



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Laveen Elementary School District

May • 2014
Report No. 14-203



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

Representative **John Allen**, Chair

Senator **Chester Crandell**, Vice Chair

Representative **Paul Boyer**

Senator **Judy Burges**

Representative **Martin Quezada**

Senator **David Farnsworth**

Representative **Kelly Townsend**

Senator **Steve Gallardo**

Representative **Andy Tobin** (*ex officio*)

Senator **Katie Hobbs**

Senator **Andy Biggs** (*ex officio*)

Audit Staff

Ross Ehrick, Director

Ann Orrico, Manager and Contact Person

Jennie Snedecor, Team Leader

Jessica Cupero

Dennis Tinney

The Auditor General's reports are available on our Web site at:

www.azauditor.gov

Printed copies of our reports may be requested by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

May 30, 2014

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Governing Board
Laveen Elementary School District

Dr. Bill Johnson, Superintendent
Laveen Elementary School District

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

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

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

Sincerely,

Debbie Davenport
Auditor General

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Similar student achievement and efficient operations

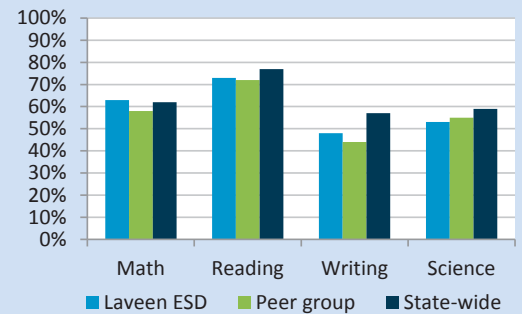
Our Conclusion

In fiscal year 2012, Laveen Elementary School District's student achievement was similar to peer districts' averages, and the District operated efficiently overall with lower costs per pupil than peer districts', on average, in all operational areas. Despite operating efficiently, Laveen ESD spent 21 percent, or \$751, less per pupil in the classroom than peer districts, on average, because it received less funding primarily because it had a lower poverty rate and fewer special needs students. In fact, the District had nearly the lowest overall per pupil spending amount in the State. Although the District operated efficiently overall, it needs to better ensure that its bus drivers meet all certification requirements and it may be able to reduce its plant operations costs by further reducing the amount it pays for custodial services.

Student achievement similar to peer districts'—In fiscal year 2012, Laveen ESD's student AIMS scores were similar to peer districts' averages in the four tested areas. Additionally, under the Arizona Department of Education's A-F Letter Grade Accountability System, the District received an overall letter grade of B. Three of the seven peer districts also received B letter grades, and four peer districts received C letter grades.

District operated efficiently with lower per pupil costs than peer districts'—In fiscal year 2012, Laveen ESD operated efficiently with lower per pupil costs than peer districts' averages in all nonclassroom areas. The District's administrative costs per pupil were 8 percent lower, in part because it employed fewer administrative staff. The District's food service program operated efficiently with lower costs per pupil and per meal, and its transportation program was reasonably efficient. The District's plant operations costs were mixed, with a higher cost per square foot but lower cost per pupil, primarily because the District maintained substantially less building space per student than peer districts, on average. Despite operating efficiently overall, Laveen ESD spent 21 percent, or \$751, less per pupil in the classroom than peer districts, on average, because it had less to spend. In fact, the District had nearly the lowest overall per pupil spending amount in the State.

Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2012



Comparison of per pupil expenditures by operational area
Fiscal year 2012

	Laveen ESD	Peer group average
Administration	\$730	\$796
Plant operations	689	811
Food service	347	523
Transportation	255	271

District failed to ensure bus driver certification requirements were met

Auditors reviewed driver files for all 22 of Laveen ESD's bus drivers from fiscal years 2012 and 2013 and found that the District failed to maintain complete records demonstrating that its bus drivers met all certification requirements in accordance with the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*. For example, 7 of the 22 drivers did not have evidence of required biennial CPR training on file. In addition, the District failed to ensure that one driver's suspended Commercial Driver's License (CDL) had been reinstated before the driver resumed driving. As a result, the driver transported students for 9 months during fiscal year 2013 on a suspended CDL.



2014

To comply with the *Minimum Standards* and to help ensure a safe transportation program, the District should create a process to ensure that drivers meet all required standards and should maintain all documentation demonstrating such.

Recommendation

The District should maintain driver certification documentation and ensure that drivers meet all requirements as specified in the State's *Minimum Standards*.

District may be able to further reduce plant operations costs

In fiscal year 2012, Laveen ESD's plant operations costs were 15 percent lower per pupil but 18 percent higher per square foot than peer districts', on average. The District may be able to lower its plant operations costs by reducing its custodial costs. The District uses outsourced custodial services to clean its buildings nightly during the regular school year and more extensive cleaning during school breaks, such as summer, winter, and spring breaks. To its credit, in fiscal year 2012, the District began contracting with a different vendor, reducing its custodial costs from almost \$420,000 in fiscal year 2011 to \$295,112 in fiscal year 2012. However, the District may be able to lower costs further because it apparently has adequate staffing to meet more of its custodial needs in house. In fiscal year 2012, the District employed 28 percent more plant operations staff per square foot than peer districts, on average, and most peer districts did not contract for outside custodial services. While it is not uncommon for districts operating substantially lower amounts of square footage per student to have higher per square foot costs, including labor costs, in light of its higher staffing level, the District should determine whether it can reduce or eliminate its contracted custodial services.

Recommendation

The District should review its current custodial needs and staffing levels and determine whether it can further reduce or eliminate its contracted custodial services.

TABLE OF CONTENTS



District Overview

Student achievement similar to peer districts' averages

1

District operated efficiently

1

1

Finding 1: District did not meet all state transportation safety requirements for its bus drivers

3

District lacked adequate procedures to ensure it met bus driver certification requirements

3

Recommendation

3

Other Findings

5

District may be able to improve plant operations efficiency and lower costs

5

Recommendation

5

Appendix

Objectives, Scope, and Methodology

a-1

District Response

Table

- 1 Comparison of per pupil expenditures by operational area
Fiscal year 2012
(Unaudited)

2

Figure

- 1 Percentage of students who met or exceeded state standards (AIMS)
Fiscal year 2012
(Unaudited)

1

DISTRICT OVERVIEW

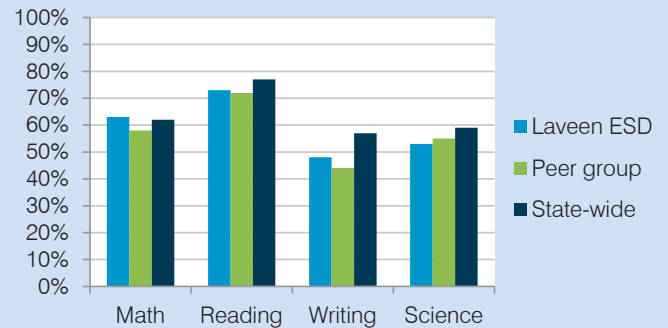
Laveen Elementary School District is a medium-large sized, suburban district located southwest of Phoenix. In fiscal year 2012, the District served 5,185 students in kindergarten through 8th grade at its six schools.

In fiscal year 2012, Laveen ESD's student achievement was similar to its peer districts', and the District operated efficiently with lower per pupil costs than peer districts', on average, in all operational areas.¹ Despite having efficient operations overall, the District should improve its transportation recordkeeping, and it may be able to reduce its plant operations costs.

Student achievement similar to peer districts' averages

In fiscal year 2012, 63 percent of the District's students met or exceeded state standards in math, 73 percent in reading, 48 percent in writing, and 53 percent in science. As shown in Figure 1, the District's scores in all four areas were similar to the peer districts' averages. Further, under the Arizona Department of Education's A-F Letter Grade Accountability System, Laveen ESD received an overall letter grade of B for fiscal year 2012. Three of the 7 peer districts also received B letter grades, and 4 peer districts received C letter grades.

Figure 1: Percentage of students who met or exceeded state standards (AIMS) Fiscal year 2012 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2012 test results on Arizona's Instrument to Measure Standards (AIMS).

District operated efficiently

In fiscal year 2012, as shown in Table 1 and based on auditors' reviews of various performance measures, Laveen ESD operated efficiently with lower costs per pupil in all operational areas. However, despite operating efficiently, the District spent 21 percent, or \$751, less per pupil in the classroom than peer districts, on average. The District spent less in the classroom because it had less to spend. In fact, Laveen ESD's fiscal year 2012 per pupil spending of \$5,643 was \$1,325 less per pupil than its peer districts' and nearly the lowest per pupil spending amount in the State. The lower spending resulted primarily because Laveen ESD received less federal grant monies and Maintenance and Operation (M&O) Fund monies, and allocated more of its funding for capital purposes than peer districts, on average. The District received less federal grant monies, such as Title I monies, because its poverty level was lower than the peer districts' average. The District

¹ Auditors developed two peer groups for comparative purposes. See page a-1 of this report's Appendix for further explanation of the peer groups.

received less M&O fund monies primarily because it had fewer special needs students and also received less transportation funding.

Slightly lower administrative costs—Laveen ESD’s administrative costs were slightly lower per pupil than the peer districts averaged—\$730 compared to \$796. The District spent less on administration, in part, because it employed fewer administrative staff. Specifically, Laveen ESD employed one administrative full-time (FTE) position for every 124 students while the peer districts employed one administrative FTE for every 107 students.

Mixed plant operations costs—Compared to peer districts’ averages, Laveen ESD’s fiscal year 2012 plant operations costs were 18 percent higher per square foot and 15 percent lower per student. The District was able to spend less per student despite a higher cost per square foot because it maintained substantially less building space per student. In fact, the District maintained 29 percent less square feet of building space per student than peer districts, on average. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs per square foot, likely because of higher usage levels. However, Laveen ESD may be able to lower its plant operations costs by reducing its custodial costs. In fiscal year 2012, the District paid nearly \$300,000 for contracted custodial services despite already having more plant operations employees per square foot than peer districts, on average (see Other Findings, page 5).

Efficient food service program—The District’s food service program operated efficiently with lower costs per pupil and per meal. The District’s cost per meal of \$1.89 was 23 percent lower than the peer districts’ \$2.45 average primarily because the District employed fewer food service staff. Specifically, each Laveen ESD food service worker served 64 percent more meals than the average for the food service workers at the ten peer districts that operated their food service programs in-house. The District was able to operate its food service program with fewer staff in part because it did not separately employ cashiers at its cafeterias. Instead, each cafeteria’s manager also served as cashiers. Conversely, the ten peer districts with in-house food service programs each employed an average of five cashiers in addition to having cafeteria managers.

Transportation program reasonably efficient, but recordkeeping needs improvement—In fiscal year 2012, Laveen ESD’s transportation program was reasonably efficient with a \$6.05 cost per mile that was 6 percent higher than the peer districts’ average, and a \$550 cost per rider that was 3 percent lower than the peer districts’ average. However, the District failed to maintain records documenting that each bus driver met all state certification requirements (see Finding 1, page 3).

Table 1: Comparison of per pupil expenditures by operational area Fiscal year 2012 (Unaudited)

Spending	Laveen ESD	Peer group average	State average
Total per pupil	\$5,643	\$6,968	\$7,475
Classroom dollars	2,831	3,582	4,053
Nonclassroom dollars			
Administration	730	796	736
Plant operations	689	811	928
Food service	347	523	382
Transportation	255	271	362
Student support	382	522	578
Instruction support	409	463	436

Source: Auditor General staff analysis of fiscal year 2012 Arizona Department of Education student membership data and district-reported accounting data.

FINDING 1

District did not meet all state transportation safety requirements for its bus drivers

In fiscal years 2012 and 2013, Laveen ESD failed to maintain documentation to show that bus driver certification requirements were met in accordance with the State's *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*.

District lacked adequate procedures to ensure it met bus driver certification requirements

To help ensure student safety, the *Minimum Standards* administered by the Department of Public Safety require that bus drivers be properly certified and receive physical examinations, drug and alcohol tests, refresher training, and CPR and first aid certification. Auditors reviewed driver files for all 22 of the District's bus drivers from fiscal years 2012 and 2013 and found that the District failed to maintain complete records demonstrating that its bus drivers met the *Minimum Standards*. Specifically, auditors found that:

- 7 of 22 drivers did not have evidence of required biennial CPR training certification;
- 6 of 22 drivers did not have evidence of required biennial physical performance tests;
- 3 of 22 drivers did not have evidence of required biennial First Aid training certification;
- 1 of 22 drivers did not have evidence of required biennial medical exam on file; and
- 1 of 22 drivers did not have a current fiscal year 2012 Commercial Driver's License (CDL) on file.

In addition, the District failed to ensure that one driver's suspended CDL had been reinstated before the driver resumed driving. As a result, during fiscal year 2013, the driver transported students for 9 months on a suspended CDL.

To comply with the *Minimum Standards* and to help ensure a safe transportation program, the District should create a process to ensure that drivers meet all required standards and should maintain all documentation demonstrating such.

Recommendation

The District should maintain documentation pertaining to driver certifications and ensure that drivers meet all requirements as specified in the State's *Minimum Standards*.

OTHER FINDINGS

In addition to the main finding presented in this report, auditors identified one other less significant area of concern that requires district action.

District may be able to improve plant operations efficiency and lower costs

As mentioned in this report's District Overview (see page 2), Laveen ESD's plant operations costs were mixed with a higher cost per square foot and lower cost per pupil than peer districts, on average. The District may be able to lower its plant operations costs by reducing its custodial costs. Specifically, in fiscal year 2012, Laveen ESD paid \$295,112 for outsourced custodial services, which provided nightly cleaning of the District's buildings and more extensive cleaning when school was not in session, such as during summer, winter, and spring breaks. To its credit, the District had already taken action prior to fiscal year 2012 to reduce its contracted custodial costs by contracting with a different vendor, reducing the District's contracted custodial costs from almost \$420,000 in fiscal year 2011 to \$295,112 in fiscal year 2012. However, the District may be able to lower its costs further because it apparently has adequate staffing to meet more of its custodial needs. In fiscal year 2012, the District employed 28 percent more plant operations staff per square foot than peer districts, on average, and most peer districts did not contract for outside custodial services. It is not uncommon for districts that operate substantially lower amounts of square footage per student to have higher costs, including labor costs, per square foot, likely because of higher usage levels. However, in light of its higher plant operations staffing level, the District should review its custodial needs to determine the feasibility of reducing or eliminating its contracted custodial services.

Recommendation

To reduce its plant operations costs, the District should review its current custodial needs and staffing levels to determine whether it can further reduce or eliminate its contracted custodial services.

APPENDIX

Objectives, Scope, and Methodology

The Office of the Auditor General has conducted a performance audit of the Laveen Elementary School District pursuant to Arizona Revised Statutes §41-1279.03(A)(9). Based in part on their effect on classroom dollars, as previously reported in the Auditor General's annual report, *Arizona School District Spending (Classroom Dollars report)*, this audit focused on the District's efficiency and effectiveness in four operational areas: administration, plant operations and maintenance, food service, and student transportation. To evaluate costs in each of these areas, only operational spending, primarily for fiscal year 2012, was considered.¹ Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2012 summary accounting data for all districts and Laveen ESD's fiscal year 2012 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To compare districts' academic indicators, auditors developed a student achievement peer group using poverty as the primary factor because poverty has been shown to be associated with student achievement. Auditors also used secondary factors such as district type and location to further refine these groups. Laveen ESD's student achievement peer group includes Laveen ESD and the seven other elementary districts that also served student populations with poverty rates between 21 percent and 28 percent located in cities and suburbs. Auditors compared Laveen ESD's student AIMS scores to those of its peer group averages. Generally, auditors considered Laveen ESD's student AIMS scores to be similar if they were within 5 percentage points of peer averages, slightly higher/lower if they were within 6 to 10 percentage points of peer averages, higher/lower if they were within 11 to 15 percentage points of peer averages, and much higher/lower if they were more than 15 percentage points higher/lower than peer averages. In determining the District's overall student achievement level, auditors considered the differences in AIMS scores between Laveen ESD and its peers, as well as the Arizona Department of Education-assigned letter grades.²

To analyze Laveen ESD's operational efficiency in administration, plant operations, and food service, auditors selected a group of peer districts based on their similarities in district size, type, and location. This operational peer group includes Laveen ESD and 15 other elementary school districts that also served between 2,000 and 7,999 students and were located in cities and suburbs. To analyze Laveen ESD's operational efficiency in transportation, auditors selected a group of peer

¹ Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade-12 education.

² The Arizona Department of Education's A-F Letter Grade Accountability System assigns letter grades based primarily on academic growth and the number of students passing AIMS.

districts based on their similarities in miles per rider and location. This transportation peer group includes Laveen ESD and 8 other school districts that also traveled less than 141 miles per rider and were located in cities and suburbs. Auditors compared Laveen ESD's costs to its peer groups' averages. Generally, auditors considered Laveen ESD's costs to be similar if they were within 5 percent of peer averages, slightly higher/lower if they were within 6 to 10 percent of peer averages, higher/lower if they were within 11 to 15 percent of peer averages, and much higher/lower if they were more than 15 percent higher/lower than peer averages. However, in determining the overall efficiency of Laveen ESD's nonclassroom operational areas, auditors also considered other factors that affect costs and operational efficiency such as square footage per student, meal participation rates, and bus capacity utilization, as well as auditor observations and any unique or unusual challenges the District had. Additionally:

- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, reviewed bus driver files for the District's 22 bus drivers for fiscal years 2012 and 2013, and reviewed bus maintenance and safety records, bus routing, and bus capacity usage. Auditors also reviewed fiscal year 2012 transportation costs and compared them to peer districts'.
- To assess whether the District's plant operations and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2012 plant operations and maintenance costs and district building space, and compared these costs and capacities to peer districts'.
- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2012 administration costs and compared these to peer districts'. Auditors also surveyed the peer districts to further evaluate staffing levels.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2012 food service revenues and expenditures, including labor and food costs; compared costs to peer districts'; reviewed the Arizona Department of Education's food service monitoring reports; reviewed point-of-sale system reports; and observed food service operations.
- To assess the District's financial accounting data, auditors evaluated the District's internal controls related to expenditure processing and scanned all fiscal year 2012 payroll and accounts payable transactions for proper account classification and reasonableness. Additionally, auditors reviewed detailed payroll and personnel records for 30 of the 635 individuals who received payments in fiscal year 2012 through the District's payroll system and reviewed supporting documentation for 30 of the 13,333 fiscal year 2012 accounts payable transactions. No improper transactions were identified. Auditors also evaluated other internal controls that were considered significant to the audit objectives and reviewed fiscal year 2012 spending and prior years' spending across operational areas.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2012 expenditures to determine whether

they were appropriate and if the District properly accounted for them. No issues of noncompliance were identified.

- To assess the District's computer information systems and network, auditors evaluated certain controls over its logical and physical security, including user access to sensitive data and critical systems, and the security of servers that house the data and systems. Auditors also evaluated certain district policies over the system such as data sensitivity, backup, and recovery. No issues were identified.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

DISTRICT RESPONSE

DISTRICT RESPONSE



Laveen Education Center

5001 W. Dobbins Road
Laveen, AZ 85339-9733
(602) 237-9100
(602) 237-9135 fax



Cheatham

Elementary School
4725 W. South Mtn. Ave.
Laveen, AZ 85339-7396
(602) 237-7040
(602) 237-3376 fax



Desert Meadows School

6855 W. Meadows Loop East
Laveen, AZ 85339-3512
(602) 304-2020
(602) 304-2025 fax



Laveen

Elementary School
4141 W. McNeil Street
Laveen, AZ 85339-2597
(602) 237-9110
(602) 237-9134 fax



**Maurice C. Cash
Elementary School**

3851 W. Roeser Rd.
Phoenix, AZ 85041-2615
(602) 237-9120
(602) 237-9133 fax



Rogers Ranch School

6735 S. 47th Avenue
Laveen, AZ 85339-7902
(602) 304-2030
(602) 304-2035 fax



Trailside Point School

7275 W. Vineyard Rd.
Laveen, AZ 85339-9805
(602) 605-8540
(602) 605-8545 fax



**Vista del Sur
Traditional School**

3908 W. South Mtn. Ave.
Laveen, AZ 85339-7897
(602) 237-3046
(602) 237-1976 fax

May 20, 2014

Debra Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

RE: Response to Laveen Elementary School District FY12 Performance Audit

Dear Ms. Davenport:

The Laveen Elementary School District respectfully submits its response to the performance audit of FY12. The audit contained one main finding and one other, less significant area of concern.

Attached is the District's response to each recommendation in the report. As required by A.R.S. §41-1279.03 each response indicates whether or not the District agrees with the finding and recommendation and whether the District will implement the recommendation, will implement a modification to the recommendation, or will not implement the recommendation.

Thank you for the courtesy and professionalism your audit team extended to our staff during the course of the audit.

Sincerely,

Williams M. Johnson, Ed.D.
Superintendent

ATTACHMENT

Finding 1: In fiscal years 2012 and 2013, the Laveen Elementary School District failed to maintain documentation to show that bus driver certification requirements were met in accordance with the *State's Minimum Standards for School Buses and Scholl Bus Drivers* (Minimum Standards)

We agree with the finding and the recommendation. Beginning in fiscal year 2014 driver files are complete and are maintained in accordance with the Minimum Standards.

Other Findings: The District may be able to improve plant operations efficiency and lower costs by reducing or eliminating its contracted custodial services.

We agree with the finding and the recommendation. The District will review its custodial needs to determine the feasibility of further reducing costs.

