

**REPORT HIGHLIGHTS**  
PERFORMANCE AUDIT

**Our Conclusion**

In fiscal year 2009, Morenci Unified School District compared favorably with peer districts in both student achievement and operational costs. The District's student achievement was higher than both the peer districts' and state averages, and it spent significantly less per student than peer districts in all operational areas. Further, the District's per-pupil spending was the second lowest of all districts in the State. This low spending mainly reflects the District's uncommon relationship with a large mining company that owns the town in which the District's schools are located. The District also drew many students from outside its boundaries likely because of its higher student achievement. However, the District's inadequate accounting and IT controls put it at increased risk for errors and fraud. Further, the District needs to improve its transportation program reporting, record keeping, and preventative maintenance.

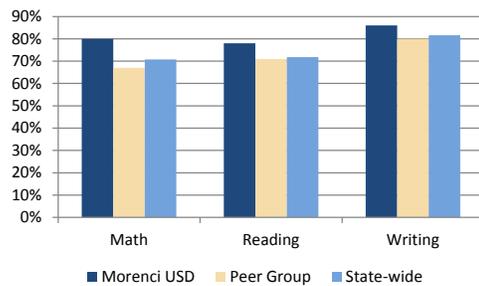


2011

**Higher student achievement and low operational costs**

**Student achievement higher than peer and state averages**—In fiscal year 2009, Morenci USD's student AIMS scores were higher than both the peer districts' and state averages. Further, the District's two schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, and the District's 97-percent high school graduation rate was much higher than the peer districts' 84-percent and the State's 76-percent rates.

**Percentage of Students Who Met or Exceeded State Standards (AIMS) Fiscal Year 2009**



**District operated with lower costs**—Morenci USD operated with significantly lower per-pupil costs in administration, plant operations, food service, and transportation than its peer districts'.

Although the District spent a higher portion of its monies in the classroom, it still spent \$1,317 less per pupil in the classroom and \$2,816 less per pupil overall than peer districts because it received significantly less funding. The District's per-pupil spending was the second lowest of all districts in the State. This low spending mainly reflects the District's uncommon relationship with a large mining company that owns the town in which the District's schools are located.

**Expenditures by Function Fiscal Year 2009**

Per Pupil	Morenci USD	Peer Group Average
Administration	\$865	\$1,086
Plant operations	959	1,287
Food service	337	430
Transportation	229	486
Classroom dollars	3,477	4,794

**Uncommon circumstances led to exceptionally low spending**

Two uncommon circumstances contributed to Morenci USD's exceptionally low spending. First, the District is located in a town that is essentially owned by a large mining company that helps lower costs for the District. Second, because the town is populated only by families of mine or school district employees, the District's population has a very low poverty rate and consequently receives less state and federal funding.

**Inexpensive company housing helps lower transportation costs**—The

company that owns the local mine owns the housing in the town and provides this housing at a low monthly rate. As a result, most students live in town and walk to school, and the District does not need to provide them transportation to and from school. Because of the reduced number of route miles, the District received \$403 less per pupil in transportation funding than peer districts.

**Inexpensive electricity and water from mine-operated utility**—Morenci USD's plant costs were 21 percent lower per square foot and 26 percent lower per

student than peer districts' primarily because of lower energy and water costs. The District obtains its electricity and water from the local mine-operated utility at very low rates. Based on comparison with some of the peer districts, Morenci paid 18 to 26 percent less per kilowatt hour of electricity and about 75 percent less per gallon of water.

#### **Local mine helps District meet certain operating and capital needs**

—At the request of the local mining company, Morenci USD's playgrounds, fields, ballparks, and gymnasium are open to community use after hours. Because of the arrangement, the mining company provides water and electricity for the fields at no cost to the District. The mining company also provided funding for an additional classroom building in 2008 and provided funding for new buses as they were needed.

**Low poverty rate reduces funding**—Morenci USD's 5-percent poverty rate is one of the lowest in the State and significantly lower than the 19-percent state average. Therefore, since many federal and state program monies are allocated to school districts based on poverty, Morenci USD received less of these monies. As a result, in fiscal year 2009, Morenci USD spent only \$200 per pupil from various federal and state programs while peer districts spent an average of \$1,035 per pupil.

**Other student demographics also reduce funding**—Morenci USD also received less Maintenance and Operation Fund monies because of differences in student demographics. For example, districts receive additional funding for special needs students and English Language Learners, and Morenci USD had a much smaller proportion of students with these needs than peer districts.

### **District drew many students from outside its boundaries**

Morenci USD's students performed better than state and peer district averages on state testing standards. This higher student achievement has likely helped the District attract a large portion of its students from outside its district boundaries. In fiscal year 2011, nearly half of the District's students

attended through open enrollment from nearby districts. Further, review of AIMS test scores of surrounding districts showed Morenci USD had a higher proportion of students who met or exceeded state standards.

### **Inadequate accounting and IT controls increased risk of errors and fraud**

Morenci USD lacked adequate controls over its purchasing process and computer network and applications. The District's purchases and other transactions were not adequately reviewed and approved, and its password requirements were weak. Although no improper transactions were detected in the samples we reviewed, these poor controls exposed the District to increased risk of

errors and fraud.

**Recommendations**—The District should:

- Ensure that an employee cannot initiate and complete a transaction without independent review and approval.
- Implement and enforce password requirements.

### **Improvements needed in transportation reporting, record keeping, and preventative maintenance**

Morenci USD misreported student transportation information for state funding purposes, did not maintain documentation of bus safety inspections, and may not have performed some preventative maintenance on buses.

**Recommendations**—The District should:

- Accurately calculate and report mileage and riders for funding purposes.
- Contact the Department of Education regarding corrections to transportation funding.
- Ensure that preventative maintenance is performed and documented.