

The October 2020 Hackberry Elementary School District performance audit found that the District spent more on administration, plant operations, food service, and transportation than its peer districts and could redirect an estimated \$145,000 annually or more to instruction or other District priorities. We made 17 recommendations to the District and 1 recommendation to the Legislature, and its status in implementing the recommendations is as follows:

Status of 17 District recommendations

Implemented	11
Partially implemented	1
In process	2
Not implemented	3

Status of 1 legislative recommendation

Not implemented	1
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On September 13, 2023, the Joint Legislative Audit Committee (JLAC) passed a resolution directing our Office to conduct a 36-month followup to assess the District’s efforts to implement the 9 outstanding recommendations from our October 2020 performance audit report. In the previous 24-month follow-up report, the District had not implemented 7 recommendations and was in the process of implementing 2 recommendations. Since the 24-month follow-up report, the District has implemented an additional 3 recommendations and partially implemented 1 recommendation, but has continued to not implement or not fully implement 5 recommendations.

Unless otherwise directed by JLAC, this report concludes our follow-up work on the District’s efforts to implement the recommendations from the October 2020 report.

Finding 1: Hackberry ESD spent twice as much on administration as peer districts and could redirect an estimated \$104,600 annually to instruction or other District priorities by reducing administrative staffing and paying hourly employees only for hours worked

1. The District should operate more efficiently in administration and redirect savings to instruction or other District priorities.

Implemented at 36 months—The District reduced administrative staffing levels in fiscal year 2024 by 1 full-time equivalent employee (FTE) compared to the audit year by having administrative staff split their time between administrative and non-administrative duties, such as school bus monitor and student nurse. In fiscal year 2024, the District employed 1.5 administrative FTE, which was approximately what its peer districts averaged during the audit. As a result of these staffing changes, we estimate that the District will spend a similar amount per student for administrative spending as its peer districts in fiscal year 2024.

2. The District should review its administrative staffing levels and implement reductions.

Implemented at 36 months—See explanation for recommendation 1.

3. The District should ensure that supervisors review all timecards, ensure that those timecards do not include employees' lunch breaks as paid time, and pay employees only for hours worked.

Implemented at 18 months

4. The District should ensure employment agreement terms are documented and include any additional employee pay above original contracted pay, either within the contract or in an addendum.

Implemented at 36 months—In the first half of fiscal year 2024, the District made additional payments above the originally contracted pay to 2 of its 14 employees. We reviewed payroll documentation for the 2 employees and found that the District documented and approved these payments prior to the employees receiving payment.

Finding 2: Hackberry ESD has continually operated its 1 school substantially below its designed capacity, resulting in an estimated \$1.3 million of inefficient spending

1. The Legislature should consider adopting statutory requirements that any schools built with NSF fund monies be built only to SFB-approved projections. It should also consider adopting additional requirements that districts' enrollment projections demonstrate 2 or more years of accurately projected enrollment growth prior to awarding new school construction monies.

Not implemented—The Legislature has not yet acted on this recommendation.

5. The District should determine and implement ways to reduce its excess capacity and/or the costs associated with it by doing such things as identifying opportunities and implementing plans to attract any home-schooled students living within its boundaries and to retain any students living within its boundaries who are choosing to attend other school districts. Additionally, the District should identify and close any unused or underutilized space.

Partially implemented at 36 months—In fiscal year 2024, the District's school capacity as determined by Arizona Department of Administration's School Facilities Oversight Board was 168, which is the same as during the audit. Since the audit year, the District's ADM has increased from 29.5 to 45 in fiscal year 2024, increasing its capacity utilization from approximately 18 percent to 27 percent. Additionally, since our previous 24-month followup, the District has taken some steps to attempt to increase its capacity utilization or reduce the costs of its excess capacity. For example, the District worked with the Mohave County School Superintendent's Office to identify home-schooled students within District boundaries and identified 4 home-schooled students. However, the District determined that these students would not make a significant difference in its capacity utilization and therefore did not contact these students' families to discuss their interest in enrolling at the District. Further, in response to JLAC's July 28, 2023, letter requesting an action plan and timeline for implementing its outstanding recommendations, the District reported that all its classrooms were fully utilized. During our review, we found that the District was using excess classroom space as intervention rooms for individualized and small-group instruction or as a conference room. The District further reported to JLAC that it intended to use its excess space outside of school hours to generate revenue for the District. When we discussed this with District officials in January 2024, they stated they had discussed renting out space after school and on weekends but had not done so because of the difficulties of having staff on-site during those times and other nearby school districts offering rental space, and the District's Governing Board (Board) discussed these topics at its February 2024 meeting. As of February 2024, District officials reported that the District's space was being utilized as much as possible and that they did not plan to take further action to identify or close any unused or underutilized space.

Finding 3: District produced more meals than it served and had higher food service labor hours than similarly sized peer districts, costing it an estimated \$31,500 annually in monies that could have been used for instruction or other District priorities

6. The District should ensure that the food service director stops overproducing meals that the District does not serve by basing meal productions on the number of lunch orders that are reported each morning.

Implemented at 18 months

7. The District should reduce food service spending by reducing the number of labor hours it contracts to operate its food service program.

Implemented at 24 months

Finding 4: District operated its transportation program at a higher cost in fiscal year 2018 than peer districts and did not perform timely bus preventative maintenance

8. The District should evaluate whether it is more cost-effective and feasible to purchase an appropriately sized bus of its own, lease a more appropriately sized bus, or pay parents to transport their children to and from school, and make changes accordingly, as pandemic conditions allow.

Implemented at 18 months—We reported in our previous 24-month followup that the District determined that continuing to lease a school bus was the most cost-effective and feasible option available to it. However, at the time of our review for the 36-month followup, District officials reported that the District was no longer able to lease a school bus as of July 2023, and instead, the District purchased a used school bus in August 2023. District officials further reported that the used school bus it purchased had significant mileage and stated it is their intent to purchase a new school bus by the end of fiscal year 2024.

9. If the District continues using a bus to transport its students, it should track bus mileage and perform preventative maintenance according to its lease agreement or other policies the District may adopt if it purchases its own bus.

Implementation in process—In its October 2023 meeting, the District's Board approved a school bus preventative maintenance policy requiring preventative maintenance be performed every 3,500 miles or at least quarterly. However, the Board-approved policy does not specify what school bus preventative maintenance work will be performed at each interval. As of January 2024, the District had not yet completed a preventative maintenance service on its 1 school bus since the Board adopted the District's preventative maintenance policy.

Finding 5: District put sensitive student information and public monies at risk because it did not comply with important requirements and standards to protect its monies and sensitive information

10. The District should follow required purchasing procedures by ensuring that employees make purchases only after obtaining proper approval and pay vendors only after verifying that all purchases have been received and billings are accurate.

Not implemented—The District updated its purchasing and payables procedures in October 2023. However, our review of a judgmental sample of 10 of 38 expenditures approved between October 2023 and January 2024 found that District staff made 6 purchases prior to obtaining proper approval and made payments for 7 of these purchases to vendors prior to verifying that all purchases had been received and billings were accurate, indicating that the District is not consistently following its required purchasing procedures.

11. The District should ensure that all monies collected are deposited by requiring that the same individual responsible for preparing cash deposits is not also responsible for reconciling cash deposited to cash collected.

Not implemented—The District updated its cash-handling procedures in October 2023. Although the District's new cash-handling procedures made some improvements, such as including additional review steps to ensure cash collected is recorded, the District's updated procedures continue to be inadequate because the same individual continues to be responsible for preparing cash deposits and reconciling cash deposited to cash collected. Therefore, the District continues to increase the risk that not all cash collected is deposited, as required.

12. The District should discontinue the use of debit cards as a payment method.

Implemented at 6 months

13. The District should review the Uniform Chart of Accounts for school districts and implement its guidance to accurately classify all expenditures when reporting its spending.

Not implemented—As we reported in the previous 24-month followup, the District began working with a consultant that provides expenditure coding guidance and reviews the District's expenditures monthly to identify and correct any incorrectly classified expenditures. However, our review of the District's fiscal year-to-date 2024 expenditures found that the District incorrectly classified 10 percent of its expenditures totaling approximately \$66,200. Of the total amount of miscoded expenditures we identified during our review, approximately \$55,500 occurred prior to the consultant's most recent monthly review, indicating that these miscoded expenditures had not been corrected during the monthly review process.

14. The District should review credible industry standards, including those from the National Institute of Standards and Technology (NIST), at least annually, and ensure student information system (SIS) password requirements meet the standards.

Implemented at 18 months

15. The District should work with its vendor to immediately remove all terminated user accounts currently in its SIS and implement additional procedures, such as termination checklists that include attestation that terminated employees' SIS access has been removed, to ensure that it reduce the future risk of unauthorized access to sensitive student information.

Implemented at 18 months

16. The District should work with its vendor to substantially reduce the number of users with administrator-level access in its SIS.

Implemented at 24 months

17. The District should limit accounting system users' access to only those functions needed to perform their job duties and work with the County to determine which vendor accounts, as well as any County accounts, are necessary. Further, the District should remove any unnecessary accounts, disable any necessary accounts when not in use, and substantially reduce the number of users with administrator-level access in its accounting system.

Implementation in process—Our January 2024 review of users' access for all active users in the District's accounting system found that the District had 1 vendor account, 3 accounts associated with County users, and 2 accounts with administrator-level access, both of which appeared to be appropriate. However, 3 District users and 1 County user continued to have system access allowing them to initiate and complete accounts payable and/or payroll transactions without another individual involved to verify the transactions were valid, accurate, and appropriate. In October 2023, the District implemented a review process for its accounts payable and payroll transactions, but its new process occurs outside of the District's accounting system and does not include steps to check that all transactions are included in the review, which may allow users with excessive accounting system access to initiate and complete transactions without secondary review and continues to increase the District's risk for errors and fraud.