

The February 2018 Roosevelt Elementary School District performance audit found that the District operated with higher costs in all noninstructional areas, needs to strengthen its accounting and computer controls, had poor controls over its catering program, needs to improve recordkeeping for its transportation program and desegregation activities, and spent Classroom Site Fund monies inappropriately. The District's status in implementing the recommendations is as follows:

## Status of 24 recommendations

Implemented:	7
In process of being implemented:	7
<b>Not implemented:</b>	<b>10</b>

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the District's efforts to implement the recommendations from the February 2018 report.

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## Finding 1: District had much higher administrative costs and needs to strengthen accounting and computer controls

1. The District should review and determine how to modify its administrative staffing to produce cost savings and make changes accordingly.

**Not implemented**—Between fiscal years 2016 (the audit year) and 2019 (the most recent year for complete cost data available for this followup), the District's total administrative costs remained similar while its number of students decreased. As a result, the District's administrative cost per pupil remained very high when compared to its peer group average. Further, as discussed in Finding 2, Recommendation 3, the District has not yet addressed its excess space issue and continues to operate more school space than it needs, which continues to impact its school-level administrative costs. As the District determines whether and how to physically reopen schools for the 2020-2021 school year given the Arizona Department of Education's (ADE) June 2020 recommendations for student spacing amid the COVID-19 pandemic, the District should still review the use of its space and identify ways to reduce identified excess space.<sup>1</sup> Further, the District should review and modify its administrative staffing to produce cost savings, especially given its declining enrollment. Reducing administrative spending is important because it would allow the District to free up dollars that it could use on instruction, such as increasing teacher salaries or purchasing instructional materials, or other District priorities.

2. The District should continue using time sheets and a delayed payroll system as required by the *Uniform System of Financial Records for Arizona School Districts* to ensure it pays employees correctly.

**Implemented at 6 months**

3. The District should continue to monitor its spending to ensure it does not exceed its legal budget limits.

**Implemented at 30 months**—As discussed in our audit report, the District overspent its legal budget limits in fiscal years 2014 and 2015 but reduced its spending in fiscal years 2016 and 2017 to cover the prior overspending, in essence repaying nearly all the overspent monies by the end of fiscal year 2017. The District improved processes to monitor its spending and did not exceed its legal budget limits in fiscal years 2016, 2017, 2018, or 2019. District

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<sup>1</sup> Arizona Department of Education, "Roadmap for Reopening Schools, June 2020".

officials reported that they anticipate a carry forward for fiscal year 2020 and that they have been reviewing the District's budget and year-to-date costs monthly to ensure they do not go over budget. Final fiscal year 2020 budget to actual expenditures reports are typically available from ADE in November each year, so the District's final fiscal year 2020 budget to actual expenditures report should be available in November 2020.

4. If the District considers any large projects in the future, such as the child nutrition and conference center, it should ensure it performs an evaluation of the project's costs and benefits.

**Not implemented**—The District is in the process of having an energy management system installed, with an estimated cost of \$34 million. Before the District purchased the system, the vendor provided District officials with a presentation on the system's benefits. However, the District did not perform its own evaluation on the costs and benefits of the system before making the purchase. District officials stated that they will assess the costs and benefits for future large projects, but the District has not had any other projects large enough to perform this assessment. The District worked with an architectural firm to perform a District-wide Facility Conditions Assessment in which projects were identified, prioritized, and planned for based on need and available funding. As the District considers which projects to move forward on, it should consider each project's costs and benefits and how the District will pay for the project so that it does not repeat the situation with the child nutrition and conference center where the District took on debt to finance the center's construction costs without having a dedicated funding source to pay off the debt.

5. The District should implement and enforce stronger password requirements for its computer network and accounting and student information systems.

**Implemented at 30 months**

6. The District should limit users' access to the accounting system to only those accounting system functions needed to perform their job responsibilities, including removing the business office employee's administrator-level access.

**Not implemented**—The District has not limited users' access in the accounting system to only those accounting system functions needed to perform their work. Specifically, we reviewed the access level of 16 user accounts that were similar to those we reviewed during the performance audit and found that 13 of the accounts still have too much access in the accounting system. It is important that the District review and reduce user access in the accounting system because allowing such broad access exposes the District to an increased risk of errors and fraud.

7. The District should improve procedures to ensure that terminated employees have their computer network and systems access promptly removed.

**Not implemented**—District officials reported that they developed improved procedures to remove terminated employees' computer network and systems access. However, we reviewed a judgmentally selected sample of 20 employees who terminated District employment during fiscal years 2019 and 2020 and found that 16 employees still had access to the District's network. The District should continue to improve procedures to ensure that terminated employees have their computer network and systems access promptly removed to reduce the risk of unauthorized access.

8. The District should ensure that its network-connected servers have currently supported operating systems installed or reduce the risk of computer-related attack by limiting their use and/or remove the network access to these servers.

**Implemented at 6 months**

9. The District should review its information technology (IT) contingency plan to ensure it is complete and test it periodically to identify and remedy any deficiencies.

**Not implemented**—The District's IT contingency plan is still missing key components, such as identifying the order in which to restore systems, developing a system to review the contingency plan on a regular basis, and developing detailed procedures to facilitate restoring critical assets. According to District officials, over the last year, the District experienced a power surge, which damaged some District hardware, and cyber-attacks, which have highlighted the need for the District to revise and finalize its contingency plan.

## Finding 2: District should lower plant costs, increase capacity utilization, and strengthen oversight of facility rentals

1. The District should review and determine how to modify its plant operations staffing to produce cost savings and make changes accordingly.

**Implementation in process**—Between fiscal years 2016 (the audit year) and 2019 (the most recent year for complete cost data available for this followup), the District's plant operations salary and benefit costs decreased by about \$858,000, or 15 percent. However, the District's costs remained higher than its peer districts' average primarily because the District continued to operate more square footage per pupil than its peer districts averaged. This is important to note because most of the District's funding is based on its number of students, not the amount of square footage it maintains. If the District decides to physically reopen schools for the 2020-2021 school year, it will likely need to implement enhanced cleaning and other safety measures to reduce the risk of COVID-19 exposure to students and staff, which could impact its plant operations staffing. However, the District should continue to review its plant operations staffing to ensure staffing levels meet the District's needs while also controlling its costs so that it can maximize resources available for instruction, such as increasing teacher salaries or purchasing instructional materials, or other District priorities.

2. The District should review its plant operations repair and maintenance costs to determine how they can be reduced to produce cost savings and make changes accordingly.

**Implementation in process**—Between fiscal years 2016 (the audit year) and 2019 (the most recent year for complete cost data available for this followup), the District's plant operations repair and maintenance costs decreased by about \$200,000, or 18 percent. However, the District's costs remained higher than its peer districts' average primarily because the District continued to operate more square footage per pupil than its peer districts averaged. As the District determines whether and how to physically reopen schools for the 2020-2021 school year, it should continue to review its plant operations repair and maintenance costs to ensure that it is performing needed repairs and maintenance to its buildings while also controlling costs so that it can maximize resources available for instruction, such as increasing teacher salaries or purchasing instructional materials, or other District priorities.

3. The District should evaluate the use of space at each of its schools and determine and implement ways to reduce identified excess space.

**Not implemented**—The District's student enrollment decreased by about 220 students between fiscal years 2016 (the audit year) and 2017, by about 300 students between fiscal years 2017 and 2018, by about 360 students between fiscal years 2018 and 2019, and by about 360 students between fiscal years 2019 and 2020. This decrease of about 1,240 students equates to almost a 14 percent drop in student enrollment since the audit year. District officials reported that they have conducted a demographic study to help project student population and enrollment trends, and they are evaluating strategies to increase student enrollment by strengthening programs and increasing marketing. However, the District has not decreased the space it maintains, and given the District's student enrollment trend over the last 5 years, its schools are operating even further below their designed capacities than they were during the audit. Although it costs more, to reduce the risk of COVID-19 exposure to students and staff, the District plans to use its excess space to enforce better social distancing procedures if or when it opens schools for the 2020-2021 school year. For example, the District plans to use some classrooms for student meal service, allowing the District to serve meals to students in smaller groups and decreasing students' contact with other classes. Because of the District's significant amount of excess space, it should still evaluate the use of space at each school and determine and implement ways to reduce excess space while still ensuring social distancing of students and staff. This is important because most of the District's funding is based on its number of students, not the amount of square footage it maintains, and reducing unnecessary square footage would free up money that could be used for instruction, such as increasing teacher salaries or purchasing instructional materials, or other District priorities.

4. The District should ensure facility-rental contracts accurately reflect the agreement between the District and the renting entities.

**Implementation in process**—The District developed new rental contracts for fiscal year 2021; however, 12 of the 17 renting entities did not sign the new contracts, and the District has continued to allow the entities to rent District

facilities without a contract in place reflecting the agreement between the District and the renting entities. It is important that the District has a current agreed-upon contract with each of the entities renting its facilities to ensure that both parties understand and fulfill their responsibilities and so the District can ensure it collects payments in accordance with these agreed-upon contracts.

5. The District should ensure it collects payments in accordance with its facility-rental contracts, maintains documentation supporting the use of its facilities and that associated payments were received, and deposit payments in a timely manner.

**Not implemented**—The District has been working with a facility-management company to help track and collect rental payments. However, as of September 2020, 6 of the District's 17 renters were behind on their rental payments and owed the District amounts ranging from \$200 to over \$31,000. Even before the COVID-19 pandemic, several of the renting entities were 6 months or more behind in their payments. District officials stated that they issued a collection letter to one of the renting entities and are working on a process to develop and issue letters to other renting entities to address nonpayments when necessary. Additionally, District officials reported that they have had difficulty tracking renters' usage of District space. For example, the individual responsible for ensuring that the District receives all rental payments due to it told us that she was not told that 1 of the renters had left until months later when another renter asked to use the vacated space. It is important that the District address this recommendation because it is losing out on revenue due to it and not covering basic costs of renters' use of the facilities, resulting in it using monies to cover these costs that it otherwise could use for instruction, such as to increase teacher salaries or purchase additional instructional materials, or other District priorities.

6. The District should ensure that its monthly facility-rental rates are sufficient to adequately compensate the District for all costs associated with community use of its facilities.

**Implementation in process**—The District's Governing Board approved a gradual 4-year facility-rental rate increase starting in fiscal year 2019 that District officials stated is intended to meet the District's costs to operate the rented space while also retaining current renting entities. However, the District is not yet determining whether its facility-rental rates are sufficient to adequately cover the District's costs, which it should be doing on a yearly if not quarterly or monthly basis. Further, as discussed in the previous recommendation's status, 6 of the District's 17 renters are behind on their rental payments, which likely means that the District is not covering its costs. It is important that the District ensures its rental revenues are sufficient to cover its costs so that the District is not using monies to support outside groups renting its facilities when it could use these monies for its own District programs.

### **Finding 3: District had poor controls over catering program and should seek counsel regarding legality**

1. The District should seek counsel regarding the legality of its catering program.

**Not implemented**—District officials reported that the District stopped all catering services during fiscal year 2018 and did not provide catering services in fiscal year 2019. In fiscal year 2020, the District provided catering services to groups within the District and to external groups who rented the District's conference room at its child nutrition and conference center. Although we did not review all events the District catered during fiscal year 2020, we noted that some of the catering was for private nondistrict events, such as a baby shower and a memorial service. However, school districts have only those powers and duties expressly granted to them by statute, and the District has not cited its specific statutory authority to provide each of the catering services it provided. If the District determines that it has statutory authority to provide meals or other food services at an event, it should document the specific statute that authorizes the District to provide the meals or other food services as well as the public purpose and benefit of doing so, ensure the event and all purchases are in accordance with its policies, maintain proper approval and itemized receipts for all purchases, document the funding source used, and ensure any purchases are an allowable use of the funding source.

2. If the District continues its catering services, it should properly oversee the program and implement proper controls to ensure that the District receives all catering revenues and that such revenues cover related costs.

**Not implemented**—As discussed in Finding 3, Recommendation 1, in fiscal year 2020, the District provided catering services to groups within the District and to external groups who rented the District’s conference room at its child nutrition and conference center including a baby shower and memorial service that were private nondistrict events. Although the District implemented some controls over its catering services, it is still not ensuring that its catering revenues cover all related costs. The District separated responsibilities for providing catering quotes and invoices to groups and/or individuals, collecting payments, and depositing the payments so that 1 District employee is no longer responsible for all these responsibilities. Additionally, for fiscal year 2020, District officials developed a catering menu with pricing based on the cost of the food required to prepare the items on the menu plus 33 percent to cover the administrative and labor costs of the catering events. However, the District did not provide us any documentation to demonstrate that the 33 percent charge covers the District’s costs. Further, although the District tracked the revenues and food costs for the catering events, it did not track other expenditures related to the catering events, such as the labor costs of the employees who set up and prepared for the events and other indirect costs. Without tracking these costs, the District cannot determine if the catering revenues received actually covered all of the District’s costs.

3. If the District continues its catering services, it should implement proper inventory procedures such as maintaining food supply inventory and production records, date-stamping food items, and properly storing food and supplies.

**Implementation in process**—As discussed in Finding 3, Recommendation 1, in fiscal year 2020, the District provided catering services to groups within the District and to external groups who rented the District’s conference room at its child nutrition and conference center including a baby shower and memorial service that were private nondistrict events. According to District officials, due to the State-wide closure of schools in response to the COVID-19 pandemic, the District has not been providing catering services since March 2020. According to District officials, prior to the pandemic, the catering program was maintaining a small inventory consisting of drinks and frozen cookies and danishes and was ordering just enough food for each catering event prior to the event. District officials stated that the small amount of food was stored separate from the food used for the District’s child nutrition program, and an inventory of the catering food was being maintained and updated monthly. Additionally, the District created policies and procedures to provide better oversight and controls over its inventory. However, because of the State-wide closure of schools and because the District has not been providing catering services recently, we were unable to test whether the District is following its policies and procedures.

## Finding 4: District should improve controls over transportation program

1. The District should accurately calculate and report to the Arizona Department of Education (ADE) the actual miles driven and eligible students transported for State transportation funding purposes and ensure it maintains documentation to support the numbers reported.

**Not implemented**—District officials stated that they developed a new process for calculating miles and riders to report to ADE for State funding purposes. However, the District made several errors when calculating its miles and riders for fiscal year 2020. For example, the District reported its field trip miles both as regular route miles and field trip miles, underreported its contracted homeless miles, and overreported its riders. The District also made several errors in how it documented both its miles and riders for these calculations. The District should continue to work on a process to accurately calculate and report to ADE the actual miles driven and eligible students transported for State funding purposes.

2. The District should ensure that bus preventative maintenance is conducted in a systematic and timely manner in accordance with its schedule and the State’s Minimum Standards.

**Implementation in process**—In fiscal year 2020, the District developed a new preventative maintenance policy, which requires that its mechanics perform preventative maintenance on each bus twice a year. Additionally, the District developed a preventative maintenance checklist for its mechanics to use and document the work that was performed on each bus. In March 2020, the District serviced its buses according to the new policy and using the new checklist for the first time, and District officials stated that they plan for the second preventative maintenance to occur later this school year.

## **Finding 5: District levied and spent \$13.5 million that it classified as desegregation activities with no formal plan or programs to address violations**

1. The District should determine what, if any, activities are needed to be in compliance with its administrative agreements, create a desegregation plan based on any needed activities, adjust its desegregation tax levy to support only these activities, and ensure that its desegregation monies are used only to directly support these activities.

**Implementation in process**—The District created a desegregation plan using another district's plan and has not yet reviewed and updated its desegregation plan to specifically address Roosevelt ESD's administrative agreements. District officials reported that they plan to review and update the District's desegregation plan during fiscal year 2021 for fiscal year 2022. After revising its plan, the District should address the other components of the recommendation including adjusting its desegregation tax levy to support only those activities that are needed to be in compliance with its administrative agreements and ensuring that desegregation monies are used only to directly support these activities.

2. The District should ensure that it follows its ADE-approved corrective action plan and corrects all deficiencies in its English Language Learner (ELL) program.

**Implemented at 6 months**

## **Finding 6: Some Classroom Site Fund monies spent inappropriately**

1. As required by statute and to promote improved performance, the District should follow its performance pay plan and require that teachers attain agreed-upon goals to receive performance pay.

**Implemented at 18 months**

2. The District should ensure that only eligible employees receive Classroom Site Fund (CSF) monies.

**Implemented at 18 months**