



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Sacaton Elementary School District

APRIL • 2003



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA
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AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 2, 2003

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Dr. Leon Ben, Superintendent
Sacaton Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Sacaton Elementary School District*, conducted pursuant to A.R.S. §41-1279.03.A.9. I am also transmitting with this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the District agrees with most but not all of our recommendations. We have attached brief comments to the District's response to address some inaccuracies in the response.

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

This report will be released to the public on April 3, 2003.

Sincerely,

Debbie Davenport
Auditor General

Enclosures

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Sacaton Elementary School District pursuant to Arizona Revised Statutes (A.R.S.) §41-1279.03.A.9. This performance audit examines five aspects of the District's operations: administration, food service, student transportation, expenditure of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 7 through 18)

Sacaton Elementary School District's administrative costs are significantly higher than other similar districts within the State. Not only does the District have double the number of administrators than most of the comparable districts, it also generally paid its administrators higher salaries and provided greater benefits. The District also made more extensive use of consultants than other comparable districts. During fiscal year 2002, the District spent over \$212,000 on three administrative consultants to perform duties that apparently its own staff should perform. Further, the terms of the District's contracts with one consultant result in a high hourly billing rate. Finally, the District overpaid this same consultant approximately \$30,000.

In addition to consulting costs, the District spent much more than comparable districts on travel expenses. During fiscal year 2002, the District spent over \$42,600 on administrative travel, while the comparable districts averaged only about \$6,600. To reduce the amount it spends on administrative travel, the District should limit travel to conferences and seminars that help the District achieve its goals and objectives. Further, the District should limit those attending a conference to key staff members who need to attend and ensure that all travel expenses are allowable and reasonable by requiring travelers to submit proper documentation of expenses.

The District also did not follow the procurement procedures that statute required. When reviewing district purchases, auditors found problems ranging from lack of supporting documentation to a potential conflict of interest. To ensure it adheres to required procurement procedures, the District should maintain proper documentation for each purchase, use appropriate vendor selection methods, and ensure that employees with conflicts of interest are not involved in authorizing the purchases.

A detailed listing of the District's administrative positions, duties, salaries, and benefits is included in the Appendix (see page a-iii).

Food service (see pages 19 through 25)

The District could not effectively manage its food service program because it did not perform basic management oversight functions, such as monitoring financial information. The District also lacked inventory management procedures as well as program performance measures, such as meals per labor hour and cost per meal. To better manage its food service program, the District should implement financial management procedures, such as monitoring the food service program's budget, establishing inventory management procedures and calculating and monitoring program measures such as meals per labor hour and cost per meal.

Taking these steps is especially important because the District's food service program operates at a deficit and must be subsidized with money from other funds, including the District's Maintenance and Operation Fund. During fiscal year 2002, this fund contributed over \$6,200 to food service operations that instead could have been spent in the classroom. In addition, the food service program also received over \$124,000 from the Gila River Indian Community Fund. If not needed to subsidize the food service program, the District could have chosen to use all or some of this money in the classroom.

To ensure a safe and sanitary work environment, the District should strengthen its food service policies and procedures and ensure that they are enforced. Further, the District should obtain required health inspections twice each year. The District's food service operations have not had a health inspection since February 2001.

Student transportation (see pages 27 through 29)

The District's student transportation function appeared to be generally operating efficiently and effectively. The District's transportation costs were reasonable when compared to similar districts. In addition, the District operated efficient and effective bus routes and appropriately accounted for its route mileage. Further, the District has adopted appropriate policies and procedures that were consistent with state and federal law to help ensure the safety of the students it transported.

Proposition 301 monies (see pages 31 through 34)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent these monies in accordance with statute. However, the District should ensure that its Proposition 301 plan specifies which allowable options the District intends to address with the menu option monies. In addition, the District should obtain Governing Board approval of any revisions it makes to the plan. Finally, the District should ensure that eligible employees have met performance measures before performance pay monies are distributed.

Classroom dollars (see pages 35 through 36)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom and to analyze school district administrative costs. Therefore, auditors reviewed the District's recording of classroom and administrative expenditures to determine their accuracy. The District did not consistently record expenditures in compliance with the Uniform Chart of Accounts for school districts. Therefore, its financial reports did not accurately reflect its instructional and administrative costs. Correcting these errors decreased the District's classroom dollar percentage for fiscal year 2002 by 0.7 percent. The District's corrected classroom dollar percentage for fiscal year 2002 was 43.9 percent. The State's average for that year was 58.2 percent.

Administrative positions (pages a-iii through a-iv)

As required by Laws 2002, 2nd Regular Session, Chapter 330, Section 54, this report also contains detailed information about the District's administrative positions including their duties, salaries and benefits.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Sacaton Elementary School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines five aspects of the District's operations: administrative costs, food service, student transportation, expenditure of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

The Sacaton Elementary School District is located in Pinal County, approximately 35 miles south of Phoenix. The District, which is in the Gila River Indian Community, is 1 of 13 Arizona school districts located on a reservation; Native Americans make up 98 percent of its student population. The District has an elementary school, serving students in pre-kindergarten through 4th grade, and a middle school, serving students in 5th through 8th grades. During the 2001-2002 school year, approximately 527 students attended the District's two schools.

A five-member board governs the District and a superintendent manages it. Each school has its own principal, who oversees the day-to-day operations. The District has approximately 46 certified teachers, 20 instructional aides, 10 other certified employees, such as a special education program director, and 53 classified employees, such as administrative staff.

District programs

The District conducts a wide range of instructional and extracurricular activities (see figures on page 2). It also offers a number of school and community resources, such as counseling and crisis intervention services, clothing and school supplies allowances, immunization and health programs, Boys and Girls Club activities, a School Safety Program, and GED literacy classes.

Elementary School

- Pre- and full-day kindergarten
- Computer technology class
- After-school special interests classes
- Success for All Reading and Math Programs
- Accelerated Reader Program
- 21st Century After-School Program
- Quest Diabetes Prevention Program
- After-school tutoring
- Yearbook
- Student council
- Band/music
- Parent/student nights
- Computer labs
- Gym/stage
- Media center/library
- Breakfast, lunch, and summer food programs

Middle School

- On-site special education
- Gifted program
- Success for All Reading and Math Programs
- Title I summer school/tutoring programs
- GEAR-UP Program
- Project Venture/State Incentive Grant
- Leadership Club, Central Junior High League Sports, Garden Club, and KidStar Radio Program
- Yearbook
- Student council
- Band/music
- Computer labs
- Media center/library
- Sports facilities
- Breakfast, lunch, and summer food programs

In addition, the District offered students and community members services through the following federal grant programs:

- State Incentive Grant 1999-2002, which focused on alcohol and substance abuse prevention and intervention.
- 21st Century Learning, which provided activities that stress educational, fitness, and leadership development.
- GEAR-UP Grant 1999-2004 provided middle school students an early awareness and readiness for college through academics, guidance, and support.
- Community Technology Center 2000-2003 at the middle school, to provide Gila River Indian Community members with a staffed facility for educational learning, research and enrichment through computer technology.

The District is also part of the Rural Systemic Initiative, which is committed to the improvement of science, mathematics, and technology education in rural and tribal areas.

District challenges

The District faces many challenges. For example:

- **Enhancing academic achievement**—In fiscal year 2001, the District's elementary school was identified as a failing school under the school improvement process, and the middle school followed in fiscal year 2002. Also, the District's students' overall standardized test scores were well below average when compared with other Arizona schools.
- **Achieving English proficiency**—Over one-half of the District's students were identified as Limited English Proficient (LEP). To address this, the District has an agreement with the Central Arizona College to prepare teachers to become ESL (English as a Second Language) endorsed.
- **Strengthening special education**—In fiscal year 2001, the Arizona Department of Education found the District's special education program to be out of compliance, so the District hired a consultant to manage the program and psychologists to test the students. Subsequently, during fiscal year 2002, the District hired a full-time Director of Special Education to oversee the program.
- **Competing with other districts for personnel**—Although the District is considered an urban district, it is still somewhat isolated when compared with other urban districts. The District reports that this sometimes makes it difficult to hire employees or contract for service providers.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's March 2002 report, *Arizona Public School Districts' Dollars Spent in the Classroom*, this audit focused on three main aspects of school district operations: administration, food service, and transportation. Further, due to the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, as required by Laws 2002, Chapter 330, Section 54, auditors also assessed the accuracy of district-reported administrative costs and reported detailed information about district and school administrative personnel duties, salaries, and related costs.

In conducting this audit, auditors used a variety of methods, including examining various records such as available fiscal year 2001 summary accounting data for all districts and the Sacaton Elementary School District's fiscal year 2002 detailed account-

ing data, contracts, board minutes, and other district documents; reviewing district policies and procedures; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the accuracy of the District's administrative costs, auditors evaluated management controls relating to expenditure processing and tested the fiscal year 2002 expenditures accuracy that could affect the District's administrative or instructional expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared these costs to other similar districts.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2002 food service revenues and expenditures, including labor and food costs; observed meals being prepared and served to students; and evaluated functions such as meal production, purchasing and inventory control, and waste management.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated transportation costs, including those associated with special-needs students; driver files; bus maintenance and safety records; and bus routing.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.

The audit was conducted in accordance with government auditing standards.

Following are the main conclusions related to the audit objectives:

- **Administration**—The District's administrative costs were high due to several factors, including the number of administrators employed, the District's dependency on consultants, and high administrative travel costs. In addition, the District needs to improve its purchasing practices.
- **Food service**—The District could improve its food service program by reviewing and monitoring financial management information, implementing inventory

management methods, and calculating and monitoring standard performance measures. Further, the District should strengthen its policies and procedures and have regular health inspections to ensure the safety and sanitation of its kitchens and the food it serves.

- **Student transportation**—The District's student transportation program appeared to be operating efficiently and effectively.
- **Proposition 301 monies**—The District spent its Proposition 301 sales tax monies according to statute. However, the District should ensure that its plan identifies which allowable programs the District plans to address with its monies. Further, the District should obtain Governing Board approval of any revisions it makes to its plan. Finally, the District should ensure it has proper documentation demonstrating that eligible employees met performance measures before performance pay monies are distributed.
- **Classroom dollars**—The District needs to classify expenditures accurately to ensure compliance with the Uniform Chart of Accounts for school districts.

The Auditor General and her staff express their appreciation to the Sacaton Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

The Sacaton Elementary School District's administration costs are much higher than other comparable districts, and the District should take steps to reduce them. The District employs more administrators than most comparable districts and pays them higher salaries and provides greater benefits. Costs for using consultants are another reason for the District's high administrative costs. The District relies on consultants to perform tasks that personnel in comparable districts tend to perform as part of their overall responsibilities. In addition, the District overpaid one consultant by approximately \$30,000 in fiscal year 2002. Travel is another area where the District spends much more than comparable districts. For fiscal year 2001, the District spent \$42,000 for travel—more than six times the State's average for districts with fewer than 1,000 students. Finally, adhering to proper procurement procedures could result in cost savings for the District in the form of lower cost goods and services. Several reviewed purchases revealed problems such as lack of proper documentation, failure to obtain the required number of bids, and conflict of interest.

As required by Laws 2002, 2nd Regular Session Chapter 330, Section 54, the Appendix presents a detailed listing of the District's administrative positions, along with the duties, salary, and benefits.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs such as salaries, benefits, supplies, and purchased services were considered.¹

¹ Current expenditures are those incurred for the day-to-day operation of the district. They exclude costs associated with repaying debt, capital outlays (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool to grade 12 education.

Administrative costs are monies spent for the following items and activities:

- General administrative expenses are associated with governing boards and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

On average, the District's administrative costs per pupil were significantly higher than comparable districts

The District's administrative costs were significantly higher than other districts of similar size. Using an unaudited database of fiscal year 2001 accounting records received from the school districts within the State, auditors selected districts that had a similar number of schools (one to three) and students (between 400 and 600) as Sacaton Elementary School District to serve as comparable districts. As noted in the Auditor General's November 2002 special study, *Factors Affecting School Districts' Administrative Costs*, district type does not appear to affect administrative costs, and therefore district type was not a primary factor in selecting comparable districts.

As seen in Table 1, the District had twice as many administrators than most of the comparable districts for fiscal year 2002.

Further, as seen in Table 2 (see page 9), the District's administrative costs per pupil were 36 percent higher than the next comparable district during fiscal year 2001. Auditors used fiscal year 2001 costs because that is the most recent fiscal year for which the comparable districts' cost data was available.

Table 1: District Staffing Level Comparison
Fiscal Year 2002
(Unaudited)

District Name	Number of	
	Administrators	Students per Administrator
Sacaton ESD	24.00	23.42
Cedar USD	17.00	28.24
Gila Bend USD	12.00	41.50
Mayer USD	10.90	54.20
Ajo USD	10.60	47.55
Nadaburg ESD	8.25	56.20
Average of the comparable districts	11.75	45.53

Source: Auditor General staff analysis of the Districts' average daily membership counts and the School District Employee Report 30-3, as of April 4, 2002.

Table 2: Total and Per-Pupil Administrative Costs Comparison
Fiscal Year 2001
(Unaudited)

District Name	Total Administrative Cost ¹	Number of Students	Cost Per-Pupil
Sacaton ESD	\$1,247,512	562	\$2,220
Cedar USD	782,899	480	1,631
Gila Bend USD	560,608	498	1,126
Mayer USD	469,081	591	794
Nadaburg ESD	354,051	464	763
Ajo USD	358,096	504	711
Average of the comparable districts	504,947	507.4	1,005

¹ To help ensure consistency among the districts, auditors excluded telephone charges from administrative costs.

Source: Auditor General staff analysis of district-reported fiscal year 2001 accounting data, and average daily membership counts obtained from the Arizona Department of Education.

As seen in Table 3, when the District's per-pupil administrative costs are compared by category, Sacaton paid significantly more for benefits, purchased services, and supplies. In some cases, these costs were more than double those of other districts. In addition, the District's total administrative costs are more than double the average for all small districts, those with 200 to 600 students.

Table 3: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2001
(Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Sacaton ESD	\$1,126	\$225	\$740	\$129	\$2,220
Cedar USD	1,174	126	267	64	1,631
Gila Bend USD	726	178	176	46	1,126
Mayer USD	582	103	86	23	794
Nadaburg ESD	545	107	93	18	763
Ajo USD	523	89	59	40	711
Average of the comparable districts	710	121	136	38	1,005

Source: Auditor General staff analysis of district-reported fiscal year 2001 district-reported accounting data and average daily membership information obtained from the Arizona Department of Education.

Overall the District had more discretionary monies available for administrative expenditures because it receives most of its monies from the federal Impact Aid Program. Because districts such as Sacaton and Cedar have little or no property tax base, a

Federal Impact Aid

Although State Equalization assistance is calculated using the same formula for most Arizona school districts, some districts have an additional source, Impact Aid. These monies are meant to assist districts that have lost property tax revenue due to the presence of tax-exempt federal land or that have been impacted by the enrollment of children living on federally connected land, such as children living on reservations. Districts are required to reduce the amount of State Equalization Assistance they receive by the amount of their qualifying property tax levy. In contrast, they are not required to adjust their amount of State Equalization Assistance for the federal Impact Aid they receive. As a result, districts receiving Impact Aid have the ability to receive more total revenue than they otherwise would. However, due to statutory budgeting limits, districts generally need to obtain voter-approved budget overrides or make other budget adjustments to be able to spend these additional monies.

Although in some situations, budgeting limits may not allow districts to spend all of their Impact Aid monies, A.R.S. §15-962(F) gives districts the ability to budget and accumulate for school construction, building renovation, or soft capital purposes a portion of the prior year's ending cash balance up to the amount of Impact Aid received during the prior year.

large part of their Maintenance and Operation (M&O) funding comes from the federal Impact Aid Program. Significant budgeting differences result in these districts getting more total revenues than statutory expenditure limits generally allow them to spend. The effects of the additional revenue can be seen in the District's fund balance. While Sacaton has been using some money for capital improvements, as of the end of fiscal year 2002, the District had \$7.2 million in its M&O Fund. Fiscal year 2001 expenditures from this fund totaled approximately \$3.5 million. Therefore, the District could operate using its M&O Fund for over 2 years without receiving additional revenues.

The District uses consultants extensively, pays higher hourly rates, and does not monitor billings

The District should take steps to control and reduce its consultant costs. During fiscal year 2002, the District spent over \$212,000 on administrative consultants to perform duties such as grant writing, curriculum development, and business management functions. The District was dependent on consultants because it did not make effective use of its own staff, whose job descriptions include many of the duties the consultants performed. Further, the District needs to better manage the contracts it currently has in place. During fiscal year 2002, the District paid a higher hourly rate to one consultant, including \$30,000 in overpayments. The District also does not monitor its business office consulting services contract.

The District spent over \$212,000 on administrative consultants— During fiscal year 2002, the District spent over \$212,000 on three separate contracts for administrative consultants. The contracts and amounts were as follows:

- **General administrative services**—The District paid a general administrative consulting firm approximately \$165,000. Of this amount, approximately \$115,000 was for identifying potential funding sources, preparing grant applications, assisting with grant activities management, and preparing required grant reports. The District made \$49,000 in additional payments to the consultant for various other administrative services, including hiring a curriculum director, preparing financial documents for federal grant programs, helping with school improvement plans, and providing Title I program support.

- **Curriculum-related services**—The District paid another consultant \$24,169 to work as the District's interim curriculum coordinator. The consultant was hired to primarily work with district staff on curriculum-related issues. However, the consultant also assisted with other top-level district management decisions, including planning and program management.
- **Business services**—The District paid a third consultant a \$24,000 fixed fee to provide assistance to business office personnel. According to the consulting contract, this consultant provided budgeting and long-range financial planning assistance, assistance with proper accounting procedures; collection supervision, safekeeping, and distribution of funds; advice on business and financial questions; and consulting and staff training on relevant topics.

By comparison, while the District was heavily dependent on outside consultants, the comparable districts were not. Of the five districts comparable to Sacaton in size, all had no or negligible administrative consultant expenditures during fiscal year 2002.

The District did not effectively use its own staff—The District does not fully utilize its existing staff, making it dependent on consultants. Many of the duties the three consulting firms performed are included in district employees' job descriptions. Specifically:

- **Grants management**—When compared to five other districts of similar size, Sacaton was the only district using a consultant to write grants and assist in the management of grant programs. The following table (Table 4) illustrates how grant writing, program management, and grant financial activities were delegated to staff members in each of the five comparable districts:

Table 4: Personnel Assigned to Grant Activities in Comparable Districts
Fiscal Year 2002

District Name	Grant Writing	Program Management	Financial Management
Ajo USD	Superintendent, Business Manager, and School Improvement Team	Business Manager	Business Manager
Cedar USD	Federal Programs Director and Special Education Director	Federal Programs Director and Special Education Director	Business Manager, Federal Programs Director, and Special Education Director
Gila Bend USD	Team Comprising District Management and Staff	Team Comprising District Management and Staff	Business Manager
Mayer USD	Special Education Director	Superintendent and Principals	Business Manager
Nadaburg ESD	District Staff	Superintendent or Teacher	Business Manager

Source: Auditor General staff interviews with district officials

As illustrated in Table 4 (see page 11), all of the comparable districts were able to delegate grant activities to existing employees without using consultants. Further, only one of these districts delegated grant activities to a designated grant manager. Cedar Unified indicated that it employed a federal programs director at approximately \$54,000.

Similarly, the District could delegate grant-writing responsibilities to one of its program directors. The District employs program directors for each of its major federal programs who are responsible for managing their respective programs and preparing program reports. Further, several of the District's program directors have experience writing grants. Therefore, the District's program directors could be responsible for writing grants, evaluating the operations of their respective programs, and preparing progress reports the applicable grant contracts require. Currently the consultant contacts program directors for information concerning their grant programs and accumulates the information into the required report format. By having the program directors prepare the reports, the District could eliminate the need for contracted grant program evaluation services.

- **General management and curriculum**—Many of the general management consulting and curriculum development tasks that consultants performed are outlined in the superintendent's position description. According to the Sacaton Board Policy Manual *Qualifications and Duties of Superintendent*, the superintendent "... administers the development, coordination, maintenance, and evaluation of the educational program, including the special education program." However, a large portion of these responsibilities has been delegated to consultants. For example, the Arizona Department of Education required the District to work with an approved school improvement coordinator when one of the District's schools was found to be performing below state minimum standards. The District paid its general administrative consultant to work with this school improvement coordinator to develop and implement a school improvement plan. In addition, the District contracted with a separate consultant to coordinate curriculum and manage the operations of the District's two schools. In a small district such as Sacaton, these duties may fall within the scope of the superintendent's responsibilities.
- **Business office**—Many of the duties outlined in the third consultant's contract were included in the District's business manager's job description. This consulting agreement provided that the consultant assisted with budget development, provided assistance with proper accounting procedures, and advised administrative staff on business and financial questions. These same activities were also included in the business manager's job description. However, it appeared in this case that the District knowingly hired a person to fill this position with the understanding that the person would need a consultant's assis-

tance to perform the duties. When the District hired the business manager in 2001, it selected the candidate with the least amount of education and experience of the six applicants interviewed. At that time, the superintendent told the Governing Board that the District would require the services of the consulting firm if the least qualified candidate was offered the position. However, the District did not estimate the cost of such a decision prior to hiring the least qualified candidate. During 2002, the District paid a fixed fee of \$24,000 for these consulting services.

Need for better contracts management—In addition to reducing its dependency on consultants, the District needs to better manage the consulting agreements it currently has in place. The contract with the general administration consultant calls for billing grants management services at a flat rate of 7.5 percent of the grant monies the consultants obtained on the District's behalf of the District. Most of these grants are multi-year grants. However, according to the contract, the District must continue to pay the 7.5 percent fee each year it receives funding, regardless of the amount of services the consultant provides to the District. As a result, the District pays a high hourly rate for services actually received. For example, during fiscal year 2002, the District paid approximately \$115,000 for 556 hours of grants management services, which equates to an hourly rate of about \$207. In addition, the consultant also performed 681 hours of general management consulting services, such as curriculum improvement, at a cost of over \$45,000, or \$75 per hour.

While the District pays from \$75 to over \$200 per hour for these services, another school district that contracts with the same consultant negotiated an hourly rate of \$62.50 for similar services. If the District had negotiated this same rate, it could have saved over \$80,000 for the grant management services.

The District overpaid the administrative consultant by over \$30,000—The District's failure to properly manage the general administrative services contract resulted in overpayments totaling \$30,038 in fiscal year 2002. According to the contract, the District is required to pay the consultant 7.5 percent of the revenues actually received from the grants that the consulting firm obtained for the District. However, the consultant has instead billed the District for 7.5 percent of the budgeted grant revenues, which have been higher than the amounts the District actually received.

According to district management, they were unaware of the consulting contract's specific terms and of the process that the consultant used to determine billing amounts. As a result, the District paid the consulting firm the full amounts billed.

Lack of contract management extends to other contracts—The District's need for better contracts management is not limited to its contract for grant writing and administrative assistance. For example, the District's general business

consulting contract called for payment of a \$24,000 flat annual rate instead of being billed for services provided. The District did not monitor the contract to ensure that it received an appropriate amount of services for the amount paid to the contractor.

Recommendations

1. The District should better manage existing personnel to reduce its dependence on consultants. For example, the District should delegate grant writing responsibilities to one of its program directors, and it should ensure that its business manager can perform all required job duties.
2. The District should revise its hiring practices to ensure the most qualified person is hired.
3. The District should evaluate its contracts more carefully to ensure that it obtains the desired services at a reasonable cost. Contract rates and amounts should be compared to those of similar districts.
4. The District should recover the \$30,000 overpayment it made to the general administrative consulting firm for grant writing services received in fiscal year 2002.
5. The District should be familiar with its contracts terms and thoroughly review billings to ensure that contractors are not overpaid. In addition the District should ensure that it pays contractors only for services they have actually provided.

The District's \$42,000 administrative travel costs far exceeded peer districts' average of \$6,600

The District should better manage its administrative travel costs, including limiting travel to essential conferences and seminars that will most benefit the District, and requiring documentation before paying travel costs. The District spent \$42,629 for administrators and governing board members to travel to conferences and meetings during fiscal year 2002. By contrast, the other 93 Arizona school districts with fewer than 1,000 students averaged only \$6,626 in administrative travel costs. The District's administrative travel costs are high for several reasons. Specifically:

- **Frequent trips**—As seen in Table 5 (see page 15), several administrators travel frequently. Besides increasing travel costs, these staff are absent from their duties for a significant amount of time.

Table 5: Number of Days Administrators Were on Travel Status and Related Expenditures
Fiscal Year 2002

Administrator	Days on Travel Status	Travel Expenditures
Superintendent	32	\$ 6,302
21 st Century Grant Director	27	5,560
GEAR-UP Grant Director	16	1,085
Business Manager	16	3,126
Total	91	\$16,073

Source: Auditor General staff analysis of district fiscal year 2002 travel and payroll records.

- **Multiple attendees**—The District sends several people to the same conferences. Table 6 shows the conferences that three or more administrative employees and/or board members attended:

Table 6: Number of Employees Attending Conferences
Fiscal Year 2002

Number Attending	Conference	Conference Location
6	Fall 2001 National Association of Federally Impacted Schools Conference	Washington, D.C.
5	Arizona State Impact Aid Association Conference	Pinetop
4	National School Board Association 62 nd Annual Conference	New Orleans
4	Legal Perspective 2001—Arizona School Boards Association	Tempe
3	Arizona School Personnel Administrators' Association Conference	Prescott
3	National Indian Impacted Schools Association Conference	Seattle
3	Summer Leadership Institute—Arizona School Boards Association	Flagstaff
3	Fall 2001 Workshop—Arizona Association of School Business Officials—Student Attendance	Phoenix

Source: Auditor General staff analysis of district travel records for fiscal year 2002.

- **Last-minute changes**—Auditors identified three instances during 2001 when district employees or board members changed travel plans at the last moment resulting in either additional charges for air fares or forfeited expenditures. These last minute changes cost the District approximately \$1,140.

In addition to having high administrative travel costs, most of the District's administrative travel expenditures were not supported by adequate documentation. For many of the expenditures, no appropriate documentation such as receipts or invoices, was provided. Further, administrative staff rarely provided documentation such as certificates for professional development hours or conference materials showing that

they actually attended the conferences. Although the District's travel policy requires documentation, it pays travel claims without it. This appears to occur because most expenses are charged to the District's credit card and the superintendent and board members are among those not following the policy.

Recommendations

1. To reduce its administrative travel costs, the District should:
 - Consider the costs and benefits of sending staff to a conference. Travel should be limited to conferences and seminars that help the District achieve its goals and objectives.
 - Limit the number of employees attending a given conference to the key staff members who need to attend.
 - Require travelers to justify or personally pay for any changes to travel arrangements that cost the District additional money.
2. To ensure that all travel expenses are reasonable and allowable, the District should require travelers to submit proper documentation. Even when expenses are placed on the District's credit card, travelers should be required to submit supporting documentation, such as receipts and invoices. Further, the superintendent and board members should also abide by the District's travel policy.

The District does not follow proper purchasing practices and allowed a potential conflict of interest

The District did not follow the procurement procedures required by Arizona Revised Statutes and the purchasing procedures outlined in the Uniform System of Financial Records for Arizona School Districts. Based on a review of district purchases, auditors found problems ranging from lack of supporting documentation to a potential conflict of interest. The District's independent financial auditor also cited the District for failing to comply with state procurement laws. In addition to following the law, the District could realize cost savings as competitive procurements may result in lower prices for the goods and services that the District buys.

- **Lack of documentation**—None of the 12 fiscal year 2002 purchases reviewed had adequate documentation to support the District's purchasing decisions. For example, the District did not document obtaining written competitive quotations

when it purchased over \$25,000 worth of computer equipment. For a separate purchase the District had no supporting documentation on file. Instead, the District gathered other vendors' pricing information after the auditors' request was made for the competitive quotes.

- **Unfamiliarity with vendor selection procedures**—Auditors found that district staff were unaware of what methods they should use when selecting vendors. For example, the District purchased \$60,723 in computer equipment from a single vendor without obtaining competitive sealed bids. District staff indicated that they were unaware that the purchase was subject to competitive sealed bidding requirements.
- **Potential conflict of interest**—Several purchases the District made from one company involved a potential conflict of interest. Specifically, a district administrator initiated ten purchases totaling \$12,132 from her daughter's catering business. The administrator was allowed to initiate and/or approve these purchase orders. Further, the District did not disclose the relationship between the vendor and the district administrator, and the District did not require its administrative staff to prepare conflict-of-interest statements as the law requires.

The District's independent auditor reported a number of similar concerns regarding the procurement process in the fiscal year 2001 audit of the District's financial statements, as well as previous years' audit reports. However, the District has not yet taken corrective action in its procurement processes.

Recommendation

District staff with purchasing authority should be adequately trained in purchasing procedures in accordance with Arizona Revised Statutes and the Uniform System of Financial Records for Arizona School Districts, including:

- Maintaining proper purchasing documentation.
- Ensuring proper vendor selection methods are used.
- Documenting any conflicts of interest for each purchase and ensuring that the employees with conflicts of interest are not involved in authorizing those purchases.

The District's Governing Board meetings were cancelled or postponed without proper notice

On four different occasions in less than 2 months, governing board meetings were canceled or postponed without notice. In addition, the meetings that were held began at least 30 minutes later than the scheduled start times.

During a special Governing Board meeting that had been scheduled several weeks in advance, board members voted to table all agenda items because the District's administrators had not given them the board information packet until the day of the meeting. Therefore, the board members did not have sufficient time to analyze the information and make decisions.

Recommendations

1. The District should strive to promote public participation in governing board meetings by consistently meeting at scheduled times.
2. To ensure that the board receives all necessary information to make informed decisions in a timely manner, District management should provide board members with the information packets at least several days prior to a board meeting.

CHAPTER 2

Food service

The Sacaton Elementary School District should take steps to ensure its food service program functions efficiently and effectively. Auditors reviewed the overall operations and management of the District's food service program, including observing kitchen facilities and lunch service, analyzing revenues and expenditures, and reviewing policies and procedures. The District did not effectively manage its food service operations because it did not perform some basic oversight duties, such as compiling and analyzing financial reports, ensuring that it properly manages inventory, and calculating common food service performance measures. In addition, the District could do more to ensure that proper food safety and sanitation measures are taken.

Background

The District's food service program serves both a middle school and an elementary school on a single campus, utilizing a program supervisor, along with five permanent kitchen staff and two temporary food servers.

During fiscal year 2002, the District served breakfast, lunch, and a snack to approximately 180 middle school and 300 elementary students. During that same fiscal year, the District cooked and served meals at both of its schools. However, in August 2002, the District moved to a centralized-kitchen concept. As part of the centralized kitchen, food was cooked at the elementary school, and the middle school's meals were transported to the middle school using food carts and a cargo truck. The District's food service program operated year-round, both during the regular school year and also during the summer school program.

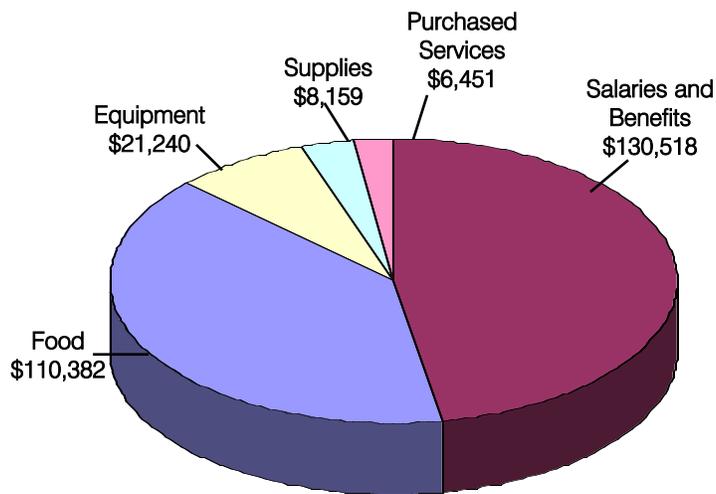
Food service facts for Fiscal Year 2002

Students participating	480
Average cost per meal	\$2.84
Number of meals served:	
Breakfast	35,860
Lunch	<u>79,662</u>
Total	<u>115,522</u>
Kitchens/cafeterias	2
Number of staff	7
Total revenues	\$102,227
Total expenditures	\$276,750
Percentage of students eligible for free and reduced price lunches	65%

The District purchased bulk food items, commodity foods, and supplies, such as cooking tools and disposable eating utensils, through a contract with the Aspin/Mohave Consortium. The District estimated that approximately 40 percent of its food inventory consisted of USDA commodity foods that required further processing, such as meats, cheeses, and flour. This helped cut the costs of the food service operation since the District receives the commodities for free and pays only \$3.50 per case for shipping and storage.

As shown in Figure 1, salaries and benefits costs represented 47 percent of the food service program expenditures, which totaled approximately \$277,000 for fiscal year 2002. Food purchases were another 40 percent of that total.

Figure 1: Food Service Expenditures
Fiscal Year 2002
(Unaudited)

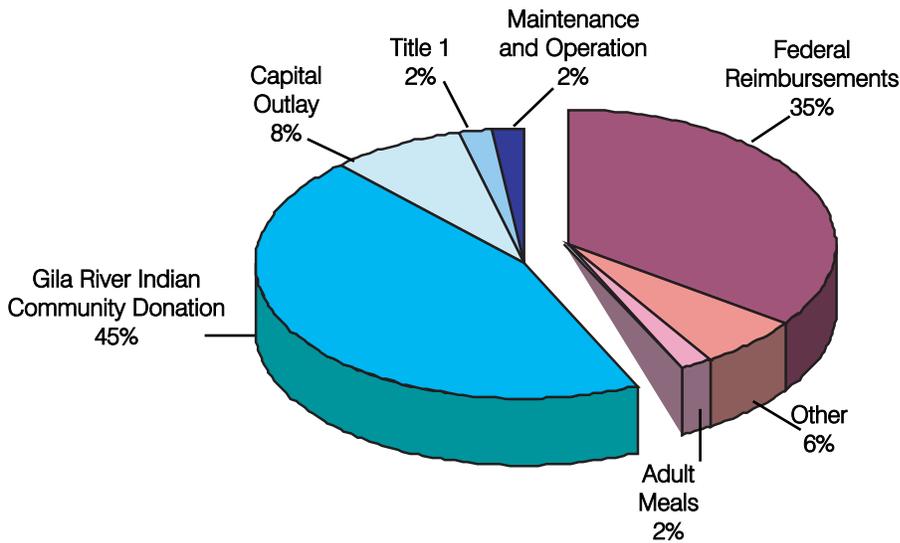


Source: Auditor General staff analysis of district fiscal year 2002 accounting records.

Although only 65 percent of the District's students qualified for free or reduced-price lunches under the National School Lunch Program, the District had decided not to charge any of its students for their meals. However, the District was only reimbursed for the students who qualify for the program. In addition, district staff or other adults purchased meals for \$2 each.

As seen in Figure 2, federal reimbursements such as those from the the National School Lunch Program and the School Breakfast Program, totaling approximately \$96,000 for fiscal year 2002, comprised the largest portion of the program's operating revenues. The program's total operating revenues only pay for about 43 percent of food service expenditures. Therefore, the District must subsidize the program with other district monies. During fiscal year 2002, the program received approximately \$160,000 in subsidies, including over \$124,000 from the Gila River Indian Community Donation (GRIC) Fund. Another \$6,000 of the monies used to subsidize the program came from the District's Maintenance and Operation Fund. These monies could have been used in the classroom if they had not been needed for food service. If the District had not had the monies from the GRIC Fund available, even more money may have had to be taken from the classroom.

Figure 2: Food Service Operating Revenues
Fiscal Year 2002
(Unaudited)



Source: Auditor General staff analysis of district fiscal year 2002 accounting records.

The District did not effectively manage its food service program

The District did not effectively manage its food service program because it did not perform basic management oversight functions, such as monitoring financial information and implementing inventory management methods. As a result, the District

did not have sufficient information to make important decisions, such as whether to centralize its cooking operations, and to identify and correct problems, such as inventory waste or abuse. In addition, the District's food service program lacked performance measures to guide the District in determining if the program was running efficiently and effectively.

The District did not perform basic management oversight duties—

The District did not perform typical management oversight functions, such as preparing and reviewing financial management reports and managing inventory. Despite the fact that the food service program operated at a deficit, the District did not prepare periodic reports for use in managing the program, such as reports comparing food service budgeted amounts to actual expenditures. As a result, district staff purchased food and other supplies without knowing the food service program's budget limitations or the current status of program expenditures. Performing basic management oversight functions could help reduce the program's operating deficit and increase the program's effectiveness and efficiency.

Further, without adequate financial management information, the district did not have a sound basis for decision-making because it did not have the information needed to conduct standard analyses, such as a cost-benefit evaluation. For example:

- The District centralized its cooking operations in August 2002 under the premise of increased efficiency and lower costs. However, the District did not conduct any type of formal analysis before centralizing its cooking operations. In fact, this decision cost the District approximately \$32,000 for a truck and insulated food carts. Specifically, the District moved all of its cooking operations to its elementary school. To transport the cooked food the short distance from the elementary to the middle school, the District purchased a large delivery truck and six insulated food carts at an approximate cost of \$32,000. Despite these purchases, one food service employee reported that food typically arrived at the middle school cold and had to be reheated. Performing a cost-benefit analysis and taking into account factors such as staffing needs, food quality, and the costs of a new truck could have demonstrated whether this was an efficient and effective manner of cooking student meals before the additional expenditures were made.
- Because it did not want to repair broken dishwashers, the District began using disposable plates, knives, forks, and spoons. Although using disposable kitchenware may be appropriate, the District did not perform any type of analysis to determine whether this decision was the most economical means for serving food. Further, the District had made no provisions for disposing of its idle dishwashing equipment.

Besides managing financial operations, the District should be managing critical expenditures, such as food purchases. The District lacked procedures for the receipt, delivery, storage, and usage of food inventory. For example, once staff members had

purchased food and other supplies, they did not have standard methods for ensuring that the District had received the proper products in the correct amounts. In addition, the District did not use its food items according to the first-in-first-out inventory method and did not keep physical inventory lists. Further, auditors observed food items that could not be easily accessed or rotated because storage areas in both schools were overcrowded. In fact, some food items were stored directly on the floor in crushed boxes while others were stored in the refrigerator in open containers. Lack of appropriate inventory management practices can result in oversupplies of food and makes the District's food inventory vulnerable to spoilage and even theft.

The District lacked performance measures to help guide the program—The District's ability to properly manage its food service function is further hindered by the absence of program performance measures. The District did not collect data and calculate common food service performance measures, such as meals per labor hour and cost per meal. Calculating and monitoring these performance measures could help the District determine important information, such as whether it has the correct number of staff and whether its food costs are appropriate. Without such performance measures, the District could not compare its operations to established industry benchmarks or to other similar school districts to evaluate whether improvements were needed.

Recommendations

1. To ensure that the District has sufficient information to manage its food service program and make sound decisions, the District should conduct typical management oversight activities. Specifically, the District should:
 - Implement financial management procedures, including monitoring the food service program's comparison of budget and actual expenditures.
 - Perform cost-benefit analyses prior to making large expenditures.
2. To help reduce the potential for waste and abuse and to ensure that adequate control over inventory is maintained, the District should implement inventory management procedures, including:
 - Managing inventory on a first-in-first-out basis, including regular rotation of food items so that the oldest items are used first.
 - Establishing receiving procedures for items ordered, including assigning an authorized person to receive and check deliveries.

- Establishing inventory tracking and documentation procedures, including physical inventory counts, reorder points, and monthly inventory reconciliation procedures.
3. To assist the District in determining the efficiency and effectiveness of its food service program, the District should identify, document, and monitor program measures, such as meals per labor hour and cost per meal, and compare them with similar districts or industry standards.

The District did not take sufficient action to ensure the safety and sanitation of its food service operations

The District's failure to ensure a safe and sanitary work environment in which to prepare, serve, and store food places students' and district staff's health at risk. Auditors identified several safety or sanitation issues while observing the District's food service operations. Specifically:

- None of the District's food service workers had current county health cards and only one worker had a current food handler's card.
- Food storage temperatures exceeded the recommended ranges for frozen foods as well as foods kept in dry storage.
- Food temperatures in the serving line were not monitored to ensure proper temperatures were maintained.
- One refrigerator contained foods that were kept beyond their "use by" dates.
- Both food preparatory areas were cluttered with various items, such as paper, chewed gum, half-eaten food, and the food service workers' personal effects.

In addition, the District did not obtain a sufficient number of health inspections, which potentially placed the health and safety of its students and staff at risk. Further, failure to obtain inspections could result in loss of the District's funding from the National School Lunch Program (NSLP). According to the NSLP's guidelines, districts receiving program monies must receive a health inspection at least twice a year to ensure that they meet federal and local health regulations. However, the District's food ser-

vice operating areas have not been inspected since February 2001. Because the District is located on reservation land, the Gila River Indian Community was responsible for conducting these inspections. However, the District was also responsible for informing the community of its inspection needs.

Recommendations

1. To ensure a safe and sanitary work environment in which to prepare, serve, and store food, the District should ensure that:
 - All food service workers have current food handler and health cards.
 - Food storage areas are maintained at the proper temperatures.
 - The temperatures of foods on the serving line are monitored to ensure proper temperatures.
 - "Use by" dates of food items are tracked and all outdated foods are disposed of.
 - Food preparation areas are clean and do not contain items that could compromise the sanitation of food being prepared.
2. To further ensure the sanitation of the work environment and the safety of its students and staff, as well as continued funding from the National School Lunch Program, the District should obtain health inspections at least twice per year.

CHAPTER 3

Student transportation

The District's transportation function appears to be generally operating efficiently and effectively. Auditors reviewed various aspects of the District's student transportation function, such as routes and route mileage, bus maintenance, and staff qualifications, with the goal of determining whether the District provided safe, and efficient student transportation in a timely manner. Based on this review, auditors determined that the District's transportation costs are reasonable and that it effectively managed its bus routes, reported route mileage, and ensured student safety.

Background

The District transported students to and from its two schools located on the same campus in Sacaton. A transportation supervisor, nine bus drivers, two special education bus aides, and one mechanic staffed the District's transportation program. During fiscal year 2002, the District reported that 510 of its approximately 527 students were eligible for transportation services. In addition to its nine regular bus routes, the District operated two routes specifically to transport its special needs students.

The District's transportation costs, routes, and reported route miles are reasonable

During fiscal year 2001, the District's student transportation costs appeared reasonable given the number of route miles driven and students transported. To determine whether the District's costs were appropriate, auditors compared it with other districts having a similar number of route

Transportation facts for Fiscal Year 2002

Riders	510
Bus drivers	9
Aides	2
Regular routes	9
Special-needs routes	2
Average daily route miles	792
Total route miles	139,490
Total non-capital expenditures	\$297,123

miles driven and a similar number of student riders, including regular and special-needs riders. Fiscal year 2001 data was used for this comparison because it was the most recent fiscal year for which comparable districts had data available.

As illustrated in Table 7, the District's costs are higher than two of the three other districts that had a similar number of route miles. However, the District transported several more special needs students than Round Valley. Transporting special-needs student riders requires separate buses and bus routes as well as additional staff to assist them in getting to and from school. Thus, these are inherently higher cost services to provide. Also, the District had to transport some of its special-needs students to an accommodation school outside of its geographic area. This may explain why the District had higher transportation costs than Mayer, which only transported its students within its district.

Table 7: Students Transported, Route Mileage, and Costs
Fiscal Year 2001
(Unaudited)

District	Regular Riders	Special-Needs Riders	Total Route Miles	Total Expenditures	Cost Per Rider	Cost Per Mile
Colorado River UHS	509	21	140,207	\$403,817	\$762	\$2.88
Sacaton ESD	515	19	151,615	383,601	718	2.53
Round Valley USD	568	5	195,275	332,776	581	1.70
Mayer USD	502	17	129,036	198,166	382	1.54

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2001 district route mileage reports and district-reported fiscal year 2001 accounting data.

The District's routes appeared efficient and effective. Although the routes had not been changed significantly in past years, the District had made some adjustments to make the routes more efficient. For example, some stops along the routes were rearranged in a more logical order to minimize the amount of time students must be on the bus. The District's shortest regular route was approximately 9.6 miles long, while its longest regular route was about 41 miles. Depending on how far from the District they live, students spent anywhere from 50 minutes to 1 hour and 25 minutes to get to or from school.

The District also appropriately accounted for its route mileage. A district's current year transportation funding is based on the number of route miles driven the previous school year. Therefore, it is important that districts develop a mechanism for accurately reporting these miles to the Arizona Department of Education. The District tracked its route miles by requiring its bus drivers to record beginning and ending odometer readings on a log every time they drove a bus route. From these logs, the District's transportation supervisor calculated the average daily mileage for each

route. This information was then used to calculate total route mileage driven by the District for the first 100 days of the school year and to estimate what the route mileage would be for the remaining 75 days. Auditors reviewed the district's route mileage logs and verified that the District's reported route mileage was accurate based on the drivers' logs.

The District maintained and followed appropriate policies and procedures to ensure the safety of student riders

The District adopted appropriate policies and procedures and took other steps to ensure the safety of the students it transports. Specifically, the District adopted student transportation policies and procedures that were consistent with state and federal law, such as the minimum standards for school buses and school bus drivers set forth in administrative code. In addition, the District kept sufficient records to demonstrate that it was in compliance with applicable laws. For example, auditors verified that the District kept documentation demonstrating that each of its bus drivers had received required physical examinations, drug and alcohol testing, and training. Further, the District kept documentation on repairs and maintenance for each of its buses, including records of daily bus inspections performed by the bus drivers before they began driving their routes and any accidents that involved its buses. Since 2000, district buses were involved in three accidents and no students were injured.

In addition to adopting policies and procedures that address safety factors, the District undertook other measures, such as disciplinary guidelines, to ensure student safety. The District's disciplinary guidelines clearly set out the rules that students were expected to follow. For example, the rules prohibited behaviors such as fighting or carrying weapons or weapon-like items. The consequences of violating the District's bus rules ranged from a verbal warning to suspension to revocation of bus-riding privileges. To identify and discipline students who violate bus rules, the District used four video cameras that were rotated periodically among its buses.

CHAPTER 4

Proposition 301 monies

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent its portion of the monies in accordance with statute. In this first year, the District spent all of its Proposition 301 monies on salaries and benefits, an approach the law allows. However, the District should ensure that it has adequately documented that eligible employees met performance measures before performance pay monies are distributed. In addition, the District should ensure that the menu options portion of its Proposition 301 plan specifies which options the District intends to address with these monies, and the District should obtain governing board approval of any revisions it makes to the plan.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational programs such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund. The monies districts receive from this fund are to be spent in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options. The options include reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

District's Proposition 301 plan

A panel consisting of administrators and teachers developed the District's Proposition 301 plan and it was formally approved by the Governing Board. The District was budgeted to receive approximately \$178,000 in Proposition 301 monies for fiscal year 2002, and as of fiscal year-end, the District had received approximately \$133,000.

Base pay increases—The District's base pay increases, averaging approximately \$700 per employee, were built into the salary schedule at the beginning of the year, and the increases were also written into each eligible employee's contract. Base pay increases were to be paid to employees throughout the year in their regular paychecks.

Performance pay—As with base pay increases, any employee on the certified salary schedule was eligible for performance pay, given they met the specific performance measures. The elementary and middle school principals were responsible for evaluating and scoring their employees on each performance measure. The amount of performance pay each eligible employee received based on these scores was paid out in a lump sum at the end of the school year. The District's performance pay plan consisted of the following components:

- **Teacher attendance bonus (5 percent)**—Eligible employees must have used 12 hours or less of sick time during the year.
- **Effective evaluations (20 percent)**—Eligible employees must have scored an overall rating of at least "effective" on their annual evaluation and had no corrective action plans in place.
- **Stipends (25 percent)**—Employees were eligible if they served as a mentor teacher, grade-level representative, or committee chairperson.
- **District, school, and individual goals (50 percent)**—Eligible employees must have met their individual goals of improving parent contact and classroom management. In addition, the District must have met its goal of improving Stanford 9 reading test scores, and the two schools must have implemented a program to improve student attendance.

Menu options—Statute allows school districts to choose among six different options for allocating the menu option monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

Despite these choices, the District’s plan for menu options money was aimed at helping reduce disruption to student learning. Thus, the plan proposed to increase substitute pay, hire one full-time substitute teacher for each school site, compensate teachers for lost preparation time, and provide a sick leave buy-back option. In the end, the District did not use its menu options monies for this purpose, but instead, used these monies to pay for additional teacher compensation.

Proposition 301 monies distribution—Under the District’s fiscal year 2002 plan, all staff members on the certified salary schedule, including approximately 45 teachers, 4 counselors, and 1 librarian, were eligible to receive Proposition 301 monies. As seen in Table 8 below, eligible employees received, on average, approximately \$2,600 each, and the District’s expenditures, by fund, were within allowable budgeted expenditures. Most eligible employees received less Proposition 301 monies than was possible because they did not meet all of the criteria required in order to receive additional performance pay. For example, some employees did not meet the criteria for serving as a mentor, grade-level representative, or committee chairperson. Additionally, many employees used more than 12 hours of sick time during the school year.

Table 8: Average Per-Employee Budgeted and Actual Expenditures
Fiscal Year 2002
(Unaudited)

Category	Budgeted	Actual
Base Pay	\$ 713	\$ 701
Performance Pay	1,425	587
Menu Options	1,425	1,306
Total	<u>\$3,563</u>	<u>\$2,594</u>

Source: Auditor General staff analysis of the District’s fiscal year 2002 budget, accounting records, and other supporting documentation.

The District’s Proposition 301 plan needs several improvements

The District should take steps to improve its Proposition 301 plan. First the District should ensure that all performance goals are thoroughly documented and are measurable and attainable before performance pay is distributed to eligible employees. In addition, the District should ensure that its plan specifies which of the statutorily allowable programs the menu option expenditures will be addressing. Finally, the District should ensure that its governing board approves all revisions to the plan.

Performance pay measures—When disbursing employee performance pay, the District did not retain supporting documentation to demonstrate that eligible employees met performance measures prior to receiving performance pay increases. Further, the District’s performance measure requiring increased Stanford 9 reading scores for fiscal year 2002 could not actually be measured until after the District distributed performance pay; the Stanford 9 test scores were not available until after the payment date. In addition, although each principal completed a “Performance Score Card” for each eligible employee, the District could only supply documentation for two of the stated six goals: teacher attendance and evaluations. The District could only provide partial support or no support at all for measuring the remaining four goals.

Menu options plan—The District’s plan for its menu options monies did not specify which of the six allowable options the District intended to address with these monies. In addition, although it eventually spent its menu options monies on allowable items, the District did not obtain governing board approval for spending the monies for other than the specified purpose. The District built into its salary schedule and employee contracts over twice the base pay increases that were budgeted in its Proposition 301 Plan. To compensate for this shortfall, the District used its menu options monies to fund the base pay increases promised in employee contracts. While additional teacher pay was an allowable use of the menu options money, the District did not obtain its governing board’s approval to spend the monies for this purpose.

Recommendations

1. The District should revise its performance pay plan and/or the related disbursement dates to ensure that all goals are measurable and attainable before the pay is distributed. Further, the District should implement policies and procedures to ensure that each performance requirement is measured and the results are documented.
2. The District should ensure that the plan addresses only those allowable options provided in statute.
3. The District should obtain governing board approval of any revisions to its Proposition 301 plan.

CHAPTER 5

Classroom Dollars

A.R.S. §41-1279.03.A.9 requires the Auditor General to determine the percentage of every dollar that Arizona school districts spend in the classroom. Additionally, Laws 2002, 2nd Regular Session, Chapter 330, Section 54, requires the Auditor General to analyze school district administrative costs. Because of these requirements, auditors reviewed the District's recording of classroom and administrative expenditures to determine their accuracy.

The District did not correctly report its administrative costs

The District did not accurately classify its fiscal year 2002 expenditures in compliance with the Uniform Chart of Accounts for school districts. As a result, its financial reports did not accurately reflect its costs, including both instructional and administrative expenditures. For example:

- Salaries for three employees were recorded as administrative expenditures, although half of their activities should have been classified as instruction. As a result, administrative expenditures appeared higher than they should have been, and instruction expenditures appeared lower by the same amount.
- The District incorrectly classified payments to a consulting firm as student support services. Many of the activities the consultant performed were administrative in nature; therefore the District should have classified a portion of the expenditures as administrative costs.
- Expenditures totaling approximately \$122,000 for tuition paid to another district were also incorrectly classified. These expenditures were not recorded to the required level of detail. As a result, the District's instruction expenditures were overstated.

As a result of all of the errors noted, the District overstated its fiscal year 2002 instruction expenditures by \$95,538 and understated its administrative expenditures by \$82,590. Correcting these errors decreased the District's classroom dollar percentage by 0.7 percent. The District's corrected classroom dollar percentage for fiscal year 2002 was 43.9 percent. The State's average for that year was 58.2 percent.

Recommendation

The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

APPENDIX

Appendix

Administrative Positions, Duties, Salaries, and Benefits
 Fiscal Year 2002
 (Unaudited)

Position	FTE	Duties	Salary	Benefits
District Administration				
Superintendent	1	Administered board policies and provided leadership to the school district	\$86,491 (included \$4,000 in tax-sheltered annuities)	\$ 12,530 (includes a \$4,000 allowance for life and short-term disability insurance)
Director of Special Services	1	Planned, organized, and coordinated special education, and services	53,431	5,524
Finance Director	1	Directed business office functions and managed the District's finances	49,787	5,147
Drug Prevention and School Safety Coordinator	1	Administered the District's safe school and drug prevention programs	49,628	5,131
21 st Century Project Director	1	Provided instructional leadership to grades 3 through 5 and administered the 21 st Century Grant Program	47,236	4,884
CTC Director/Instructor	0.5	Provided technology and training to extend student academic engagement time, provided adult and continuing education, and expanded technology into the home	22,000	2,275
Technology Director	1	Managed the District's technology resources	44,000	4,549
Project Director (GEAR-UP)	0.5	Administered the GEAR-UP Grant Program for the purpose of ensuring that middle and secondary students were prepared to succeed in post-secondary education	18,953	1,960
Administrative Assistant to the Board and Superintendent	1	Relieved the Board and superintendent of paperwork and other impediments	27,726	2,866
Administrative Assistant to the Finance Director	1	Assisted the finance director with the District's operation by relieving her paperwork and routine tasks	25,917	2,679
Bookkeeper	1	Assisted with the administration of the District's business affairs	25,314	2,617
Payroll Clerk	1	Performed payroll and support duties related to the operation of the business office	22,298	2,305
Personnel Clerk	1	Assisted with the planning and operation of the personnel services office	20,488	2,118
Warehouse Clerk	1	Managed the District's inventories and performed receiving functions	19,926	2,060
Special Education Secretary	1	Assisted the special education staff and contractors who provided special education services	19,365	2,002

(continued)

Position	FTE	Duties	Salary	Benefits
School Administration				
Middle School Principal	1	Planned, organized, and directed school staff and resources	63,000	10,514 (includes \$4,000 for dependent health coverage)
Elementary School Principal	1	Planned, organized, and directed school staff and resources	51,300	5,304
School Secretary	2.5	Assisted the principal and staff in dealing with students, parents, administrators, and community members	23,052 18,992 13,611	2,384 1,964 1,407
Teaching Center Assistant	0.5	Provided technology and training to extend student academic engagement time, provided adult and continuing education, and expanded technology into the home	10,847	1,122
		Health insurance payments not separately identified by employee		87,249
TOTAL	<u>19</u>¹		<u>\$713,362</u>	<u>\$168,591</u>

¹ This number differs from the 24 total used for comparative analysis within the report. For comparative purposes, auditors used the only state-wide data available, the School District Employee Report, which is self-reported by districts to the Arizona Department of Education. The School District Employee Report groups both administrative and non-administrative positions together in some clerical and other categories.

Source: Auditor General staff analysis of the District's fiscal year 2002 employee contracts, job descriptions, and accounting data.

AGENCY RESPONSE

March 18, 2003

Ms. Debbie Davenport
Auditor General
Office of the Auditor General
2910 N 40th Street
Suite 410
Phoenix Arizona 85018

Dear Ms. Davenport,

Attached is the Sacaton School District's response to the Auditor General's performance audit preliminary report. The district appreciates the time, effort and assistance provided by the Office of the Auditor General. You have provided us benchmarks that we can use to measure our success as we progress toward creating an exemplary school system that will be recognized for its accomplishments.

Be assured that the district will strive to institute the highest quality programs and opportunities for our students, their families, and the community in the most cost efficient manner. Also, be assured that our efforts will be conducted in accordance with both the spirit and letter of applicable statutes and regulations.

Finally, you listed in the report challenges that impact the district. The impact these have on operations should not be underestimated. Nor, should the effects that other challenges such as the high incidence of violence, alcoholism, and disease (e.g. Diabetes) historically have had on the schools be discounted. These factors drive many of the initiatives that the district has undertaken, the programs that were established, and costs incurred.

Finally, Sacaton School District has made tremendous improvements in creating a safe learning environment, extending school based programs and reaching out to our students and their families. These efforts have resulted in improved attendance, reduced violence, and reduced drop out rates for both our students and our graduates. Unfortunately, these are not identified in the report.

We will continue successful programs, work toward improving curriculum and instruction, and incorporate relevant recommendations. Working together, we are

confident that we can provide our students an extraordinary education so that all of our students will be successful.

Please do not hesitate to contact me if you have any questions or require further clarification.

Sincerely,

Dr. Leon Ben, Superintendent

Encl.

**SACATON SCHOOL DISTRICT #18
RESPONSE TO
PERFORMANCE AUDIT
February 27, 2003**

CHAPTER 1

Administration

Administrative Costs

Recommendation:

1. The District should better manage existing personnel to reduce its dependence on consultants. For example, the District should delegate grant writing responsibilities to one of its program directors, and it should ensure that its business manager can perform all required job duties.

Response:

In order to address this recommendation the following background needs to be established:

LEVEL OF FUNDING

As shown in Table 1, Sacaton School District has received significantly more funding from Federal Grants than any of the other comparison Districts. In order to successfully bid for the awarded grants, Sacaton has leveraged its internal resources and outsourced for those skills not possessed by Sacaton personnel. In addition, Sacaton is staffed to operate all Federal programs with soft dollars from the grants. All grants are written on an award contingency basis; if the grant is not awarded, the District does not pay anything. To the contrary, the Sacaton School District does not have resources to prepare the bids on any of the previously and future awarded grants.

Table 1				
Analysis of Federal and State Funding				
District	SY 2001 and 2002 Obligated Discretionary Funds Source: U.S. Department of Education	SY 2002 Federal and State Entitlement Budgets Source: Arizona Department of Education	Administrative Costs: Federal Entitlement Funds	Administrative Costs as a percent of Entitlement Funds received
	Source of Information			
	U.S. Department of Education Grants and Awards	AZ. Dept of Education: Grants Management Approved Budgets	AZ. Dept of Education: Grants Management Approved Budgets	Administrative Costs divided by Entitlement Funds
Sacaton	\$2,465,734*	1,274,047.08	30,000	2.4%
Ajo	67,875	422,060.39		
Cedar	641,671*	1,143,858.10	65,693	5.7%
Gila Bend	61,165	492,781.22		
Mayer	22,393	281,888.58		
Nadaburg	0	503,666.99		
* Both Cedar and Sacaton received a Grant for School Repair and Renovation because they are on Native American lands. Cedar received \$547,717 (or 85% of the USED grants) and Sacaton received \$677,540 (27% of the total). These funds are formula-driven and can not be used for program operations.				

CONSULTING FEES

The consulting fees paid to the general administrative consultant have been itemized and pre-approved by the funding source in the specific federal grants at seven and a half percent (7.5%) of the amount awarded. This rate represents payment for the administration, monitoring, evaluation, and reporting requirements for each grant. Most importantly, it includes all required management and technical assistance within the scope of the grant on a 24-hour, 365 days per year basis.

DISTRICT STAFFING LEVEL COMPARISON

The number of administrative personnel (24) included in the report is overstated by six FTEs. The count in the reports includes six individuals that do not have any administrative duties as a normal part of their job duties. These individuals spend their

entire day on normal programmatic and program operational issues. These individuals are:

- Connie Jackson, CTC Coordinator/Lead Teacher
- Dorian Rivera, 21st CCLC Coordinator
- Joyce Baldwin, GEAR UP Coordinator/Lead Teacher
- John Fooks, Technology Coordinator
- Mykal Lucero, CTC Teacher Assistant
- Candy Williams, Middle School Coordinator

The district staff does not have the expertise to write grant applications and perform their program duties on a concurrent basis. Grant writing is composed of several very time consuming processes. The first is the identification of available funding sources. The second is the preparation of the application that includes, at a minimum: a needs assessment; a matching of existing human resources to grant requirements; development of deliverables; and preparation of corresponding budgets. At the present time, none of the existing staff has the expertise to complete an entire grant application like the ones required to obtain existing funding.

Recommendation:

2. The District should revise its hiring practices to ensure the most qualified person is hired.

Response:

The current Business Manager is capable of performing most of her assigned job responsibilities. She has been employed at the District for over ten years and has always received excellent performance ratings. She has far exceeded her performance expectations.

Recommendation:

3. The District should evaluate its contracts more carefully to ensure that it obtains the desired services at a reasonable cost. Contract services should be compared to those of similar district.

Response:

The District reviews and evaluates all of its prospective contracts to ensure that the District is placed in the most favorable position with respect to all parties involved. The rates included in the contract represent a blended rate for a variety of services requiring a discerning difference in skill, education, and experience. The District utilizes a mix of contractual payment terms depending on the services required. These include flat rates, cost-reimbursement plus, and contingent with flat rate percentages, to name a few. The District will continue to exercise due diligence in contracting for desired services.

Recommendation:

4. The District should recover the \$30,000 overpayment it made to the general administrative consulting firm for grant writing services received in fiscal year 2002.

Response:

The District paid the contractor in accordance with the contract for the services provided. The applicable clause of the contract reads:

For grants funded for multiple years or renewable over multiple years: Each year over the multiple year life of the grant, and upon receipt of each year's funding allocation, Sacaton Public School District No. 18 shall issue a purchase order to Goals, Inc in the amount of 7.5% of each year's funding allocation for the following services to be provided by Goals, Inc:

The term allocations is the grant award, not disbursements. Therefore, it is clear that the District paid in compliance with the contract.

Recommendation:

5. The District be familiar with the contracts and thoroughly review billings to ensure that contractors are not overpaid. In addition the District should ensure that it pays its contractors only for services that they have actually provided.

Response:

The District reviews all disbursements to ensure that all services have been provided in accordance with all contractual obligations prior to making any disbursement.

Travel

Recommendation:

- 1 To reduce its administrative travel costs, the District should:
 - Consider the costs and benefits of sending staff to a conference. Travel should be limited to conferences and services that help the District achieve its goals and objectives.
 - Limit the number of employees attending a given conference to the key staff members who need to attend.
 - Require travelers to justify or personally pay for any changes to travel arrangements that cost the District additional money.

Response:

Conferences are attended only by key District personnel and for whom the subject area the conference has a direct relationship to their specific job assignment.

It should be considered that three of the eight conferences listed on page 15, table six of the report pertained to Impact Aid, a federally funded program which is critical to the District. If Impact Aid related conferences is excluded from this list, then all but one of the remaining conferences are in state and the number attending conferences is reduced from 31 to 17.

It must also be noted that it is a cultural requirement of the Community to include students, immediate family and extended family on these trips and the District at times has done that. The District has been told/asked to include members of the Community on a number of these trips such as the Federal Association of Federally Impacted Schools Conference held in Washington, D.C.

It is the policy of the district to require justification for all travel arrangements that cost the District additional money.

Recommendation:

- 2 To ensure that all travel expenses are reasonable and allowable, the District should require travelers to submit proper documentation. Even when expenses are placed on the District's credit card, travelers should be required to submit supporting documentation, such as receipts and invoices. Further, the superintendent and board members should also abide by the District's travel policy.

Response:

The District evaluates all travel expenses for reasonableness and requires documentation from all employees for all travel expenses submitted for reimbursement. In the future it will increase its efforts to enforce the District's travel policy for all travel claims submitted by the Superintendent and board members.

Purchasing Practices

Recommendations:

District staff purchasing authority should be adequately trained in purchasing procedures in accordance with Arizona Revised Statutes and the Uniform System of Financial Records for Arizona School Districts, including:

- Maintaining proper purchasing documentation.
- Ensuring proper vendor selection methods are used.

- Documentation any conflicts of interest for each purchase and ensuring that the employees with conflicts of interest are not involved in authoring those purchases.

Response:

The District will develop and implement for all personnel with purchasing authority a training program that will include purchasing documentation requirements, vendor selection and conflict of interest.

Governing Board

Recommendation:

1. The District should strive to promote public participation in governing board meetings by consistently meeting at scheduled times.

Response:

The District strives to hold all of its meetings at the schedule date and time. However, on four occasions the meetings were postponed/cancelled or were started at a later time for the following reasons:

Meetings cancelled or postponed

The special meeting of July 17, 2002 was cancelled due to a lack of quorum.

The regular board meeting of August 13, 2002 was cancelled due to a lack of quorum

Meetings started after the scheduled time

The meetings of August 1, 2002 and August 20, 2002 did not begin on time because the board members required to form quorum arrived late.

Recommendation:

2. To ensure that the board receives all necessary information to make informed decisions in a timely manner, District management should provide board members with the information packets at least several days prior to a board meeting.

Response:

The District generally prepares all material for the Governing Board on timely basis. However, on one isolated occurrence, for the meeting of July 9, 2002, the budget information required for the meeting was not prepared in time for the board meeting and consequently the meeting had to be postponed.

All materials required for all board meetings since that date have been prepared and made available to the board compliance with all of the boards directions prior to the board meetings.

CHAPTER 2

Food Service

Management of Food Service Program:

Recommendation:

1. To ensure that the District has sufficient information to manage its food service program and make sound decisions, the District should conduct typical management oversight activities. Specifically, the District should:
 - Implement financial management procedures, including monitoring the food service programs comparison of budget and actual expenditures.
 - Perform cost-benefit analyses prior to making large expenditures.

Response:

The District will implement financial management procedures and conduct cost-benefit analyses. This will include formalizing procedures to ensure first-in-first-out inventorying.

Please note:

- Ref. Audit Report, Page 19. The financial analysis in the report does not match total expenditures for FY 2002 against revenue produced for the same period. Food Service is reimbursed. Also, reference third bullet below.
- Ref. Audit Report, Page 22. Although a formal cost analysis was not conducted when the district changed to a centralized kitchen in SY 2003, the district seriously considered several conditions before taking this course of action. First, beginning in SY 2003, the schools were reorganized and the fifth grade moved to the Elementary school. A staffing analysis was performed and it was determined that transferring the staff to the Elementary school would allow for better supervision and quality control. Second, the equipment at the schools is old and in constant need of repair. It was determined that it would be optimal to operate and maintain just the one kitchen.
- Ref. Audit Report, Page 21. Until the Governing Board changes policy, the Food Service costs will exceed revenues and GRIC (Tribal) funds will be used to offset the deficit. In 1999, a decision was made to serve meals to all children regardless of whether their parents submitted a free or reduced lunch eligibility survey. Even though efforts are made to have 100% returned, a substantial number of families do not respond.
- Several statements in the report require clarification.

For example:

- Ref. Audit Report, Page 22. The findings indicate that “food typically arrived cold”. The District was in the first week of operating a centralized kitchen when this finding occurred. After the initial start up period, these issues had been corrected and the kitchen now operates properly.

- Ref. Audit Report, Page 22. The statement that “it (District) did not want to repair broken dishwashers” is incorrect. The District has repaired the equipment several times. The last time the equipment broke the District was advised by the manufacturer that it was not feasible to repair the equipment again. The use of disposable dishware is an interim solution. The kitchen equipment is on a planned replacement schedule.
- Ref. Audit Report, page 23. The overcrowded storage facility observed by the auditors was an isolated emergency situation that occurred while equipment was being repaired. Adequate storage is now in place.

Recommendation:

2. To help reduce the potential for waste and abuse and to ensure that adequate control over inventory is maintained, the District should implement inventory management procedures, including:
 - Managing inventory on a first-in-first-out basis, including regular rotation of food items so that the oldest items are used first.
 - Establishing receiving procedures for the items ordered, including assigning and authorized person to receive and check deliveries.

Response:

The District has developed and is implementing procedures for inventory control and ordering shipments and receipting deliveries.

Recommendation:

3. To assist the District in determining the efficiency and effectiveness of its food service program, the District should identify, document, and monitor program measures, such as meals per labor hour and cost per meal, and compare them with similar districts or industry standards.

Response:

The district has a contract with Crandell & Associates for menu preparation. This will ensure compliance with USDA requirements and proper management of inventory. Crandell & Associates also assists the district in fully utilizing its commodity allocation.

Safety and Sanitation of Food Service Operators:

Recommendation:

1. To ensure a safe and sanitary work environment in which to prepare, serve, and store food, the District should ensure that;
 - All food service workers have current food handler and health cards.
 - Food storage areas are maintained at the proper temperatures.
 - The temperatures of foods on the serving line are monitored to ensure proper temperatures.

- “Use By” dates of food service items are tracked and all outdated foods are disposed of.
- Food preparation areas are clean and do not contain items that could compromise the sanitation of food being prepared.

Response:

The District is finalizing procedures to ensure a safe and sanitary work environment. These will be implemented immediately.

Please note the following discrepancies in the report.

- Ref. Audit Report Page 24. The report indicates that none of the food service workers had current county health cards. And only one held a current food handlers card. Response: First, the district utilizes the Tribal Health card in lieu of the county. All but one individual, who was newly rehired at the time of the visit, held the proper Tribal Health Card (Reference attached). The one individual who did not hold this card has since applied for and received such card. Second, the district has arranged for training of staff so they obtain their food handlers card.

Recommendation

2. To further ensure the sanitation of the work environment and the safety of its students and staff, as well as continued funding from the National School Lunch Program, the District should obtain health inspections at least twice per year.

Response:

Ref. Audit Report, Page 24. As noted in the report, since the schools are located on reservation land, the Gila River Indian Community is responsible for conducting health inspections. The District has informed the Tribal authorities of the need for the inspections. In the future, the District will document its contact with the authorities so as to document that it is carrying out its responsibilities.

CHAPTER 4

Proposition 301 monies

Recommendation

1. The District should revise its performance pay plan and/or the related disbursement dares to ensure that all goals are measurable and attainable before the pay is distributed. Further, the District should implement policies and procedures to ensure that each performance requirements is measured and the results are documented.
2. The District should ensure that the plan addresses only those allowable options provided in statute.

3. The District should obtain governing board approval of any revisions to its Proposition 301 plan.

Response:

The District formed a committee earlier this year that is currently evaluating and revising the entire Proposition 301 Plan including the performance pay plan. The plan will be reviewed to ensure all options comply with the applicable state statutes. The plan will also be submitted to the governing board for approval prior to implanting it.

CHAPTER 5

Classroom dollars

Recommendation

The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

Response:

The District will comply with all USFR Uniform Chart of Accounts classification requirements.

AUDITOR GENERAL COMMENTS TO AGENCY RESPONSE

Based on discussions with the District during the audit and at two separate draft report meetings as well as follow-up research, the following auditor comments are provided to address certain district responses to the report recommendations.

Chapter 1, Administration

As noted in the report, according to data maintained by the Arizona Department of Education, the District has significantly more administrators than comparable districts. Further, the District makes significantly greater use of consultants than other districts to perform administrative functions, such as grant writing, even though some district administrators report having experience writing grants. Other districts with fewer administrators use district staff instead of consultants to perform all grant activities.

- **District's Use of Consultants, Recommendation 4: Recovering \$30,000 Overpayment**—Although the contract with the general administrative consultant does state that the District shall issue a purchase order based on funding allocation, it further specifies “The Sacaton School District will make commission payments to (*consultant*) for the above described services based on a percentage of 7.5% (*sic*) of the total amount of the funds actually received from the funding source.”

Chapter 2, Food Service

Because the District's food service program operates at a deficit, it is particularly important that the District perform basic management oversight duties, including conducting analyses before making decisions, ensuring proper inventory management, and using performance measures to help it evaluate and manage the program. The report also points out the importance of operating the program in a safe and sanitary environment, which includes ensuring that all food service staff meet the proper health and training requirements.

- **Management of Food Service Program, Recommendation 1: Conducting Cost-Benefit Analyses**—The District did not provide documentation from the manufacturer of its broken kitchen dishwasher to indicate that repair of the equipment was not feasible. In addition, the District did not provide a kitchen equipment replacement schedule or previously indicate that the use of disposable ware was an interim solution.
- **Food Service Safety and Sanitation, Recommendation 1: Ensure Workers Have Health Cards**—Although two of the four health cards referenced in the District's response were dated at approximately the same time that auditors requested copies, the District was unable to provide any health cards during the course of the audit. Further, the rehired employee's card is new and does not apply to the time of the audit. The District should always maintain copies of health cards in its records to demonstrate that its employees meet all health requirements to safely prepare and serve food.