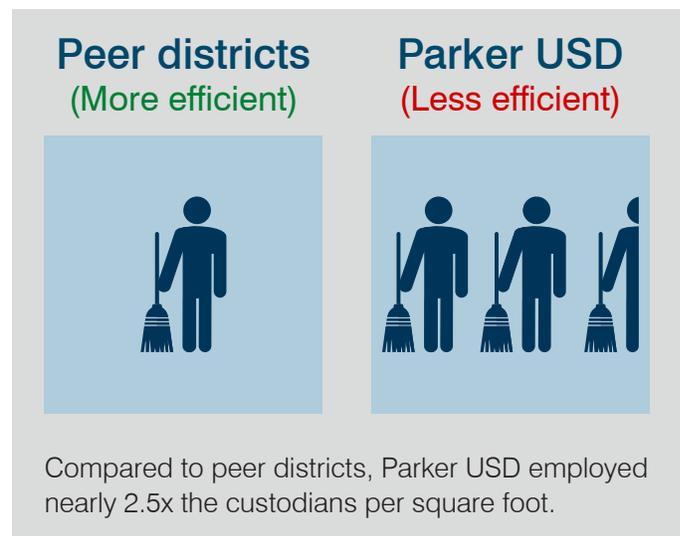
1. The District should evaluate excess building space at its schools and determine and implement ways to reduce it.

District response: As outlined in its [response](#), the District agrees with the finding and will implement a modification to the recommendation.

Issue 2: District employed more custodians than peer districts

District’s custodians maintained almost 25,500 fewer square feet than peer districts’ custodians, costing the District over \$200,000

The District spent more on plant operations partially because it employed 1 custodian full-time equivalent (FTE) for every 18,794 square feet of building space it maintained, while the 5 peer districts that maintained the most similar amounts of square footage employed 1 custodian FTE for every 44,263 square feet. In other words, Parker USD employed nearly 2.5 times the custodian FTEs per square foot compared to these 5 peer districts’ average. If the District had staffed its custodians at the same level as these 5 peer districts averaged, it could have employed 8 fewer custodian FTEs in fiscal year 2017 and saved about \$218,000 in plant operations salaries and benefits. Additionally, if the District reduced its excess building space as discussed earlier in this finding, it could further reduce its custodial staffing levels by about 2 custodian FTEs, saving another \$31,000 to \$51,000 depending on which school the District closed.



Recommendation

2. The District should review its custodial staffing levels and determine and implement ways to reduce plant operations costs.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendation.

Issue 3: District spent more than double peer districts' average on general plant supplies and lacked controls to safeguard supplies

District had very high general plant supplies spending but did not monitor or track spending or implement controls that may have saved it over \$200,000

In fiscal year 2017, the District spent more than double what its peer districts spent, on average, on both a per square foot and per pupil basis for general supplies related to its plant operations. General plant supplies include consumables such as toilet paper, paper towels, and cleaning supplies; parts and supplies used for building and equipment maintenance and repair; and parts used to repair and maintain the District's 27 white fleet vehicles, which are the District's nonstudent transportation vehicles. Specifically, the District spent \$0.98 per square foot and \$188 per pupil on general plant supplies, compared to the peer districts' averages of \$0.38 per square foot and \$88 per pupil.

We reviewed the District's purchasing practices and determined that it was following competitive-purchasing practices and was purchasing most general plant supplies through collective-purchasing consortiums intended to ensure cost savings through volume purchasing, which makes it unlikely that the District was paying substantially more than its peers for the same supplies. Additionally, we did not note any unique issues pertaining to building repair and maintenance that would explain the District's very high supply costs. However, we did identify some areas of concern pertaining to automotive parts that the District purchased for its white fleet vehicles, such as District work trucks and vehicles District employees used for travel. The District spent about \$55,000 on automotive parts for its white fleet in fiscal year 2017, but those vehicles drove only about 69,000 miles in total, which is equivalent to a \$0.79 parts cost per mile. In other words, the District spent \$79 on automotive parts for every 100 miles that it drove its white fleet. This amount does not appear reasonable based on our judgement. This level of spending may have occurred because the District did not monitor or track its general plant supplies spending to ensure that it had adequate controls over those supplies, including inventory controls, as discussed next in this finding. This issue raises additional concern because the District also spent a very high amount on automotive parts for its school buses (as discussed in Finding 2, see page 9).

If the District had spent at the peer districts' average for its general plant supplies, it could have saved about \$200,000 in plant operations costs in fiscal year 2017.

District did not separate responsibilities over supplies inventory among more than 1 employee

The District needs to improve controls over its general supplies inventories to ensure supplies are adequately safeguarded. General supplies are consumable goods and materials that include items such as classroom supplies, office supplies, custodial and cleaning supplies, and repair and maintenance supplies. Specifically, the District did not separate responsibilities over its general supplies inventories among more than 1 employee. Separating responsibilities, such as recordkeeping and custodial responsibilities, between more than 1 employee helps reduce the risk of theft or misuse of supplies because the actions of each employee is reviewed by another employee, thus reducing the likelihood of any 1 employee stealing or misusing supplies for fear of being discovered by another employee. Instead, the District assigned 1 employee oversight of all key inventory responsibilities, including receiving and disbursing supplies. Further, although this employee, along with another warehouse employee, conducted an annual physical inventory count, these counts were not compared to any inventory records showing the inventory that should be present at the time of the physical count. As a result, the physical inventory count provided no information on whether supply levels were appropriate. This issue raises significant concerns because the District spent a high amount on plant operations general supplies in fiscal year 2017 as discussed earlier in this finding. The District also spent a high amount on general supplies for its

transportation program in fiscal year 2017 (as discussed in Finding 2, see page 9). The District's high supplies spending could reflect its lack of control over general supplies inventories. The District should implement internal controls over its general supplies inventories by improving its annual physical inventory count so the District can compare actual inventory to expected inventory and by separating recordkeeping and custodial responsibilities over supplies inventories among at least 2 of its current employees to better safeguard supplies and potentially lower costs.

Recommendations

The District should:

3. Monitor and track its spending on general plant operations supplies to determine what causes its high spending and implement ways to reduce its spending.
4. Improve its process for conducting its annual physical inventory count by comparing actual inventory to expected inventory and separating recordkeeping and custodial responsibilities over supplies inventories among at least 2 of its current employees to better safeguard its supplies and potentially lower costs.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.



District should implement more efficient transportation program practices and controls to lower spending and should accurately report transportation information for State funding purposes

In fiscal year 2017, the District spent 25 percent more per mile and 6 percent more per rider on its transportation program than its peer districts, on average. We identified 3 issues that contributed to the District’s higher transportation program spending. Specifically, the District (1) spent more on general transportation supplies than peer districts averaged, (2) spent more on bus driver salaries and benefits than peer districts averaged, and (3) spent more on bus fuel than peer districts averaged. Table 4 summarizes our recommendations to address these issues, which if implemented could result in nearly \$100,000 annual savings, or about \$52 per pupil. Further, the District incorrectly reported student transportation information for State funding purposes resulting in about \$183,000 of underfunding, or about \$98 per pupil.

Table 4
Potential annual transportation savings
Based on fiscal year 2017 data

| Recommendation | Total | Per pupil |
|---------------------------------------|-----------------|-------------|
| Reduce general supply spending | \$51,359 | \$27 |
| Reduce bus driver overtime | 28,302 | 15 |
| Reduce fuel spending | 18,127 | 10 |
| Total potential annual savings | \$97,788 | \$52 |

Source: Auditor General staff analysis of fiscal year 2017 Arizona Department of Education student membership data and District-reported accounting data.

Issue 1: District spent more on general transportation supplies than peer districts

District had very high general transportation supplies spending but did not monitor or track spending or implement controls that may have saved it \$51,000

In fiscal year 2017, the District spent \$0.43 per mile on general supplies for its transportation program, which was nearly double its peer districts’ \$0.23 per mile average. General transportation supplies primarily include the costs for parts and motor oil used to repair and maintain buses. Because the District’s spending was nearly double its peer districts’ spending, we reviewed all fiscal year 2017 repair and maintenance work orders for a representative sample of 5 of the District’s 30 buses and found that, based on the work orders, the District’s spending on general transportation supplies was only \$0.20 per mile, on average, for these buses—an amount that was less than the \$0.23 per mile that its peer districts spent and less than half the \$0.43 per mile the District spent for all its general transportation supplies.

Further, we determined that even for the bus with the highest general supplies costs per mile in the sample, the District spent only \$0.34 per mile, which was still 21 percent less than the \$0.43 per mile the District spent for all its general transportation supplies. Although District officials agreed that the sample was a reasonable cross section of its buses, they were unable to provide a reason for why the general supplies costs for these buses was substantially less than the costs for its bus fleet, overall. This level of spending may have occurred because the District did not monitor or track its general transportation supplies spending to ensure that it had adequate controls over those supplies, including inventory controls (as discussed in Finding 1, see page 6). Additionally, this level of spending may have occurred because the District lacked documentation to demonstrate that it regularly maintained its school buses, as discussed next in this finding. Performing timely and systematic preventative maintenance may help the District reduce its general transportation supply spending because regular preventative maintenance helps to reduce the likelihood of expensive repairs. This issue raises additional concerns because the District also spent a very high amount on automotive parts for its white fleet vehicles (as discussed in Finding 1, see page 6).

If the District had spent at the peer districts' average for its general transportation supplies, it could have saved about \$51,000 in transportation costs in fiscal year 2017.

District lacked documentation to demonstrate it regularly maintained buses

The State's *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards) requires that school districts perform systematic preventative maintenance and inspections on school buses used to transport students. Preventative maintenance and inspections must include items such as oil changes, brake and tire inspections, and inspections of buses' safety signals and emergency exits. These Minimum Standards help school districts ensure the safety and welfare of school bus passengers, as well as extend the useful life of their school buses. We reviewed maintenance records for 10 of the District's 30 buses and found that the District could not demonstrate that its buses received systematic preventative maintenance because all 10 buses in the sample exceeded the District's 12,000-mile preventative maintenance policy. The buses exceeded the policy by an average of 3,622 miles, with miles ranging from 1,326 miles to 10,249 miles over the policy.

Recommendations

The District should:

5. Monitor and track its general transportation supplies spending and determine and implement ways to reduce it.
6. Ensure that school bus preventative maintenance is conducted in a systematic and timely manner in accordance with its policy and the State's Minimum Standards.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

Issue 2: District spent more on bus driver salaries and benefits than peer districts

District likely could have saved over \$28,000 in overtime wages by changing overtime practices

In fiscal year 2017, the District spent 7 percent more per mile on salaries and benefits than its peer districts, on average. The District spent more, in large part, because it paid 11 of its 24 bus drivers almost \$100,000 in overtime wages (salaries and benefits) in fiscal year 2017. These overtime wages were paid at a rate of time-and-a-half, which means that each overtime hour was 50 percent more expensive than an hour at the employees' regular hourly wages. Most of the overtime wages were paid to 4 employees, and as shown in Figure 3 on page 11, overtime

wages represented a significant increase to their base salaries and benefits (base compensation). Moreover, 1 employee (Employee B) was paid overtime wages in every pay period during the school year. As demonstrated by the amounts of overtime wages paid and the frequency of overtime payments observed in the District's accounting records, it appears that the District did not reserve overtime work for those occasional times required by circumstance, but rather assigned overtime work frequently, which is expensive.

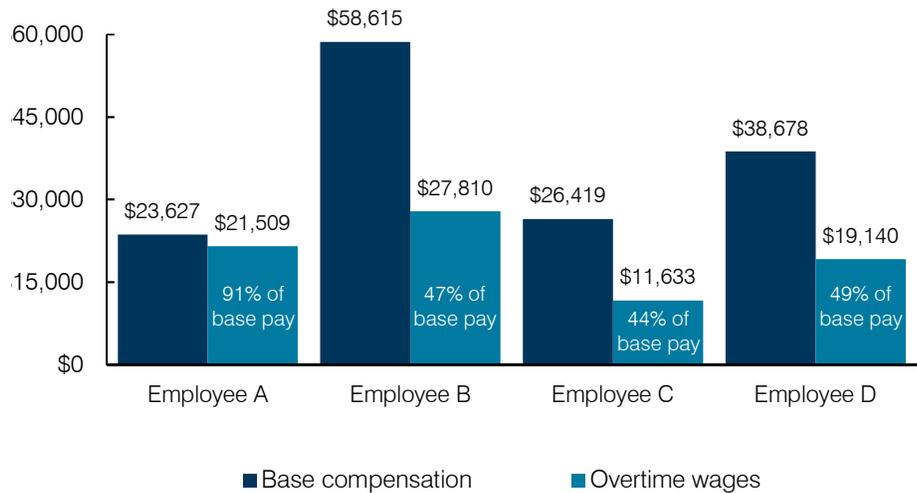
In fiscal year 2017, the District could have reduced its spending for overtime wages if it had better utilized its transportation employees. Specifically, had the District assigned overtime duties, which primarily involved driving buses, to the 9 other transportation employees who were not already scheduled to work 40 hours during a week, rather than to those employees who were already scheduled to work 40 hours during a week, then it often could have avoided paying the much higher overtime rate to employees. We reviewed overtime for all transportation employees in fiscal year 2017 and determined that the District likely could have saved over \$28,000 in overtime wages. District officials stated that they assigned overtime duties to these 4 employees primarily because they trusted them most to perform the overtime driving duties, which were mostly for out-of-town trips for athletics or activity trips. However, the District should analyze whether it would be more cost effective to hire additional transportation employees or reassign duties among current employees instead of continually paying the higher overtime wages.

Recommendation

- 7. The District should analyze whether it is more cost effective to hire additional transportation employees to perform driving duties or reassign duties among current part-time employees rather than assigning driving duties to a small group of full-time employees who are performing a large portion of their duties at the overtime pay rate of time-and-a-half, and take appropriate action, accordingly.

District response: As outlined in its [response](#), the District agrees with the finding and will implement a modification to the recommendation.

Figure 3
Overtime wages as a percentage of base compensation for the 4 employees paid the most overtime
Fiscal year 2017



Source: Auditor General staff analysis of fiscal year 2017 District-reported accounting data.

Issue 3: District spent more on bus fuel than peer districts

District may have been able to save approximately \$18,000 by taking advantage of fuel tax exemptions and implementing adequate fuel controls

In fiscal year 2017, the District spent \$0.35 per mile for bus fuel, which was 26 percent more than the peer districts spent, on average. The District's higher costs may be because it did not take advantage of all fuel tax exemptions available to school districts and potentially because it did not adequately control its fuel inventory. Specifically, diesel fuel used for school buses to transport students is exempt from federal fuel excise tax and subject only to the State's light-class tax.⁶ However, the District did not always take advantage of these exemptions because it did not complete required forms for its fuel vendor to establish its eligibility for the federal fuel tax exemption and the State's lower-rate light-class fuel tax. As a result, in fiscal year 2017, the District unnecessarily spent almost \$9,300 on these taxes, increasing its bus fuel costs by 11 percent. Additionally, as discussed next in this finding, we determined that the District did not implement adequate controls over its fuel inventory in fiscal year 2017. This lack of control over fuel inventory may have contributed to the District's higher fuel costs as a result of fuel theft, which is a possibility when fuel controls are inadequate. Overall, if the District had spent at the peer districts' average for fuel, it could have saved about \$18,000 in transportation costs in fiscal year 2017.

District did not establish adequate controls over fuel inventory

The District owns a 10,000-gallon diesel fuel tank and a 5,000-gallon unleaded gasoline tank. These tanks are used to fuel the District's buses and white fleet vehicles. Although the District secures the fuel pumps on the tanks with a digital key system, controls over the fuel pumps were inadequate for several reasons. Specifically:

- **District did not adequately document and monitor fuel pump keys**—The District did not maintain a complete and up-to-date log showing all digital keys that it distributed to employees. Because the District did not maintain control over documenting which employees had keys to its fuel pumps, as well as which keys they had, the District could not review fuel usage by individual employee for appropriateness and would find it difficult, if not impossible, to hold the appropriate person accountable if fuel was improperly used.
- **District allowed employees to use keys not assigned to them, which undermined accountability**—District officials sometimes allowed employees to use fuel pump keys that were not assigned to them. Specifically, District officials told us that a fuel pump key was hung in an unsecured area in the transportation office and could be used by any employee, possibly without supervisory knowledge. Additionally, we noted that in fiscal year 2018, some fuel pump keys had been used to pump fuel after the employees the keys were assigned to had terminated employment. District officials stated that they had allowed some employees to use fuel pump keys that had been previously assigned to terminated employees. However, we noted that these employees already had their own assigned keys. District officials were unsure why they had allowed some employees to have multiple fuel pump keys, including keys that were assigned to former employees.
- **Employees' fueling habits undermined accountability**—Employees often fueled multiple vehicles during a single pumping. The District's digital key system requires employees fueling buses and white fleet vehicles to enter odometer readings for the vehicles that they are fueling on a digital key pad located next to the pump. However, when we noted that for some fuelings the amount of fuel pumped was likely more than the tank capacity of the vehicle being fueled, District officials stated that it was likely because some employees fueled more than 1 vehicle without completing a fuel transaction for each vehicle. In other words, after each

⁶ Arizona Revised Statutes (A.R.S.) §28-5606 imposes a use fuel tax on diesel fuel at a rate of \$0.18 per gallon for light-class vehicles and \$0.26 per gallon for use-class vehicles. School buses are use-class vehicles but are exempt pursuant to A.R.S. §28-5432(C)(2) from the weight fee prescribed in A.R.S. §28-5433 and therefore only subject to the light-class tax rate.

vehicle was fueled, an employee did not end that transaction and then begin a new transaction by entering the odometer reading for the next vehicle the employee was fueling. This process makes it impossible for transportation supervisors to evaluate whether the gallons of fuel pumped appear reasonable based on miles driven since the last fueling and makes it impossible to know which vehicles were fueled. To reduce the risk that this type of issue will continue to occur and ensure employees know proper fueling procedures, the District should require all employees assigned fuel pump keys to sign a user agreement that directs them on appropriate fuel use and fueling procedures, as well as consequences for misusing their fuel keys.

- **Supervisors did not review fueling reports for appropriateness**—In addition to the lack of control over its fuel pumps, the District also did not sufficiently review fueling reports produced by its digital key system to ensure that all fuel usage was appropriate. We reviewed the District’s fueling reports for fiscal year 2017 and identified 3,194 gallons of diesel fuel and 1,117 gallons of unleaded gasoline pumped that did not have an employee name listed for the fueling transaction because, although the keys were activated, the District did not record to whom it assigned the keys. Of this fuel, 2,307 gallons of diesel and all 1,117 gallons of unleaded gasoline were pumped using the unsecured fuel pump key kept in the transportation office. We also identified 200 gallons of diesel fuel and 38 gallons of unleaded gasoline pumped using an employee’s fuel pump key after that employee no longer worked for the District, an issue noted in a previous bullet. Additionally, we identified many instances when incorrect odometer readings were recorded at the time of fuelings, such as odometer readings that were entered as having fewer miles than the odometer reading during previous fuelings or differed by thousands of miles between fuelings. However, no one in the transportation department or a supervisor was reviewing these fueling reports to identify irregularities and resolve them. Because these irregularities could signal possible fuel theft, the District should implement procedures to review and investigate such irregularities in a timely manner and take action, as appropriate.
- **Supervisors did not review fueling reports for reasonableness**—Further, the District did not analyze fuel usage for reasonableness, such as reviewing miles per gallon for each vehicle, to help determine if fuel usage was appropriate. We reviewed the District’s fueling reports for all 30 of its buses and all 27 of its white fleet vehicles for fiscal year 2017 and identified 10 white fleet vehicles that had significantly lower miles per gallon than the estimated miles per gallon for those vehicles based on Environmental Protection Agency (EPA) estimates of fuel economy for those vehicles. On average, these 10 vehicles’ miles per gallon were 41 percent less than their EPA fuel economy estimates, and 1 vehicle’s fuel economy fluctuated between 6.1 and 23.1 miles per gallon and another vehicle’s gas mileage fluctuated between 8.8 and 25.5 miles per gallon. These fluctuations in miles per gallon combined with fuel economy that was significantly less than EPA estimates raise concerns and may be due to poor recordkeeping or inappropriate fuel use.

The District should establish adequate controls over its fuel inventory by ensuring it has a complete log of all fuel pump keys and who they are assigned to; properly securing all unassigned fuel pump keys; ensuring that all employees know, acknowledge, and follow appropriate fueling procedures; and reviewing fueling reports for appropriateness and reasonableness, investigating any irregularities in a timely manner, and taking action, as appropriate. Further, many of the concerns pertaining to the District’s fuel usage could, in part, be addressed by a security measure that the District has implemented in other parts of its operations. Between fiscal years 2017 and 2018, the District installed security cameras throughout its facilities to monitor activity on its property, especially any incidents of vandalism, property damage, theft, or any other similarly negative incidents. However, the District did not install security cameras to monitor its fuel pumps. Adding security cameras to this area of its facilities would assist the District in the same way that cameras in other areas of the District’s facilities help it monitor activity and protect its assets.

Recommendations

The District should:

8. Review its transportation fuel spending and determine and implement ways to reduce it, including taking advantage of all fuel tax exemptions available to it.
9. Adequately document and monitor the assignment of all fuel pump keys.

10. No longer provide fuel keys to employees when the keys have not been specifically assigned to the employees, deactivate terminated employees' keys until they are reassigned, and ensure that all unassigned fuel pump keys are secured and accessible only to a supervisor.
11. Ensure that all employees who fuel District buses and vehicles know, acknowledge, and follow appropriate fueling procedures, including signing a user agreement that directs them on proper use, procedures, and consequences for misusing their fuel keys. For each vehicle being fueled, proper procedures include employees entering accurate odometer readings into the digital key system that regulates access to the fuel pumps.
12. Review fueling reports for appropriateness and reasonableness and investigate any irregularities identified to help ensure appropriate fuel use and take appropriate action, accordingly.
13. Determine whether it would be beneficial to install security cameras at its fuel pumps to help it monitor fueling activity and protect its assets.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.

Issue 4: District incorrectly reported transportation information for State funding purposes

District incorrectly reported miles and riders for State funding purposes, resulting in \$183,000 of underfunding

In fiscal year 2017, Parker USD incorrectly reported to the Arizona Department of Education (ADE) the number of route miles traveled and eligible students transported. Although the District kept track of the appropriate miles, it did not report all eligible miles to ADE, which resulted in an understatement of almost 23,000 miles, or 10 percent of its total miles. Additionally, although the District appropriately counted the number of eligible students transported, the District did not correctly average its AM and PM riders, which resulted in an overstatement of almost 600 riders.

Arizona school districts receive transportation funding from the State based on a formula that primarily uses the number of route miles traveled during the first 100 school days in the prior fiscal year and secondarily the number of eligible students transported during the same time period. Because transportation funding is based on miles and riders reported in the prior fiscal year, the District's reporting errors in fiscal year 2017 resulted in the District being underfunded by about \$183,000 in State monies in fiscal year 2018, or about \$98 per pupil. Although this additional funding would not lower the District's higher transportation program spending as discussed earlier in this finding, it does represent additional dollars that the District could have spent on instruction, such as for teacher salaries or instructional supplies, such as pencils, papers, and workbooks.⁷

The District should ensure it is meeting reporting requirements by accurately reporting route mileage and riders to ADE for State funding purposes and should work with ADE to correct its reported miles and riders for fiscal year 2017 and the resulting underfunding. Additionally, having accurate mileage and ridership information would allow the District to calculate and monitor performance measures, such as cost per mile and cost per rider, to assess its transportation program's efficiency.

Recommendations

The District should:

14. Accurately calculate and report to ADE for State funding purposes the number of route miles traveled and

⁷ Arizona school districts receive transportation funding as general maintenance and operation monies, which can be used for any district-allowable purpose.

actual number of eligible students transported.

15. Work with ADE regarding needed corrections to its transportation funding reports until all funding errors that the misreported mileage and riders caused are fully corrected.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.



District did not always have adequate accounting, computer, and building access controls

Although no improper transactions were detected in the items we reviewed, the District's control deficiencies in fiscal years 2017 and 2018 exposed the District to an increased risk of errors, fraud, theft, and unauthorized access to sensitive information.

District did not separate cash-handling responsibilities among more than 1 employee

The District needs to improve controls over cash it receives from extracurricular activities tax credit donations and from student club deposits by ensuring that 1 employee does not handle these cash sources without any review by a supervisor or another employee. Specifically, the District assigned 1 employee the responsibility of collecting, depositing, and reconciling cash collections to bank statements for some of these monies without an independent review. We reviewed a sample from October 2017 of 4 cash deposits—2 deposits for donations made to student clubs and 2 deposits for tax credit donations totaling \$3,960—and found that the same District employee collected, deposited, and reconciled 3 of these deposits totaling \$2,000. Because of the high risk associated with cash transactions, the District should establish and maintain effective internal controls to safeguard cash, including separating responsibilities for collecting cash, depositing it, and reconciling cash collections to deposits between at least 2 employees.

District staff responsible for reviewing credit card receipts did not review purchases for appropriateness

The District needs to improve controls over credit card purchases to help ensure that purchases are appropriate and have been received by the District. In fiscal years 2017 and 2018, the District did not have a process to ensure all purchases made with its 27 credit cards were appropriate. Although District staff reviewed receipts for credit card purchases to ensure that purchases did not exceed approved amounts, they did not review the specific items on receipts to ensure they were the items supervisors approved for purchase. We reviewed a sample of 18 credit card transactions from fiscal year 2018 totaling \$1,300 and noted that there was no evidence that a supervisor or another employee independently reviewed receipts from credit card purchases for appropriateness. Although we did not detect any improper purchases in the credit card transactions we reviewed, unauthorized purchases are a risk the District assumes when it does not have adequate processes in place to control its credit cards.

District assigned some employees too much access to its accounting system and did not have a process to ensure it removed terminated employees' network and accounting system access

Some accounting system users had too much access—We reviewed the District's December 2017 accounting system user access report for the District's 57 user accounts and identified 3 business office employees who had more access to the accounting system than they needed to perform their job duties. The 3 users had access within the accounting system to initiate and complete payroll and purchasing transactions without an

independent review and approval. Although we did not detect any improper transactions in the payroll and accounts payable transactions reviewed, granting users such broad access exposed the District to an increased risk of errors and fraud, such as processing false invoices, changing employee payrates, or adding and paying nonexistent vendors or employees.

Some accounting system users had administrator-level access but should not have had that access—The same 3 users who had more access within the accounting system than they needed to perform their job duties also had administrator-level access to the accounting system. Administrator-level access grants users full control over system settings, such as the ability to add new users and modify the level of access users have in the system, including granting themselves full access to edit all accounting data in the system. We determined that it was not appropriate for any of the 3 employees to have administrator-level access to the accounting system. That level of access should be granted to an employee who is responsible for administering the system but whose duties do not require the employee to process accounting transactions, such as processing payroll or accounts payable transactions. Inappropriately granting administrator-level access to users exposed the District to an increased risk of errors and fraud.

District lacked procedures for removing terminated employees' access to its network and accounting system—The District did not have a process in place to ensure that only current employees had access to its network and accounting system. We reviewed user access reports for the District's network and accounting system for March 2018 and December 2017, respectively, and found 3 network user accounts and 1 accounting system user account that were linked to employees who no longer worked for the District. To reduce the risk of unauthorized access to its systems, the District should develop and implement procedures to ensure the prompt removal of terminated employees' access to the District's network and accounting system.

Some employees failed to comply with the District's controls over its building keys, compromising the District's facilities

During our review, the District did not know all individuals who had keys to its gates or buildings. Specifically, the District did not always keep a record of the gate and building keys that it distributed to employees resulting in an incomplete log of who had keys to District gates and buildings. The District has a process for distributing and tracking keys, but according to District officials, some employees had not followed the process in previous years, with keys being distributed to employees without being recorded. Additionally, when employees terminated their employment, the District did not always record whether the keys were returned to the District. As a result, the District cannot know everyone who has keys to its buildings. In fact, District video cameras caught a person who was not a District employee entering a District school after hours using a District key. The person was not authorized to enter the school and stole a laptop computer and other small miscellaneous items, according to a police report. The District reported this incident to local law enforcement, and the person was arrested. This issue raises additional concerns because the District spent a high amount on general supplies for both its plant operations (as discussed in Finding 1, see page 6) and transportation program (as discussed in Finding 2, see page 9). Because of the impossibility of the District being able to determine who may have keys to its buildings, it should explore what options are available to rekey its doors and gates with keys that indicate that they are not to be duplicated and then ensure that its process for distributing and tracking keys is followed so that it maintains an up-to-date record, such as a log, of all employees who have keys, which keys they have, and the buildings and areas for which those keys provide access. Additionally, the District should have a process to ensure that its key log clearly identifies whether terminated employees have returned all keys assigned to them.

Recommendations

The District should:

16. Improve its procedures for handling cash collected from extracurricular activities tax credit donations and student club deposits, including separating responsibilities among current employees for collecting cash, depositing it, and reconciling cash collections to deposits.
17. Ensure that all credit card purchases and supporting receipts are reviewed and approved for appropriateness.

18. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employees' administrator-level access and transferring it to someone outside the business office.
19. Implement procedures to ensure that terminated employees have their computer network and accounting system access promptly removed.
20. Reestablish controls over access to its gates and buildings by exploring available options to rekey its doors and gates with keys that indicate that they are not to be duplicated and ensure that its process for distributing and tracking keys is followed so that it maintains an up-to-date record of all employees who have keys, which keys they have, and the buildings and areas for which those keys provide access. Additionally, the District should have a process to ensure that its records clearly identify whether terminated employees have returned all keys assigned to them.

District response: As outlined in its [response](#), the District agrees with the finding and will implement the recommendations.



SUMMARY OF RECOMMENDATIONS

Auditor General makes 20 recommendations to the District

The District should:

1. Evaluate excess building space at its schools and determine and implement ways to reduce it (see Finding 1, pages 3 through 5, for more information).
2. Review its custodial staffing levels and determine and implement ways to reduce plant operations costs (see Finding 1, page 5, for more information).
3. Monitor and track its spending on general plant operations supplies to determine what causes its high spending and implement ways to reduce its spending (see Finding 1, pages 6 through 7, for more information).
4. Improve its process for conducting its annual physical inventory count by comparing actual inventory to expected inventory and separating recordkeeping and custodial responsibilities over supplies inventories among at least 2 of its current employees to better safeguard its supplies and potentially lower costs (see Finding 1, pages 6 through 7, for more information).
5. Monitor and track its general transportation supplies spending and determine and implement ways to reduce it (see Finding 2, pages 9 through 10, for more information).
6. Ensure that school bus preventative maintenance is conducted in a systematic and timely manner in accordance with its policy and the State's Minimum Standards (see Finding 2, pages 9 through 10, for more information).
7. Analyze whether it is more cost effective to hire additional transportation employees to perform driving duties or reassign duties among current part-time employees rather than assigning driving duties to a small group of full-time employees who are performing a large portion of their duties at the overtime pay rate of time-and-a-half, and take appropriate action, accordingly (see Finding 2, pages 10 through 11, for more information).
8. Review its transportation fuel spending and determine and implement ways to reduce it, including taking advantage of all fuel tax exemptions available to it (see Finding 2, pages 12 through 13, for more information).
9. Adequately document and monitor the assignment of all fuel pump keys (see Finding 2, pages 12 through 13, for more information).
10. No longer provide fuel keys to employees when the keys have not been specifically assigned to the employees, deactivate terminated employees' keys until they are reassigned, and ensure that all unassigned fuel pump keys are secured and accessible only to a supervisor (see Finding 2, pages 12 through 14, for more information).
11. Ensure that all employees who fuel District buses and vehicles know, acknowledge, and follow appropriate fueling procedures, including signing a user agreement that directs them on proper use, procedures, and consequences for misusing their fuel keys. For each vehicle being fueled, proper procedures include employees entering accurate odometer readings into the digital key system that regulates access to the fuel pumps (see Finding 2, pages 12 through 14, for more information).
12. Review fueling reports for appropriateness and reasonableness and investigate any irregularities identified to

help ensure appropriate fuel use and take appropriate action, accordingly (see Finding 2, pages 12 through 14, for more information).

13. Determine whether it would be beneficial to install security cameras at its fuel pumps to help it monitor fueling activity and protect its assets (see Finding 2, pages 12 through 14, for more information).
14. Accurately calculate and report to ADE for State funding purposes the number of route miles traveled and actual number of students transported (see Finding 2, pages 14 through 15, for more information).
15. Work with ADE regarding needed corrections to its transportation funding reports until all funding errors that the misreported mileage and riders caused are fully corrected (see Finding 2, pages 14 through 15, for more information).
16. Improve its procedures for handling cash collected from extracurricular activities tax credit donations and student club deposits, including separating responsibilities among current employees for collecting cash, depositing it, and reconciling cash collections to deposits (see Finding 3, pages 17 through 18, for more information).
17. Ensure that all credit card purchases and supporting receipts are reviewed and approved for appropriateness (see Finding 3, pages 17 through 18, for more information).
18. Limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employees' administrator-level access and transferring it to someone outside the business office (see Finding 3, pages 17 through 19, for more information).
19. Implement procedures to ensure that terminated employees have their computer network and accounting system access promptly removed (see Finding 3, pages 17 through 19, for more information).
20. Reestablish controls over access to its gates and buildings by exploring available options to rekey its doors and gates with keys that indicate that they are not to be duplicated and ensure that its process for distributing and tracking keys is followed so that it maintains an up-to-date record of all employees who have keys, which keys they have, and the buildings and areas for which those keys provide access. Additionally, the District should have a process to ensure that its records clearly identify whether terminated employees have returned all keys assigned to them (see Finding 3, pages 17 through 19, for more information).



Objectives, scope, and methodology

We have conducted a performance audit of Parker Unified School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness in 4 operational areas: administration, plant operations and maintenance, food service, and student transportation because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2017, was considered.⁸ Further, because of the underlying law initiating these performance audits, we also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent on instruction.

In conducting this audit, we used a variety of methods, including examining various records, such as available fiscal year 2017 summary accounting data for all districts and Parker USD's fiscal year 2017 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.

To compare districts' academic indicators, we developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. We also used secondary factors such as district type and location to further refine these groups. Parker USD's student achievement peer group includes Parker USD and the 15 other unified school districts that also served student populations with poverty rates greater than 37 percent and were located in towns and rural areas. We compared the District's graduation rate and its percentage of students who passed State assessments to its peer group averages for these measures.⁹ Generally, we considered the District's percentages to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, we considered the differences in the percentage of students who passed State assessments between Parker USD and its peers, as well as differences between their graduation rates. We also reported the District's Arizona Department of Education (ADE)-assigned school letter grades.

To analyze the District's operational efficiency in administration, plant operations, and food service, we selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Parker USD and 21 other unified and union high school districts that also served between 600 and 1,999 students and were located in towns and rural areas. To analyze the District's operational efficiency in transportation, we selected a group of peer districts based on their similarities in miles per rider and location. This transportation peer group includes 16 other school districts that also traveled between 400 and 519 miles per rider using an average of historical miles per rider between fiscal years 2013 and 2017 and were located in towns and rural areas. We compared the District's costs to its peer group averages. Generally, we considered the District's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within

⁸ Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

⁹ The percentage of students who passed State assessments is based on the number of students who scored proficient or highly proficient on the Arizona's Measurement of Educational Readiness to Inform Teaching (AzMERIT) Math and English Language Arts tests and those who met or exceeded the State standards on the Arizona's Instrument to Measure Standards (AIMS) Science test. Test results were aggregated across grade levels and courses, as applicable.

6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of the District's noninstructional operational areas, we also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, and bus capacity utilization, as well as our observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's administration effectively and efficiently managed District operations, we evaluated administrative procedures and controls at the District and school level, including reviewing personnel files and other pertinent documents and interviewing District and school administrators about their duties. We also reviewed and evaluated fiscal year 2017 administration costs and compared them to peer districts'.
- To assess whether the District managed its plant operations and maintenance function appropriately and whether it functioned efficiently, we reviewed and evaluated fiscal year 2017 plant operations and maintenance costs and District building space and compared these costs and use of space to peer districts'. To further evaluate staffing levels and salaries and benefits, we reviewed staffing and salary information for 5 of the 21 peer districts that maintained the most similar amount of total square footage as Parker USD in fiscal year 2017 and, like Parker USD, did not outsource their custodial and maintenance operations to vendors. We compared these districts' staffing and salary and benefit levels to Parker USD's. We also reviewed the controls over District keys and building access.
- To assess whether the District managed its food service program appropriately and whether it functioned efficiently, we reviewed fiscal year 2017 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed ADE's food service-monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess whether the District managed its transportation program appropriately and whether it functioned efficiently, we reviewed and evaluated required transportation reports, driver files, staffing levels, bus maintenance and safety records for 10 of the District's 30 buses, bus routing, and bus capacity usage. We also reviewed fiscal year 2017 transportation costs and compared them to peer districts'. To analyze the District's fuel purchases and usage, we reviewed vendor fuel invoices and fuel reports from the District's fuel pumps system for fiscal years 2017 and 2018. To analyze the District's spending on general supplies to repair and maintain its buses, we reviewed all fiscal year 2017 repair and maintenance records for 5 of the District's 30 buses.
- To assess whether the District complied with Proposition 301's Classroom Site Fund requirements, we reviewed fiscal year 2017 expenditures to determine whether they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.
- To assess the District's financial accounting data, we evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2017 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 30 of the 361 individuals who received payments in fiscal year 2017 through the District's payroll system and reviewed supporting documentation for 30 of the 5,018 fiscal year 2017 accounts payable transactions. No improper transactions were identified. We also evaluated other internal controls that we considered significant to the audit objectives and reviewed fiscal year 2017 spending and prior years' spending trends across operational areas.
- To assess the District's computer information systems and network, we evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. We also evaluated certain District policies over the systems such as data sensitivity, backup, and recovery.

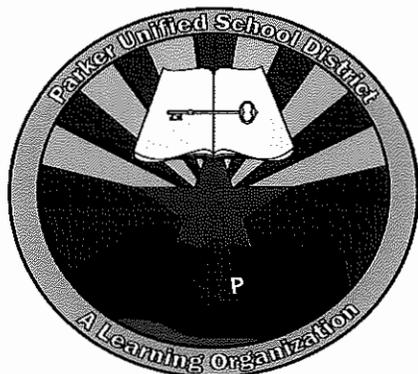
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide

a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

DISTRICT RESPONSE

Parker Unified School District No. 27



1608 Laguna Avenue
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June 19, 2019

Ms. Lindsey A. Perry
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Re: Parker Unified School District Performance Audit

Dear Ms. Perry:

The Parker Unified School District respectfully submits the following response to the letter dated May 17, 2019 regarding the performance audit report for the Parker Unified School District #27.

Our district will work to implement the recommendations as specified in the performance audit. These recommendations will assist our district to operate in the most efficient and effective manner possible. It is our goal to be in compliance with all legal requirements for school districts and to be good stewards of public monies. This performance audit will help us fulfill this goal.

The Parker Unified School District would like to extend our appreciation to Mr. John A. Ward, Manager of the Division of School Audits, and his team for their time and patience demonstrated throughout the auditing process.

Sincerely,

James B. Lotts
Superintendent
Parker Unified School District

| | | | | | |
|--------------------|----------------|--------------------|--------------------|--------------------|---------------------|
| Parker High School | Blake Primary | Le Pera Elementary | Parker Alternative | Wallace Elementary | Wallace Junior High |
| (928) 669-2202 | (928) 669-8203 | (928) 662-4306 | (928) 669-2197 | (928) 669-2141 | (928) 669-2141 |

Finding 1: District had high plant operations spending and may save \$1 million annually by implementing changes

District Response: The District agrees with the finding.

Parker Unified concurs with the finding and will take appropriate steps to appropriately address them.

Recommendation 1: The District should evaluate excess building space at its schools and determine and implement ways to reduce it.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Parker Unified has begun evaluating excess building space. We will begin investigating excess space at the Blake, Le Pera, and Parker High School campuses and will look at closing unused areas to avoid custodial services and unnecessary utilities. While there is credence from strictly a financial perspective, that the Le Pera campus be closed, current governmental/political factors would cause major issues within our community. It is our intent to keep Le Pera campus open until student enrollment drops below 200. In the interim, we will close space and eliminate staffing where it is possible and practical.

Recommendation 2: The District should review its custodial staffing levels and determine and implement ways to reduce plant operations costs.

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

Parker Unified has started making steps to reduce the number of custodial staff. In the future, it will be the assistant superintendent's responsibility to scrutinize and curtail the cost for parts supplies used to maintain buildings and for the general repair of said buildings. With the recent change in transportation supervisor, the District has charged the new supervisor with finding ways to reduce the overall costs of the white fleet repairs.

Recommendation 3: The District should monitor and track its spending on general plant operations supplies to determine what causes its high spending and implement ways to reduce its spending.

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

The District has put in place a perpetual inventory for general plant supplies that are stored at the warehouse. The assistant superintendent and transportation supervisor will track and monitor the spending and will determine if the spending is appropriate. Transportation supervisor will implement the new inventory system for the transportation department to curtail costs for the white fleet.

Recommendation 4: The District should improve its process for conducting its annual physical inventory count by comparing actual inventory to expected inventory and separating recordkeeping and custodial responsibilities over supplies inventories among at least 2 of its current employees to better safeguard its supplies and potentially lower costs.

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

The District has developed a perpetual inventory for the warehouse. The assistant superintendent will meet quarterly with the warehouse supervisor and transportation supervisor to analyze the inventory count to determine where cost cutting measures can be implemented as well as to determine if there are anomalies in the overall spending for the District.

Finding 2: District should implement more efficient transportation program practices and controls to lower spending and should accurately report transportation information for State funding purposes

District Response: The District agrees with the finding.

Parker Unified concurs with these findings and is currently working on updated transportation practices and controls.

Recommendation 5: The District should monitor and track its general transportation supplies spending and determine and implement ways to reduce it.

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

The District has purchased an inventory program to assist the District in tracking transportation supply purchases. In addition, this program will also allow the District to monitor bus routes to determine the most efficient routing schedule. It is the District's intention to purchase computer software that will monitor labor costs associated with repair and maintenance of vehicles.

Recommendation 6: The District should ensure that school bus preventative maintenance is conducted in a systematic and timely manner in accordance with its policy and the State's Minimum Standards.

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

The District has taken steps to assure preventative maintenance will be performed on all buses according to the State's minimum standards. In addition, the transportation supervisor will track and maintain the records necessary to be in compliance with the minimum state standards.

Recommendation 7: The District should analyze whether it is more cost effective to hire additional transportation employees to perform driving duties or reassign duties among current part-time employees rather than assigning driving duties to a small group of full-time employees who are performing a large portion of their duties at the overtime pay rate of time-and-a-half, and take appropriate action, accordingly.

District Response: The District agrees with the recommendation and will implement a modification to the recommendation.

Parker Unified will analyze its transportation department to determine if there is a more efficient way to meet the demands of the District's transportation responsibilities. In an effort to hire more bus drivers, the District will explore different avenues available for recruitment.

Recommendation 8: The District should review its transportation fuel spending and determine and implement ways to reduce it, including taking advantage of all fuel tax exemptions available to it.

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

Parker Unified has contacted its fuel vendor and has completed the necessary forms for the District to be exempt from Federal Fuel Excise Tax, and will continue looking into switching over to red dye diesel to take advantage of the state's light class fuel tax.

Recommendation 9: The District should adequately document and monitor the assignment of all fuel pump keys.

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

The transportation supervisor has been properly trained on the software used to assign/unassigned key fobs to District employees. Up to date logs are maintained documenting distribution of key fobs.

Recommendation 10: The District should no longer provide fuel keys to employees when the keys have not been specifically assigned to the employees, deactivate terminated employees' keys until they are reassigned, and ensure that all unassigned fuel pump keys are secured and accessible only to a supervisor.

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

The transportation supervisor has been properly trained on the software used to assign/unassigned key fobs to District employees. Up to date logs are maintained documenting distribution of key fobs. The transportation supervisor has secured all unassigned keys and those unassigned keys can only be accessed by him.

Recommendation 11: The District should ensure that all employees who fuel District buses and vehicles know, acknowledge, and follow appropriate fueling procedures, including signing a user agreement that directs them on proper use, procedures, and consequences for misusing their fuel keys. For each vehicle being fueled, proper procedures include employees entering accurate odometer readings into the digital key system that regulates access to the fuel pumps.

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

Parker Unified will develop a user agreement form that directs employees who use the key fob system on the proper fueling procedures as well as the consequences involved if they misuse their fuel key. Procedures have been implemented that ensure employees are entering accurate odometer readings into the key fob system.

Recommendation 12: The District should review fueling reports for appropriateness and reasonableness and investigate any irregularities identified to help ensure appropriate fuel use and take appropriate action, accordingly.

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

The transportation supervisor has implemented procedures that will allow him to review and investigate any irregularities in a timely manner and to take appropriate action when required.

Recommendation 13: The District should determine whether it would be beneficial to install security cameras at its fuel pumps to help it monitor fueling activity and protect its assets.

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

The District has recently installed security cameras at the transportation department. This includes cameras at the fuel pumps.

Recommendation 14: Accurately calculate and report to ADE for State funding purposes the number of route miles traveled and actual number of eligible students transported.

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

The District has already implemented this recommendation starting in February 2018.

Recommendation 15: The District should work with ADE regarding needed corrections to its transportation funding reports until all funding errors that the misreported mileage and riders caused are fully corrected.

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

The District has made the proper corrections to ensure that the state will pay proper transportation funding going forward.

Finding 3: District did not always have adequate accounting, computer, and building access controls

District Response: The District agrees with the finding.

The District concurs with the finding and has implemented procedures to ensure adequate accounting, computer, and building access.

Recommendation 16: The District should improve its procedures for handling cash collected from extracurricular activities tax credit donations and student club deposits, including separating responsibilities among current employees for collecting cash, depositing it, and reconciling cash collections to deposits.

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

The District has strengthened its internal control procedures to safeguard cash for extra-curricular activities tax credit and student club deposits including the separating responsibilities of collecting cash, depositing cash, and the reconciliation of the cash collections to deposits, between at least two employees.

Recommendation 17: The District should ensure that all credit card purchases and supporting receipts are reviewed and approved for appropriateness.

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

The District implemented this recommendation immediately. All receipts are being checked by the building administrator as well as the purchaser.

Recommendation 18: The District should limit users' access in the accounting system to only those accounting system functions needed to perform their job duties, including removing the business office employees' administrator-level access and transferring it to someone outside the business office.

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

The District will analyze current access to the accounting system and will make appropriate changes.

Recommendation 19: The District should implement procedures to ensure that terminated employees have their computer network and accounting system access promptly removed.

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

The District has assigned the IT Director and Business Office Manager to review school board minutes to see who has been terminated to deactivate access to the computer network and accounting system in a timely manner.

Recommendation 20: The District should reestablish controls over access to its gates and buildings by exploring available options to rekey its doors and gates with keys that indicate that they are not to be duplicated and ensure that its process for distributing and tracking keys is followed so that it maintains an up-to-date record of all employees who have keys, which keys they have, and the buildings and areas for which those keys provide access. Additionally, the District should have a process to ensure that its records clearly identify whether terminated employees have returned all keys assigned to them.

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

The District is in the process of re-keying the entire District. With this purchase a computer software program is included that will allow the District to maintain an accurate log of key distribution. In addition, each department, will be responsible for maintaining a key distribution log. The District is in the process of revising the key policy to standardize the procedure for handing out keys including a monetary consequence for losing a district key.

