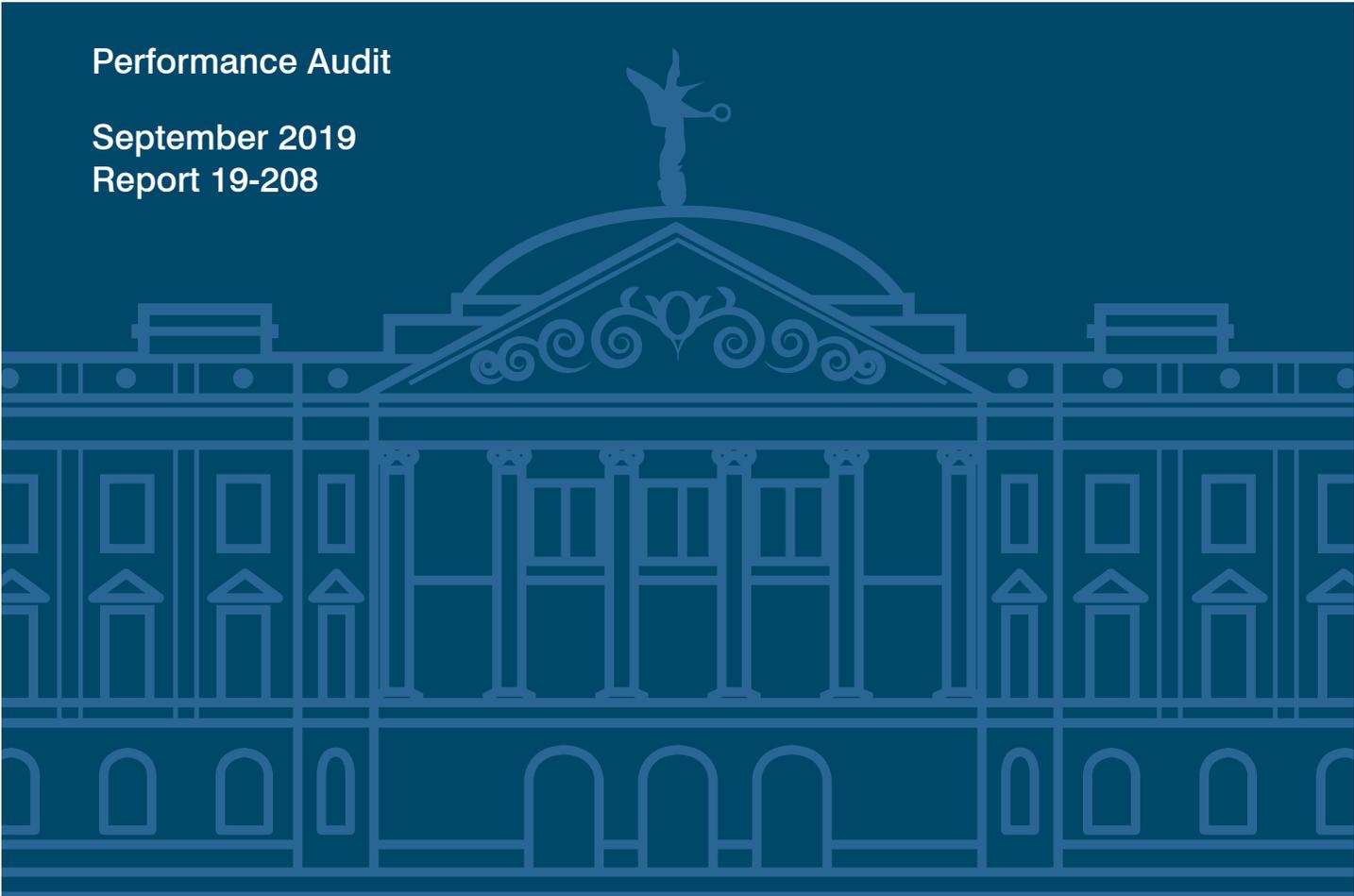


Wellton Elementary School District

Performance Audit

September 2019
Report 19-208



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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ARIZONA AUDITOR GENERAL
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DEPUTY AUDITOR GENERAL

September 17, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Governing Board
Wellton Elementary School District

Ms. Lisa Jameson, Superintendent
Wellton Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Wellton Elementary School District*, conducted pursuant to Arizona Revised Statutes §41-1279.03.

As outlined in its response, the District agrees with all of the findings and recommendations and plans to implement all of the recommendations.

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

Sincerely,

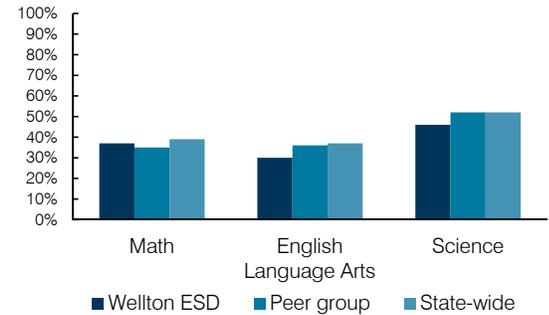
Lindsey Perry, CPA, CFE
Auditor General





Yuma County
Rural district
Kindergarten through 8th grade
Students attending: 205
Number of schools: 1
School letter grade: A

Students who passed State assessments



Total operational spending—\$2 million (\$9,752 per pupil)

Instructional—51.8% (\$5,054 per pupil)

Noninstructional—48.2% (\$4,698 per pupil)

Operational overview	Measure	Wellton ESD	Peer average
<p>Administration—very efficient</p> <p>The District spent less on administration primarily because it was efficiently staffed and spent less on salaries and benefits. The District also served 41 percent fewer students, so its administrative spending was spread across fewer students. Despite this, the District still spent less per student, further indicating an efficient administrative program (see page 2).</p>	Cost per pupil	\$1,099	\$1,231
<p>Plant operations—reasonably efficient</p> <p>The District spent less per square foot but more per pupil because it operated more square footage per student. The District has limited options to reduce its square footage because it operates only 1 school. Further, the District has experienced a 44 percent decline in enrollment since fiscal year 2009, and it has been proactive in closing space it no longer uses, including an entire wing of classrooms.</p>	Cost per square foot	\$5.86	\$6.81
	Cost per pupil	\$1,538	\$1,125
	Square feet per pupil	262	153
<p>Food service—very efficient</p> <p>The District spent less on food service because it employed efficient practices to keep its food spending low, resulting in a self-supporting program with revenues exceeding costs (see page 2).</p>	Cost per meal	\$2.85	\$3.41
<p>Transportation—improvements needed to ensure safety</p> <p>The District did not sufficiently ensure school bus passengers' safety and welfare because it could not demonstrate compliance with the State's <i>Minimum Standards for School Buses and School Bus Drivers</i> (Minimum Standards) (see page 2). The District's transportation program was smaller than peer districts', and we did not identify any opportunities for improved efficiencies despite higher spending.</p>	Cost per mile	\$2.92	\$2.60
	Cost per rider	\$1,698	\$1,363

Efficient practices led to lower administrative and food service spending

Efficient administrative staffing saved \$88,000—The District's superintendent and 2 school secretaries worked part-time in administration and spent the rest of their workdays serving in other nonadministrative positions, such as teaching or providing translation services for students in the classroom. Employing these administrative positions as part-time instead of full-time resulted in cost savings of over \$88,000, monies that were instead spent on instruction and student support.

Efficient food service practices resulted in program revenues exceeding costs by over \$13,000—The District kept its food spending low by getting lunch participation counts from teachers early in the day to determine food production and limit waste. It also maximized free foods available through the United States Department of Agriculture's Foods in Schools program and actively planned its menus around the availability of these free foods. This resulted in food service program revenues exceeding costs by over \$13,000, allowing the District to cover other food service program costs, such as purchasing new equipment, without using monies that could otherwise be spent on instruction.

Lack of District oversight led to increased student safety risk and insufficient recordkeeping

District did not conduct random drug and alcohol tests of bus drivers—The State's Minimum Standards requires school districts to annually conduct random drug and alcohol tests of bus drivers to help ensure school bus passengers' safety and welfare. The District did not randomly test any of its 4 bus drivers since 2012 despite its policy to annually test at least half of its bus drivers.

District did not perform school bus preventative maintenance—The State's Minimum Standards requires school districts to regularly perform school bus preventative maintenance to help ensure school bus passengers' safety and welfare, as well as extend the useful life of their buses. One of the District's school buses exceeded the District's 7,000-mile preventative maintenance policy by nearly 6,000 miles, and 3 school buses did not have sufficient records to demonstrate they had received preventative maintenance in accordance with the District's policy.

Insufficient bus preventative maintenance



Wellton ESD could not demonstrate its 4 buses received required preventative maintenance, such as brake and tire inspections, safety feature inspections, and oil changes.

District did not classify all its expenditures in the correct operational categories causing it to inaccurately report its spending—The District did not classify about \$158,000 of \$2 million in operational spending in accordance with the Uniform Chart of Accounts for school districts. When corrected, the District's instructional spending percentage increased by 0.7 percentage points.

Recommendations

The District should:

1. Conduct and document random drug and alcohol testing of bus drivers in accordance with its policy and the State's Minimum Standards to help ensure school bus passengers' safety and welfare.
2. Conduct and document school bus preventative maintenance in a systematic and timely manner and in accordance with its policy and the State's Minimum Standards to help ensure school bus passengers' safety and welfare, as well as extend the useful life of its buses.
3. Classify all transactions in accordance with the Uniform Chart of Accounts for school districts to ensure it accurately reports its spending.



Objectives, scope, and methodology

We have conducted a performance audit of Wellton Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). This audit focused on the District's efficiency and effectiveness primarily in fiscal year 2017 in the 4 operational areas bulleted below because of their effect on instructional spending, as previously reported in our annual report, *Arizona School District Spending*. This audit was limited to reviewing instructional and noninstructional operational spending (see textbox). Instructional spending includes salaries and benefits for teachers, teachers' aides, and substitute teachers; instructional supplies and aids such as paper, pencils, textbooks, workbooks, and instructional software; instructional activities such as field trips, athletics, and co-curricular activities, such as choir or band; and tuition paid to out-of-State and private institutions. Noninstructional spending reviewed for this audit includes the following:

Operational spending

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.

- **Administration**—Salaries and benefits for superintendents, principals, business managers, and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other spending related to these services and the governing board.
- **Plant operations and maintenance**—Salaries, benefits, and other spending related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and spending for heating, cooling, lighting, and property insurance.
- **Food service**—Salaries, benefits, food supplies, and other spending related to preparing, transporting, and serving meals and snacks.
- **Transportation**—Salaries, benefits, and other spending related to maintaining buses and transporting students to and from school and school activities.

Financial accounting data and internal controls—We evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2017 payroll and accounts payable transactions in the District's detailed accounting data for proper account classification and reasonableness. Additionally, we reviewed detailed payroll and personnel records for 30 of the 49 individuals who received payments in fiscal year 2017 through the District's payroll system and reviewed supporting documentation for 30 of the 1,445 fiscal year 2017 accounts payable transactions. We did not identify any improper transactions. After adjusting transactions for proper account classification, we reviewed fiscal year 2017 spending and prior years' spending trends across operational categories to assess data validity and identify substantial changes in spending patterns. We also evaluated other internal controls that we considered significant to the audit objectives. This work included reviewing the District's policies and procedures and, where applicable, testing compliance with these policies and procedures; reviewing controls over the District's relevant computer systems; and reviewing controls over reporting various information used for this audit. We reported our conclusions on any significant deficiencies in applicable internal controls and the District's needed efforts to improve them in our finding on page 2.

Peer groups—We developed 3 peer groups for comparative purposes. To compare the District's student achievement, we developed a peer group using district poverty rates as the primary factor because poverty rate has been shown to be associated with student achievement. District type and location were secondary factors used to refine these groups. We

used this peer group to compare the District’s fiscal year 2017 student passage rates on State assessments as reported by the Arizona Department of Education (ADE). We also reported the District’s ADE-assigned school letter grade. To compare the District’s operational efficiency in administration, plant operations and maintenance, and food service, we developed a peer group using district size, type, and location. To compare the District’s transportation efficiency, we developed a peer group using a 5-year historical average of miles per rider and location. We used these factors because they are associated with districts’ cost measures in these areas.

Comparison areas	Factors	Group characteristics	Number of districts in peer group
Student achievement	Poverty rate District type Location	Between 30 and 39% Elementary school districts Towns and rural areas	15
Administration, plant operations and maintenance, and food service	District size District type Location	Between 200 and 599 students Elementary school districts Towns and rural areas	11
Transportation	Miles per rider Location	Between 400 and 519 miles per rider Towns and rural areas	16

Source: Auditor General staff analysis of district poverty rates from the U.S. Census Bureau; location data from the National Center for Education Statistics; and district type, number of students, miles, and riders from the Arizona Department of Education.

Efficiency and effectiveness—In addition to the considerations previously discussed, we also considered other information that impacts spending and operational efficiency and effectiveness as described below:

- **Interviews**—We interviewed various District employees in the scoped operational areas about their duties. This included District and school administrators, department supervisors, and other support staff who were involved in activities we considered significant to the audit objectives.
- **Observations**—To further evaluate District operations, we observed various day-to-day activities in the scoped areas. This included administrative operations, facility tours, food service operations, and transportation services.
- **Report reviews**—We reviewed various summary reports of District-reported data including its *Annual Financial Report*, District-wide building reports provided by the School Facilities Board, transportation route reports provided by ADE, transportation safety reports provided by the Department of Public Safety, and reports required for the federal school lunch program. Additionally, we reviewed food service-monitoring reports from ADE and District-submitted compliance questionnaire results that its contracted external audit firm completed.
- **Analysis**—We reviewed and evaluated fiscal year 2017 spending on administration, plant operations and maintenance, food service, and transportation and compared it to peer districts’. We also compared the District’s number of students and square footage per student to peer districts’. Additionally, we reviewed the District’s revenues and expenditures associated with its food service program to determine whether the District was covering all its costs.

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

**Wellton Elementary School
29126 San Jose Avenue
Wellton, AZ 85356
928-785-3311**



September 5, 2019

Ms. Lindsey Perry, Manager
Office of the Auditor General
2910 N. 44th St., Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

Wellton Elementary School District respectfully submits a response to the Performance Audit for fiscal year 2017 conducted by the Office of the Auditor General. The staff members from the Auditor General Office were kind, considerate, and extremely professional during the audit process.

The District agrees with the findings of the audit and will implement the recommendations. Wellton Elementary School District will continue to strive to provide exceptional instruction and to efficiently utilize all funds for the benefit of our students.

The Wellton Elementary School District would like to offer our appreciation to Mr. Gerrad Cawley, Manager, Division of School Audits for his time, patience, and willingness to give guidance during the audit process.

Sincerely,

Lisa Jameson
Superintendent
Wellton Elementary School District

Finding 1: Efficient practices led to lower administrative and food service spending

District response: Wellton Elementary School District accepts and agrees with Finding 1 of the Auditor General's Performance Audit for fiscal year 2017. WES is especially proud of the finding of efficient practices that led to lower administrative and food service spending. The district continually strives to operate as efficiently as possible in order to ensure more funds are used in the areas of student instruction and student support.

Finding 2: Lack of District oversight led to increased student safety risk and insufficient recordkeeping.

District response: Wellton Elementary School District accepts and agrees with Finding 2 of the Auditor General's Performance Audit for fiscal year 2017 and will implement the recommendations.

Recommendation 1: The District should conduct and document random drug and alcohol testing of bus drivers in accordance with its policy and the State's Minimum Standards to help ensure school bus passengers' safety and welfare.

District response: Wellton Elementary School accepts and agrees with Recommendation 1 of the Auditor General findings and will implement the recommendation. It is important to note that bus drivers were drug tested but no documentation was provided to the auditors. In addition, the drug testing was not **randomly** conducted. This will be corrected and WES will meet the State's Standards to continue to ensure the safety and welfare of all school bus passengers. There were no incidents that resulted in student harm during fiscal year 2017.

Recommendation 2: The District should conduct and document school bus preventative maintenance in a systematic and timely manner and in accordance with its policy and the State's Minimum Standards to help ensure school bus passengers' safety and welfare, as well as extend the useful life of its buses.

District response: Wellton Elementary School accepts and agrees with Recommendation 2 of the Auditor General findings and will implement the recommendation. Preventative maintenance for all busses is a priority at Wellton Elementary School District in order to ensure the safety and welfare of all school bus passengers and to comply with the State's Standards. Preventative maintenance was conducted but District Personnel could not provide documentation to the auditors. New personnel and new systems will ensure proper maintenance and documentation. During fiscal year 2017 there were no bus breakdowns or incidents that resulted in student harm.

Recommendation 3: The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts to ensure it accurately reports its spending.

District response: Wellton Elementary School accepts and agrees with Recommendation 3 of the Auditor General findings and will implement the recommendation. The District has hired a new Business Manager and will classify all transactions in accordance with the Uniform Chart of Accounts for school districts to ensure accurate reporting of spending.

