



# Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-2097

## Average Daily Membership and Compliance Audit Report Roosevelt Elementary School District Fiscal Years 2006, 2007 and 2008

Report Number 09-10

October 1, 2009

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ARIZONA DEPARTMENT OF EDUCATION

The Audit Unit

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October 1, 2009

Mary Beyda, Interim Superintendent  
Governing Board  
Roosevelt Elementary School District No. 66  
6000 South 7<sup>th</sup> Street  
Phoenix, AZ 85042

Dear Ms. Beyda and Members of the Board:

The Arizona Department of Education Audit Unit has conducted an audit of the Roosevelt Elementary School District's Average Daily Membership for Fiscal Years 2006, 2007 and 2008, and also compliance with other fiscal-related issues. The purpose of the audit was to determine whether the District properly reported student attendance, offered students sufficient statutorily-mandated instructional hours, whether it received the correct amount of State Aid and whether it complied with other fiscal-related requirements.

The audit found that the District did not provide some students with sufficient instructional hours for FY2006, FY2007 and FY2008. Additionally, the audit found problems in several other areas including the District's ELL program, fixed assets and procurement.

A.R.S. §41-1092.04 provides the District the opportunity to appeal the audit within 30 days after issuance. Appendix A in the report provides statutory references governing the appeal process.

Sincerely,

Arthur E. Heikkila  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) and compliance audit of the Roosevelt Elementary School District No. 66 (District). This review was conducted pursuant to Arizona Revised Statutes (A.R.S.) §§15-239, 15-915, and Laws 2006, Chapter 353, Section 23, for Fiscal Year 2007, and Laws 2007, Chapter 264, Section 17, for Fiscal Year 2008. The audit focused on whether the District accurately reported attendance data to ADE for FY2006, FY2007 and FY2008 and whether it managed its resources in compliance with the Uniform System of Financial Records for Arizona school districts, Arizona Revised Statutes, its own policies and best practices.

ADM audits help ensure the appropriate distribution of over \$4 billion in State Aid provided annually to Arizona schools. Schools receive State Aid based on several factors related to student attendance.<sup>1</sup> To receive funding, schools report attendance data to ADE. ADE then processes that data, determines payment amounts according to the relevant statutory funding formula(s) and distributes payments to schools 10 times each year for the fiscal years audited.

***The audit process***—The ADM audit process determines whether payments were correct or if an adjustment is needed pursuant to A.R.S. §15-915. ADM audits compare the district's reported information to the original records kept at the district. If the audit finds that the district's reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to the district's State Aid. These funding adjustments result in either more or less funding provided to the district, depending upon results of the audit finding(s). Similarly, the compliance audit process determines whether a district is conducting its operations in accordance with law and other requirements.

***The audit appeal process***—After the audit is published, A.R.S. §41-1092 provides districts that disagree with the audit findings the opportunity to file a formal appeal within 30 days after the report was issued. The district and ADE may reach agreement in an informal settlement conference. If not, the appeal will be adjudicated by the Office of Administrative Hearings. If ADE has determined that a district received excess State Aid, A.R.S. §15-915 directs that corrections to districts' funding be made either in the current year or the budget year. In case of hardship, districts may request that the Superintendent of Public Instruction allow a correction to be made partly in one year and partly in the following year.

***District financial and other information***—The Roosevelt Elementary School District was established in 1912, is located in the South Mountain area of Phoenix and consists of 21 schools offering education to students enrolled in preschool through eighth grade. The District is overseen by a five-member board that selects a superintendent to manage the District. In FY2008, the District reported a student count of 12,543 and employed 771 teachers (FTE). In addition to teachers, the District employed another 557 full

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<sup>1</sup> School districts are funded based on "student count", which is defined in A.R.S. §15-901(A)(14) as Average Daily Membership for the prior fiscal year. ADM is determined based on student enrollment and other attendance factors. Schools are required every 20 days to submit daily attendance information to ADE for each student enrolled. Attendance information is used by ADE to calculate ADM.

time equivalent (FTE) staff positions that included administration, classroom aides, transportation staff and custodians. Table 1 provides District student, staffing and expenditure information for FY2006, FY2007 and FY2008.

**Table 1**

**Roosevelt Elementary School District  
Students, Staffing, Revenue and Expenditures  
FY2006, FY2007 and FY2008  
(Unaudited)**

	FY2006	FY2007	FY2008
<b>Number of Students</b>	<b>12,553</b>	<b>12,691</b>	<b>12,543</b>
<b>Staff</b>			
Certified	910	764	771
Classified	705	567	557
<b>Total Staff</b>	<b>1,615</b>	<b>1,331</b>	<b>1,328</b>
<b>Revenue</b>			
Local	\$ 27,563,589	\$ 28,198,165	\$ 26,049,951
County	3,688,229	44,122	(5,294)
State	55,706,186	64,224,481	57,399,230
Federal	\$ 23,163,384	\$ 22,473,237	12,351,177
<b>Total Revenues</b>	<b>\$110,121,388</b>	<b>\$114,940,005</b>	<b>\$ 95,795,064</b>
<b>Total Expenditures</b>	<b>\$106,225,731</b>	<b>\$105,256,921</b>	<b>\$110,544,282</b>

Source: Annual Report of the Arizona Superintendent of Public Instruction, for FY2006, FY2007 and FY2008.

# SCOPE AND METHODOLOGY

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This audit focused on whether the District provided sufficient instructional hours to students and received the correct amount of State Aid, as well as whether it managed its resources in compliance with Arizona law, the Uniform System of Financial Records (USFR), its own policies and procedures and best practices for FY2006, FY2007 and FY2008.

To conduct this audit, auditors used a variety of methods, including examining District records for attendance, cell phones, fixed assets, procurement and travel. Auditors also reviewed District policies and procedures, statutes, the requirements outlined in the USFR, other best practices and interviewed District management and staff. Auditors also reviewed audit reports issued by the Arizona Office of the Auditor General and other external auditors.

Auditors also performed specific tasks for the following areas:

- **Average Daily Membership**—To determine whether the District received the correct amount of ADM funding from ADE, auditors reviewed approximately 749 students' cumulative files, which were obtained from the District and the 21 school sites for FY2006, FY2007 and FY2008. Auditors also obtained academic calendar and bell schedules from all of the school sites for FY2006, FY2007 and FY2008 to determine whether the District met the statutory instructional hours requirement.
- **Cell Phone Usage**—To determine whether District cell phone users utilized their communication devices appropriately, auditors reviewed the District's cell phone monthly statements for FY2007 and FY2008. In consultation with a District official from the Technology Department, auditors identified calls that were potentially inappropriate, such as those made to international countries, after work hours or on weekends and directory assistance calls.
- **English Language Learner (ELL)**—To determine whether the District correctly reported and subsequently received ADM funding for its ELL students, auditors reviewed approximately 600 ELL students' files. Auditors also reviewed 118 student registrations and Primary Home Language Other Than English (PHLOTE) forms (required by A.R.S. §15-756) to determine whether their home language was reported to be English. Auditors obtained the Arizona English Language Learners Assessment (AZELLA) test data from the external testing company to determine whether ELL students were tested each fiscal year and properly enrolled in the program. Additionally, auditors determined whether students who reached the proficient level as indicated by their test score were properly exited from the program.
- **Fixed Assets**—To determine whether the District had adequate internal controls over its fixed assets, auditors reviewed the District's assets and stewardship lists, observed the delivery of equipment and reviewed a sample of fixed assets. Auditors also reviewed applicable sections of the USFR and compared the District's practices with its requirements.
- **Other Compliance Areas**—To determine whether the District had adequate controls over its travel, procurement, fleet, fuel and human resources, auditors reviewed all out-of-state travel purchase

orders and reviewed samples of in-state travel purchase orders for FY2008, purchase orders for procurement, personnel files and fuel and mileage reports. Auditors also observed the purchase order process and the fueling of a District vehicle. Additionally, auditors also contacted nine other school districts to determine how they ensured that their fuel and fleet resources were used only for appropriate purposes.

The Audit Unit expresses its appreciation to the Roosevelt Elementary School District's Superintendent and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE DISTRICT WAS OVERPAID OVER \$830,000 IN STATE AID BECAUSE IT DID NOT PROVIDE SOME STUDENTS WITH SUFFICIENT INSTRUCTIONAL HOURS**

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The District did not provide the statutorily-required number of instructional hours to many of its 7th and 8th grade students for FY2006, FY2007 and FY2008. As a result, the District was overpaid over \$830,000 in State Aid. Pursuant to A.R.S. §15-915, ADE needs to recover these monies from the District and the District should ensure that it provides all students with sufficient instructional hours.

## **Many 7th and 8th Grade Students Did Not Receive Mandated Instructional Hours**

Although all school districts are required by statute to provide a minimum number of instructional hours to students, the District did not meet this requirement for many of its 7th and 8th grade students for FY2006, FY2007 or FY2008. Specifically, A.R.S. §15-901(A)(2)(b)(i) requires that public schools provide at least 1,068 instructional hours for 7th and 8th grade students in FY2006, FY2007 and FY2008. However, as shown in Table 2 (see pages 6 and 7), the District did not meet this requirement for many of its 21 schools. Auditors analyzed the District's bell schedules and calendars, and compared them to the statutory requirements and found that the District failed to offer sufficient instructional hours for many junior high students at 13 of the District's 21 schools. Specifically, auditors found:

- Eight of the 21 schools provided insufficient instructional hours to junior high students for all three fiscal years audited;
- Three of the 21 schools provided insufficient instructional hours to junior high students for two of the fiscal years audited;
- Thirteen of the 21 schools provided insufficient instructional hours for at least one of the fiscal years audited; and
- Two of the 21 schools provided insufficient instructional hours to junior high students for one of the fiscal years audited.

**Table 2**

**Roosevelt Elementary School District  
Instructional Hours Required, Offered and Percentage Provided for  
7<sup>th</sup> and 8<sup>th</sup> Grade  
FY2006, FY2007 and FY2008**

District School	Instructional Hours								
	FY2006			FY2007			FY2008		
	Required	Offered	Percentage	Required	Offered	Percentage	Required	Offered	Percentage
<b>Amy L Houston</b>									
<i>7th - 8th grade</i>	1,068	1,104.83	103.45%	1,068	1,104.83	103.45%	1,068	1,109.42	103.88%
<b>Bernard Black</b>									
<i>7th - 8th grade</i>	1,068	1,033.00	96.72%	1,068	1,033.00	96.72%	1,068	1,037.12	97.11%
<b>Brooks Academy</b>									
<i>7th - 8th grade</i>	1,068	1,087.00	101.78%	1,068	1,087.00	101.78%	1,068	1,091.42	102.19%
<b>C.J. Jorgensen</b>									
<i>7th - 8th grade</i>	1,068	1,002.67	93.88%	1,068	1,032.67	96.69%	1,068	980.00	91.76%
<b>C.O. Greenfield</b>									
<i>7th grade</i>	School Could Not Provide Information			1,068	1,059.83	99.24%	1,068	1,064.17	99.64%
<i>8th grade</i>	School Could Not Provide Information			1,068	1,057.00	98.97%	1,068	1,061.25	99.37%
<b>Cesar Chavez</b>									
<i>7th - 8th grade</i>	1,068	992.50	96.93%	1,068	992.50	96.93%	1,068	1,061.25	99.37%
<b>Cloves Campbell</b>									
<i>7th - 8th grade</i>	1,068	1,072.00	100.37%	1,068	1,027.00	96.16%	1,068	1,031.08	96.54%
<b>Ed &amp; Verma Pastor</b>									
<i>7th - 8th grade</i>	1,068	1,042.00	97.57%	1,068	982.00	91.95%	1,068	985.83	92.31%
<b>Ignacio Conchos</b>									
<i>7th - 8th grade</i>	1,068	1,045.00	97.85%	1,068	1,057.00	98.97%	1,068	1,019.02	95.41%
<b>J.R. Davis</b>									
<i>7th - 8th grade</i>	1,068	1,149.00	107.58%	1,068	1,149.00	107.58%	1,068	1,106.50	103.60%
<b>M.O. Bush</b>									
<i>7th grade</i>	1,068	1,104.00	103.37%	1,068	1,102.00	103.18%	1,068	1,106.50	103.60%
<i>8th grade</i>	1,068	1,119.00	104.78%	1,068	1,102.00	103.18%	1,068	1,107.00	103.65%
<b>P.L. Julian</b>									
<i>7th grade</i>	1,068	1,039.17	97.30%	1,068	1,102.00	103.18%	1,068	1,106.50	103.60%
<i>8th grade</i>	1,068	1,057.00	98.97%	1,068	1,102.00	103.18%	1,068	1,106.50	103.60%
<b>Rose Linda</b>									
<i>7th - 8th grade</i>	1,068	1,007.53	94.34%	1,068	1,027.00	96.16%	1,068	1,061.25	99.37%
<b>Sierra Vista</b>									
<i>7th - 8th grade</i>	1,068	1,072.00	100.37%	1,068	1,102.00	103.18%	1,068	1,031.08	96.54%

(Table 2 continued on next page)



## The District was Overpaid \$832,520.32 In Basic State Aid Funding

As a result of providing insufficient instructional hours at 13 schools during the fiscal years audited and making enrollment errors for two students, the District's ADM was overstated and it was overpaid Basic State Aid. As shown in Table 3, the District's ADM was overstated by a total of 155.30 for all three fiscal years audited.<sup>2</sup> The District's ADM overstatement was primarily due to the District providing insufficient instructional hours for many schools' 7<sup>th</sup> and 8<sup>th</sup> grade students. A small amount, 0.23 ADM, was due to enrollment errors which resulted from the District not withdrawing two students properly. As a result of the District's insufficient instructional hours and enrollment errors, it was overpaid \$832,520.32 of State Aid for the three fiscal years reviewed, as shown in Table 3.

**Table 3**

**Roosevelt Elementary School District  
ADM Overstatement Due to Insufficient Instructional Hours and  
Enrollment Errors and Related Overpayment  
FY2006, FY2007 and FY2008**

	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>Total</b>
Instructional Hours Shortage in ADM	49.97	57.41	47.69	155.07
Enrollment Errors in ADM	<u>0.00</u>	<u>0.00</u>	<u>0.23</u> <sup>a</sup>	<u>0.23</u>
Total Overstated ADM	<u>49.97</u>	<u>57.41</u>	<u>47.92</u>	<u>155.30</u>
Overpayment	\$267,875.34	\$307,759.12	\$256,885.86	\$832,520.32

<sup>a</sup> Auditors identified enrollment errors arising from the District not properly withdrawing two students pursuant to A.R.S. §15-901.

Source: Auditor analysis of SAIS and District student data for FY2006, FY2007 and FY2008.

## Actions Needed to Provide Sufficient Instructional Hours to All Students

District management should take a more active role to ensure that all of its schools provide students with sufficient instructional hours by better monitoring its schools' bell schedules. One reason that some of the schools did not provide sufficient instructional hours to students was that they did not maintain

<sup>2</sup> ADE Guideline GE-18 provides directions for determining the ADM adjustment based on insufficient instructional hours. According to the Guideline, "If school districts or charter holders are not in compliance with the requirements for annual classroom instruction hours pursuant to A.R.S. §§15-901(A)(2)(a), (b) and (c), then annual equalization funding will be prorated accordingly. Example: A school with deficient annual hours will have their reported membership decreased based on the actual amount of instruction hours provided compared to the required annual hours. For instance, a school that provides 90 percent of the required hours will have the reported membership days reduced by 10 percent, thus ADM will be reduced by 10 percent. Annual equalization will be based on this revised ADM."

accurate bell schedules.<sup>3</sup> Specifically, auditors found that 12 of the District's 21 schools initially could not provide complete and accurate bell schedules. As a result, auditors requested that these schools' administrators and staff perform research to recreate their schools' bell schedules to show when students were provided instructional time. The only school that was unable to provide any instructional schedule information was the C.O. Greenfield School for FY2006.

During the course of the audit, the District implemented a procedure requiring each of its schools to submit their instructional hours for the upcoming school year. According to District management, the proposed instructional hours for each school are reviewed by District management for completeness and accuracy. To ensure that all of its students receive sufficient instructional hours, the District should continue to monitor the schools' bell schedules and provide direction to them as necessary. Further, the District should ensure that each school keep its bell schedule information on file for at least four years.

### **Recommendations:**

1. ADE should recover \$832,520.32 in overpaid Basic State Aid from the District.
2. The District should ensure that it provides all students with the statutorily-required number of instructional hours.
3. To ensure students receive sufficient instructional hours, the District should continue to monitor the schools' bell schedules and provide direction to the schools as necessary.
4. The District needs to ensure that each of its schools keep its bell schedule information on file for at least four fiscal years.

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<sup>3</sup> All of the schools provided lists of times their bells went off throughout the day. However, these were not the schedules needed to show when students were provided instructional time.

## **FINDING 2: ELIGIBILITY, TESTING AND RECORDS PROBLEMS HINDER ELL PROGRAM COMPLIANCE**

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The District should address problems identified in its ELL Program. Auditors found many ineligible students enrolled in the District's ELL program and as a result, the District received a total overpayment of approximately \$75,000 in State Aid for FY2006, FY2007 and FY2008. Some of the ineligible students had already tested proficient in English, while others were ineligible for the program because their home language was reported as English. In addition, the District also failed to annually test many students for English proficiency as required by A.R.S. §§15-756.05 and 15-756.06. Further, the District failed to maintain important records for almost 20 percent of its ELL students for all three fiscal years audited.

English Language Learners (ELL) are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. At the time of the audit, students were identified as potential ELL students by either a home language survey or an enrollment form, which were both administered by the District. Beginning in July 1, 2009, the District developed a new enrollment form that no longer includes qualifying questions to identify potential ELL students. Additionally, ADE's Office of English Language Acquisition Services (OELAS) modified the home language survey form to include one qualifying question. After students have been identified and placed in the ELL program, districts are required to test them at least annually on their English proficiency as required by A.R.S. §15-756.05 and to report the results to ADE.

School districts are eligible to receive additional monies for teaching ELL students through the State's school funding formula, the federal Title III program and other sources. For FY2006, FY2007 and FY2008, the District served an average of 4,994 ELL students.<sup>4</sup>

### **Ineligible Students Enrolled in ELL Program Resulted in \$75,432.13 in State Funds Overpayment**

A review of the District's ELL student files found that many students who were funded by State Aid for ELL services were not eligible for the program, causing the State to overpay the District approximately \$75,000 in ELL ADM funding. Auditors found that the District did not properly exit some ELL program students who had already tested proficient in English. In addition, the District also enrolled some students in the ELL program that were ineligible because the students' home language was reported as English. By keeping these students in the ELL program, the District did not afford them the opportunity to move into a mainstream classroom.

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<sup>4</sup> ELL per-pupil funding is known as the "ELL B-weight". This funding is the add-on weighted ADM associated with ELL students.

***District did not properly exit some ELL students who were proficient in English***— Although required to do so, auditors found that the District did not follow the statutory requirement to exit students once they were determined to be proficient in English. Specifically, A.R.S. §15-756.05(B) requires all school districts to exit students once they are determined to be proficient in English as measured by the Arizona English Language Learners Assessment (AZELLA) test.

Auditors analyzed the District’s ELL test scores for FY2006, FY2007 and FY2008 and as shown in Table 4, identified a total of 221 students who had tested proficient in English but were not exited from the ELL program by the District. One-hundred eighty-eight of the 221 students had tested proficient during the prior school year and were re-enrolled in the ELL program for the following year. The remaining 33 students had tested proficient in the current school year but were not exited from the ELL program by the District.

As shown in Table 4, the District was overpaid approximately \$61,696.63 in State Aid for the ELL students that it should have exited from the program.

**Table 4**

**Roosevelt Elementary School District  
Students Ineligible for ELL Program Due to Testing Proficient  
FY2006, FY2007 and FY2008<sup>1</sup>**

	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>Total</b>
Students tested	1,687	4,255	5,034	10,976
Tested proficient but not exited from ELL	3	14	16	33
Tested proficient in prior fiscal year and incorrectly re-enrolled	<u>131</u>	<u>17</u>	<u>40</u>	<u>188</u>
Total	<u>134</u>	<u>31</u>	<u>56</u>	<u>221</u>
Total ineligible add-on weighted ADM <sup>2</sup>	11.96	2.38	4.75	19.09
Overpayment based on ELL State Aid amount	\$38,653.31	\$7,691.88	\$15,351.44	\$61,696.63

<sup>1</sup> Requirements for ELL program eligibility are from A.R.S. §§15-756.05 and 15-756.06.

<sup>2</sup> This is the add-on weighted ADM associated with the ineligible ELL students.

Source: Auditor analysis of the ADMS71 report and District ELL records.

The District needs to better ensure that students who test proficient in English are properly exited from the ELL program. According to District officials, the District’s ELL clerk enters all ELL students’ testing data into the Student Management System (SMS) after it has been received from the external testing center. If a student tested proficient in English, the date the AZELLA test was administered to the student is the date that the clerk should use to exit the student from the ELL program. District management needs to make sure that this indeed occurs.

***Some students whose home language was English were inappropriately enrolled***—Auditors also found that the District’s ELL program included some students who should not have been enrolled in the program because their home language was reported to be English. Pursuant to A.R.S. §15-756, a school district should not enroll students whose home language is English in its ELL program. To determine

students' home language, districts at the time of the audit were statutorily required to send a three-question survey home to all students' parents to identify potential ELL students' home language.<sup>5</sup> If the parents indicated that English was not the primary language spoken at home, the District was then required to administer the AZELLA test to the student to further determine the student's ELL eligibility. Similarly, if the parents indicated that English was the primary language spoken at home, the District should not have taken further ELL-related action regarding that student.

Auditors identified many students who should not have been enrolled in the District's ELL program because their home language was reported to be English. As shown in Table 5, auditors reviewed 690 files for students whose home language was reported to the District to be a language other than English. Auditors identified those students whose parents indicated that their home language was English on any one of the District survey's four questions.<sup>6</sup> This review identified a total of 44 students who should not have been enrolled in the ELL program because their home language was reported to be English. Specifically, auditors identified that 14, 15 and 15 students were ineligible for FY2006, FY2007 and FY2008, respectively. Although these students should not have been enrolled in the ELL program, the District reported them as ELL students and inappropriately received ELL funding for them.

As shown in Table 5, the District was overpaid \$13,735.50 in State Aid for the 44 students, inappropriately enrolled in the ELL Program.

**Table 5**

**Roosevelt Elementary School District  
Students Ineligible for ELL ADM Due to Home Language  
FY2006, FY2007 and FY2008**

	FY2006	FY2007	FY2008	Total
Total students reviewed	309	219	163	690
Ineligible ELL students	14	15	15	44
Total ineligible add-on weighted ADM <sup>1</sup>	1.30	1.34	1.61	4.25
Overfunding based on ELL State Aid amount	\$4,201.45	\$4,330.72	\$5,203.33	\$13,735.50

<sup>1</sup> This is the add-on weighted ADM associated with the ineligible ELL students.

Source: Auditor analysis of ADE ELL data reports and District ELL records.

***District should ensure that only appropriate students are enrolled in its ELL program***—The District should ensure that its ELL program includes only students whose home language is a language other than English. To help all districts with this, ADE's OELAS has revised its Home Language Survey to include only the one question "What is the primary language of the student?" According to District management, the District will begin using this form for the FY2010 school year.

<sup>5</sup> This survey is called the Primary Home Language Other Than English (PHLOTE), and is required by A.R.S. §15-756.

<sup>6</sup> The District inappropriately modified the home language survey by adding a fourth question of its own: "What is the language that is preferred for School correspondence?"

**Ineligible enrollment could impact student success**—Additionally, by placing or keeping ineligible students in its ELL program, the District did not afford them the important opportunity to assimilate into a mainstream classroom. According to A.R.S. §15-756.05, districts should move students that test proficient in English out of the ELL program and into a mainstream classroom. Because the District failed to move these students out of the ELL program, these students remained in the ELL program longer than they should have and potentially missed some educational opportunities associated with being in a mainstream classroom.

## District Did Not Comply with Statutory Mandate to Test Each ELL Student Annually

Although statute requires that districts test every ELL student each year, the District has failed to do so. A.R.S. §15-755 requires each school district to annually administer a test of English proficiency to every ELL student. However, auditors identified many ELL students that the District failed to test for each year audited. As shown in Table 6, auditors identified that 2,941, 562 and 505 ELL students should have been but were not tested for FY2006, FY2007 and FY2008, respectively. This issue was especially pervasive in FY2006 as the District failed to test over 60 percent of its ELL students.

**Table 6**

### Roosevelt Elementary School District ELL Students Tested, Not Tested and Percentage Not Tested FY2006, FY2007 and FY2008

	FY2006	FY2007	FY2008	Total
<b>Total ELL Students</b>	<u>4,628</u>	<u>4,817</u>	<u>5,539</u>	<u>14,984</u>
Students Tested	1,687	4,255	5,034	10,976
Students Not Tested	<u>2,941</u>	<u>562</u>	<u>505</u>	<u>4,008</u>
<b>Percentage Not Tested</b>	63.5	11.67	9.11	26.75

Source: Auditor analysis of ADE School Finance ADMS71 report and District ELL records.

The District should take steps to ensure that it meets the statutory mandate to test every ELL student at least annually. According to a District official, the District’s practice is to test every ELL student for English proficiency annually and tests students as many as three times annually, with Kindergarten and newly enrolled students tested twice a year if they arrive before December. However, auditors found no evidence that the District fully carried out these testing practices.

To ensure that it meets the statutory testing requirement, the District should ensure that it tests each ELL student at least annually and monitors the associated testing documentation. Additionally, it should reconcile this testing documentation to its ELL student lists to ensure that all ELL students are tested at least annually. In response to the audit, the District developed spreadsheets for each school to track the testing status of each ELL student, along with a procedural manual and an internal process to help ensure that all ELL students have been tested.

## **District Missing Required ELL Student Information for 128 of the 690 Records Sampled**

The District also failed to maintain necessary documentation for many of its ELL students for all three fiscal years audited. It is important that school districts maintain documentation of their ELL programs because the documentation includes student records that are required by Arizona law (A.R.S. §39-121, et seq.) to be kept for at least four years. Specifically, auditors found that 128 of the 690 student records requested had already been disposed of by District staff. This missing documentation made it difficult for auditors to verify that the District was properly and accurately reporting ELL student information for its own as well as for ADE's needs. To resolve this problem, the District should develop and implement a records retention policy in line with Arizona law that requires students' ELL program documentation to be maintained for at least four years.

### **Recommendations:**

1. ADE needs to recover \$75,432.13 in overpaid State Aid for ELL program students that the District should not have received for FY2006, FY2007 and FY2008.
2. The District should ensure that it properly exits students who test proficient in English from its ELL program.
3. The District should implement a process to ensure that the ELL program data entered into its SMS is correct and updated.
4. The District should ensure that the appropriate home language of students is reported to ADE to ensure that the appropriate funding is calculated.
5. The District should ensure that it tests each ELL student at least annually and monitors the associated testing documentation.
6. The District should develop and implement a records retention policy in line with Arizona law that requires ELL documentation to be kept for at least four years.

## FINDING 3: INAPPROPRIATE CELL PHONE USE LED TO EXCESSIVE COSTS

Auditors identified many examples of inappropriate cell phone usage by District staff. The inappropriate cell phone usage included international and long distance calls, excessive text messaging, excessive calls for directory assistance and excessive cellular minutes over the number of available minutes, resulting in the District incurring additional cell phone costs totaling over \$29,000 for FY2007 and FY2008. Although the District has already taken action to discontinue the use of most of its cell phones, it still needs to continue to recoup the inappropriate cell phone costs incurred by staff.

### District Staff Cell Phone Misuse

As shown in Table 7, auditors found that District staff used their cell phones inappropriately and incurred significant and unnecessary costs for the District.<sup>7</sup>

**Table 7**

**Roosevelt Elementary School District  
Charges for Inappropriate Cell Phone Use  
FY2007 and FY2008**

Year	International Charges	Long Distance Charges	Excessive Text Message Charges	Directory Assistance Charges	Excessive Cellular Minutes Charges	Total Inappropriate Charges
FY2007	\$ 895.24	\$233.87	\$1,531.50	\$ 529.54	\$19,540.79	\$22,730.94
FY2008	<u>1,378.05</u>	<u>96.37</u>	<u>3,823.55</u>	<u>760.75</u>	<u>1,065.51</u>	<u>7,124.23</u>
<b>Total</b>	<u>\$2,273.29</u>	<u>\$330.24</u>	<u>\$5,355.05</u>	<u>\$1,290.29</u>	<u>\$20,606.30</u>	<u>\$29,855.17</u>

Source: Auditors analysis of monthly cell phone statements provided by the District.

***District staff used excessive cell phone minutes***—Although the District’s cell phone plan included a monthly pool of available minutes, some staff used minutes in excess of this pool during multiple months. As shown in Table 7, auditors found that the excessive minutes used by staff cost the District approximately \$19,000 for FY2007 and \$1,000 for FY2008. According to the District’s IT Director, the reason that the cost was so excessive for FY2007 was because the District significantly reduced its pool of available cell phone minutes from almost 60,000 to 31,000 minutes from August to November of

<sup>7</sup> As of July 2008, the District had approximately 415 communication devices that were issued to District staff. Approximately 250 of these devices were radios which had only “walkie talkie” and 911 functions. Additionally, about 70 of these were “Blackberry-type” devices, which allowed users to make phone calls, check email and make text messages. In addition, approximately 90 of the devices were cell phones, which allowed staff to make phone calls. District-wide, many employees were assigned cell phones, including bus drivers, secretaries, clerks, IT staff and custodians.

2007. Thus, after staff used the pool of 31,000 minutes during these months, the District was charged an additional cost for every additional minute used.

***District staff made some inappropriate cell phone calls***—Auditors also found that some staff made inappropriate cell phone calls. Auditors reviewed the District’s monthly cell phone statements for FY2007 and FY2008 to determine whether District staff used their cell phones to make appropriate calls. Auditors identified the following issues regarding staff cell phone usage:

- **International calls**—Some District staff made or received international personal phone calls. Auditors found that some staff made or received calls from places such as Mexico and Canada. Additionally, auditors identified 966 minutes of international calls made during FY2007 and 2,000 minutes from FY2008. As shown in Table 7 (see page 15), these international cell phone calls cost the District approximately \$900 for FY2007 and \$1,400 for FY2008. Specifically, auditors identified two employees who received or made international phone calls regularly, which cost the District approximately \$240 and \$1,300 for FY2007 and FY2008 of the annual totals, respectively.
- **Long distance calls**—Some District staff used their cell phones to make long distance calls. As shown in Table 7 (see page 15), these calls cost the District approximately \$230 for FY2007 and \$100 for FY2008.
- **After working hours and weekend calls**—Some District staff used their cell phones to make calls after working hours and during weekends. Auditors identified about 70 employees who made or received phone calls after working hours and about 80 employees who made or received phone calls during weekends. Even though these calls did not incur additional costs to the District, they are still inappropriate because staff should not be using District property for non-business related purposes.

***District staff used cell phones for inappropriate messaging and directory assistance***— In addition to staff making inappropriate phone calls with their cell phones, auditors also found that some staff used their cell phones for other potentially inappropriate purposes. For example:

- **Excessive text messaging**— Some District employees used their cell phones to send and receive an excessive number of text messages. As shown in Table 7 (see page 15), auditors found that District staff incurred over \$1,500 in text messaging charges for FY2007 and over \$3,800 for FY2008, for a total of over \$5,300 in excessive text messaging charges for these two fiscal years. For example, one staff member sent or received 950 text messages for FY2007 and 4,690 messages for FY2008.
- **Directory assistance**— Some District employees called directory assistance on their cell phones during FY2007 and FY2008. Specifically, District staff called directory assistance 295 times for FY2007 and 425 times for FY2008. These calls cost the District \$1.40 each before February 1, 2007 and \$1.79 each after February 1, 2007. As shown in Table 7 (see page 15), directory assistance charges totaled over \$1,200 for FY2007 and FY2008.

## **District Has Changed Oversight of Its Cell Phones**

At the time of the audit, the District's cell phone policy included general guidelines for cell phone use, including a restriction of phone use for official District business. Additionally, the policy required all phone users to regularly review their cell phone invoices. The policy also served as an agreement between each user and the District, as it included space for both the phone user and his or her supervisor to sign and date it.

According to the District, it has improved the oversight over its cell phones to avoid future misuse. First, the District has significantly limited the number of cell phones assigned to staff District-wide. According to District documents, the District has discontinued the majority of its cell phones. The District kept only 15 of its cell phones and assigned them only to certain staff, including bus drivers and IT staff and during the audit, developed a listing of these staff. Additionally, the District implemented an annual stipend of \$40 for principals and some other administrators to apply toward their personal cell phone bills to cover work-related calls. To help ensure that the stipend is used only for appropriate purposes, the District developed a policy that defines the specific types of staff eligible for the stipend along with the process used by the District to administer the stipend to these staff.

Management reports that it has also improved its oversight by amending a cell phone user policy and recouping monies from staff who used their cell phones inappropriately. During the audit, the District established a new policy stipulating the acceptable use of its cell phones and requires staff assigned the phones to review and sign it. This policy now requires that each staff member review their monthly cell phone invoice for accuracy and to notify the IT Department immediately if any discrepancies are identified.

In order to ensure compliance with the District's cell phone policy, the District should continue to monitor cell phone use and enforce its own policies. Additionally, the District should continue to recoup the monies from its employees who made inappropriate cell phone calls. According to the District, as of June 2009, it has recouped approximately \$700 but still has approximately \$210 remaining to recoup from current and former staff.

### **Recommendations:**

1. The District should continue to monitor employees' compliance with its cell phone use policies.
2. The District should continue to recoup the monies from its employees who made inappropriate phone calls with the District's cell phones.

## **FINDING 4: THE DISTRICT CONTINUES TO HAVE PROBLEMS ACCOUNTING FOR AND SECURING ITS FIXED ASSETS**

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Since FY2005, the District continues to have problems maintaining and safeguarding its fixed assets. Auditors reviewed a sample of 125 fixed assets and found 70 valued at over \$630,000, that were lost, not properly tagged or not listed appropriately. In addition, auditors found 101 items that were not accounted for on any District inventory list. Weak processes and controls plus poor procedures and practices contributed to the District's problems safeguarding its fixed assets. Arizona Office of the Auditor General's reviews and audits have previously identified these problems and the District should continue to take action to resolve these problems.

The Uniform System of Financial Records for Arizona School Districts (USFR) defines fixed assets as land and improvements, buildings and improvements, furniture, equipment and vehicles<sup>8</sup>. The USFR requires districts to manage their fixed assets by developing a complete property control system, including policies and procedures for recording and controlling them. For example, districts are required to record information about each fixed asset in the event of a fire or other loss. Additionally, the USFR requires districts to identify each fixed asset valued at \$1,000 or more with a tag. Further, districts must record their fixed assets on either a capital list for items valued at more than \$5,000, or on a stewardship list for items valued at more than \$1,000.

### **Fixed Assets Missing, Tagged Improperly or Not Listed Properly**

The District has not properly accounted for all of its fixed assets. Auditors found that some of the District's fixed assets were missing or were improperly tagged. In addition, auditors found 101 fixed assets that were not on any fixed asset lists maintained by the District.

*Auditors unable to locate some fixed assets*—Auditors were unable to locate many of the District's fixed assets. As shown in Table 8 (see page 19), auditors reviewed a total of 226 fixed assets, (Capital and Stewardship) worth a total of approximately \$773,000. Of the 44 capital fixed assets reviewed, auditors were unable to locate a food mixer that cost the District \$6,339. Of the stewardship fixed assets reviewed, auditors were unable to locate 16 items, including computers, monitors, and printers totaling \$21,688. Additionally, auditors were unable to locate 59 of the District's computers that had been purchased with federal funds, which ranged in cost from \$950 to \$2,103.

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<sup>8</sup> The USFR is the accounting and financial reporting manual for Arizona school districts. The USFR was developed and is updated by the Arizona Office of the Auditor General and provides accounting and financial requirements that all Arizona school districts must meet.

**Table 8**

**Roosevelt Elementary School District  
Results of Review of Sample of 226 Fixed Assets  
FY2008**

	<i>Capital: Greater than \$5,000</i>	<i>Value in Dollars</i>	<i>Stewardship: \$1,000 to \$4,999</i>	<i>Value in Dollars</i>	<i>Total</i>
<b>Compliance:</b>					
Properly tagged and stored	4	\$ 56,508	51	\$ 81,090	\$137,598
<b>Non-compliance:</b>					
Not located	1	6,339	16 <sup>2</sup>	21,688	28,027
Tagged improperly	35	551,239	18	25,831	577,070
Not listed <sup>1</sup>	4	17,246	97	12,741	29,987
<b>Total</b>	<b>44</b>	<b>\$631,332</b>	<b>182</b>	<b>\$141,350</b>	<b>\$772,682</b>

<sup>1</sup> The dollar amounts associated with this category are understated since the items' value was not available from the list.

<sup>2</sup> An additional review of the District's stewardship fixed assets was unable to locate an additional 59 computers, which are not included in this number.

Source: Auditor review of Roosevelt Elementary District fixed asset reports for FY2008.

***Some fixed assets not tagged properly***—Auditors found that many of the District's fixed assets were not tagged properly, which would make identifying and keeping track of these items difficult and could lead to the loss of these items. As shown in Table 8, only 55 of the 226 fixed assets reviewed were properly tagged. Some of the items that were improperly tagged had either old or duplicate tags on them. Capital assets that were tagged improperly included photocopiers, ovens, security equipment, a freezer and others totaling over \$550,000. Auditors also identified 18 stewardship fixed assets that were improperly tagged, including computers, printers, a laminator and key making machine, and other various assets with a total value of \$25,831. Additionally, auditors identified some items, such as table saws, band saws and drill presses that were not tagged at all.

***Some items located were not on the fixed assets list***—Auditors also located many fixed assets that did not appear on the District's fixed asset list. Four such items including a Hobart mixer and a panel saw were valued at over \$5,000 each. Additionally, auditors identified 97 items that cost under \$5,000 that were missing from the fixed asset lists that were valued at a total of \$12,741. Two of these 97 items were a computer system and a laser printer at the District Office.

**Weak Controls and Safeguards  
Contributed to Problems**

The District's lack of oversight over its fixed assets leaves them vulnerable to theft or misuse. The District did not have complete and updated fixed asset lists and its attempts to develop an inventory were inadequate. Additionally, the District's poor procedures and practices further increased the potential for loss or misuse of its fixed assets.

***The District lacked complete and accurate asset lists as required by the USFR***—The District’s fixed asset lists were incomplete and inaccurate and did not allow the District to properly identify and value its fixed assets. As mentioned earlier in this Finding, auditors found multiple problems with the District’s fixed asset lists. However, the USFR requires all districts to maintain complete fixed asset listings that include information such as the location of the fixed asset, its identification number, its cost and its purchase order number. Additionally, the USFR requires districts to update this listing at least annually.

The District’s failure to maintain a complete and updated list of its fixed assets could distort its financial statements. Without an accurate listing of its fixed assets, the District’s governing board and management do not have an accurate fixed assets valuation and depreciation balance and both of these are likely to be distorted. Therefore, the District’s government-wide financial statements could be incorrect.

***District’s effort to identify fixed assets failed to meet expectations***—Although the District attempted to identify its fixed assets, this effort fell short. In an effort to identify all of its fixed assets, the District spent approximately \$22,000 for an external consulting firm to conduct an inventory of all fixed assets in early 2008. However, according to District officials and auditor testwork, the company did not properly classify the assets, tag them with identifying information and store them in the appropriate location. For example, according to one District official, the company did not properly tag many items, as many items had multiple tags on them and the old tags had not been removed. Additionally, this official stated that while the District had directed the company to count the computers and monitors separately, the company combined them for inventory purposes. According to District officials, the consulting company did not provide them with any feedback or recommendations to help them in the future.

***District’s fixed asset procedures inadequate and not always followed***—Although the District had some procedures in place for its fixed assets, they were limited and not always followed by District staff. For example, according to District procedures, all items received from a vendor were supposed to be logged, tagged and locked. However, auditors identified many items that were not tagged. Auditors identified several other examples of staff not following the District’s fixed asset procedures and other aspects of the District’s poor oversight over its fixed assets:

- The District assigned only one employee to perform tasks relating to inventorying fixed assets from the point the assets were received from the vendor to the point that they were processed and stored. However, this practice did not provide any check on this employee to ensure the asset was processed correctly and was not either stolen or misused. Additionally, auditors observed that the employees that received inventory all had full access to the District’s computerized fixed assets system, which could have allowed them to add, edit or delete records of any fixed asset in its system. As a result, this practice left the District’s fixed assets vulnerable to potential theft or misuse.

According to the Government Auditing Standards, segregation of duties is an important control to help ensure that no one employee has too many responsibilities for a certain task.<sup>9</sup>

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<sup>9</sup> Comptroller General of the United States. Government Auditing Standards July 2007.

- After its fixed assets were stored, the District did not sufficiently safeguard them from potential theft or misuse. Auditors observed that the alarm system on the fixed asset building was not functioning and that the door lock for the fixed asset building was broken. During the course of the audit, the District ensured that both the alarm and lock to the fixed asset building were repaired.
- The District lost multiple fixed assets due to its lack of controls over them while the assets were transferred from one area to another. The District's own fixed asset procedures require staff to maintain each asset's location in the inventory system and to change this information whenever an asset is transferred. However, according to District officials, four laptop computers went missing while they were being transferred from the fixed asset building to the IT department. Although the District hired an independent investigation company to determine the location of the computers, it was unable to determine either how the computers were lost or what happened to them. In their report, the investigators stated that "proper protocols and policies by fixed assets were not followed to ensure the safekeeping or recording of this delivery." In addition to these computers, the District could lose more fixed assets in the future due to its inadequate controls.
- The District did not maintain an asset disposal form to document when fixed assets were disposed. According to the USFR, all districts should fill out an asset disposal form when items are disposed of and maintain a listing of all disposed items. Additionally, the District's own fixed asset procedures require staff to dispose of assets "according to state guidelines." However, auditors found no evidence that the District was following either of these procedures and maintaining such a list. With no documentation of asset disposal, it was difficult for the District to identify which fixed assets it should still have, and which assets are no longer at the District. The District should ensure that its staff properly use asset disposal forms to document fixed asset disposals.

## **Fixed Asset Problems Identified by Past Reviews**

Past audit reports have identified problems with the District's oversight for its fixed assets:

- In FY2005, the Office of the Auditor General reported in its compliance review that the District did not maintain accurate capital assets and stewardship lists as required by the USFR.<sup>10</sup> According to the compliance review, the District understated its total assets by not including a new elementary school, which cost approximately \$6 million, on its capital assets list.
- In November 2007, the Office of the Auditor General followed up on this issue and reported that the District again lacked accountability over its capital assets and that some assets were not located.<sup>11</sup> Specifically, the Office of the Auditor General found that the District was not always tagging its equipment with permanent tag numbers and in some cases, multiple items were tagged with the same number. Also, the Auditor General found that the District did not reconcile the results of its physical inventory that it took in December 2006.

<sup>10</sup> Office of the Auditor General. Accounting Services Division. Compliance Review Year Ending June 30, 2005.

<sup>11</sup> Office of the Auditor General. Accounting Services Division. Status Review as of May 3, 2007.

- Similarly, in its single audit report and the USFR Questionnaire for FY2007 the District's contract auditor concluded that the District was not in compliance with the requirements of the USFR with respect to its capital assets, and reaffirmed the Office of the Auditor General's audit findings. According to the Questionnaire, several assets valued at less than \$5,000 were inappropriately included in the capital assets list and depreciated while several assets costing greater than \$5,000 were not.

## **District Has Taken Some Action to Help Resolve Problems**

During the course of the audit, the District took action to help address the problems identified with its fixed assets. First, the District hired a consultant in late 2008 to conduct another inventory of its fixed assets. Additionally, as of March 2009, the District was in the process of reconciling the fixed assets in its accounting system with the inventory report from the consultant and plans to complete this project by September 2009. According to the District, it plans on conducting a final reconciliation in September 2009 after all the invoices from FY2009 have been paid and plans to reconcile all fixed assets on a monthly basis starting in August 2009.

The District also implemented new policies and practices intended to strengthen oversight of its fixed assets. Specifically, the District developed new fixed assets policies for fixed assets, including their acquisition, transfer and disposal. Additionally, the District segregated the duties of staff working with fixed assets so that data entry, reconciliation and receiving of items are performed by different staff members. Finally, the District trained all staff who work with fixed assets on the new policies and practices and plans to conduct a follow up training.

## **Recommendations:**

1. The District should continue to ensure that its fixed assets listings are complete, accurate and aligned with the USFR requirements.
2. The District should reconcile its fixed assets listing at least annually to its capital expenditures and the prior year's fixed assets listings.
3. The District should ensure that its staff properly use asset disposal forms to document fixed asset disposals.
4. The District should ensure staff adhere to its new policies and procedures.

## **FINDING 5: POOR OVERSIGHT OVER SEVERAL CRITICAL ADMINISTRATIVE FUNCTIONS**

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The District lacked effective oversight over its human resources, procurement, travel, fleet and fuel areas. For each area, the audit identified multiple instances of non-compliance resulting in the misuse of resources or non-compliance with state and District requirements. The District should provide better management oversight and control over each of these areas to ensure that these problems are rectified.

### **District Missing Vital Employment Verification Information**

The District had not ensured that it obtained all of the required documentation regarding workforce eligibility for its staff. Auditors identified two examples of District staff for which the District had not maintained all of the employment documentation required by the federal government. During the course of the audit, a District-contracted review identified over 100 employees that lacked the required documentation. In the future, the District should ensure that its hiring process includes obtaining all of the necessary employment eligibility documentation.

***Federal regulations require documentation to be maintained***—According to the U.S. Citizenship and Immigration Services (USCIS) Employer Handbook, all employers in the U.S. are required to obtain and maintain certain personnel records regarding workforce eligibility. Specifically, each employer is required to review and maintain certain documentation for each employee's I-9, which serves as criteria for their eligibility to lawfully work in the U.S.

***District failed to follow federal regulations regarding I-9 documentation***—Although required by federal regulations, the District failed to follow federal guidelines in obtaining I-9 documentation for two of its employees. Auditors reviewed a sample of 27 of the District's personnel files and found that the District lacked the required documentation for two employees. For one of the employees, the District was able to provide a copy of this individual's visa; however, it was unable to provide I-9 documentation, the employee's visa application or any other documentation. For the other employee, the I-9 documentation provided by the District was not filled out properly.

***District took action to ensure it has the required information for all staff***—During the course of the audit, the District took action to identify any additional staff for which it lacked the required documentation. The District contracted with a local law firm to review its employment files for the required documentation. After this review identified over 100 employees whose files lacked the required documentation, the District requested that these employees provide this documentation to the District within three weeks. After the three-week period elapsed and the District still had not received the documentation from 44 of these staff, the District again requested that the employees provide this documentation to the District and stated that failure to do so could result in disciplinary action. The District then received this documentation from the remaining employees. Because maintaining this

documentation is critical to complying with federal guidelines, the District should continue to ensure that it obtains all required employment eligibility documentation through its hiring process.

## **Procurement Process Circumvented**

The District did not have adequate oversight over its procurement process and as a result, some purchases bypassed the process. Auditors identified several examples of purchases that were allowed to be made that did not follow the established process. To ensure that its monies are spent only on appropriate purchases, the District has taken steps to improve its oversight of this area.

The District has established a process for administrators and staff to purchase items and services. The process calls for the requestor to fill out an online requisition for a product or service, which describes in detail what the item will be used for. One of the District's two purchasing clerks then reviews the online requisition and determines if it was filled out correctly. For example, each requisition must include an account number to which the particular purchase will be charged and must be reviewed by a supervisor. If the requisition includes the proper information and approval, the clerk approves the item's corresponding Purchase Order (PO), which is sent to Accounts Payable for payment.

***Inadequate oversight over procurement process***—Although the District has a procurement process in place, auditors found that a lack of oversight over this process contributed to staff's ability to bypass the process. Auditors found that both of the purchasing clerks had full access to the purchasing supervisor's electronic signature and could use it to approve all purchases. Interviews with the purchasing clerks confirmed that they were given access to the signature so that purchases could be processed. However, this is contrary to USFR standard accounting practices, and the District's own policy, which calls for the purchasing supervisor to approve certain purchases. Auditors reviewed a sample of 25 purchases and identified many other examples of staff inappropriately bypassing the established process. All of the following are contrary to District policy:

- Two purchase orders lacked an associated requisition;
- Ten requisitions lacked approving signatures;
- Three purchase orders were filled out after the purchases occurred;
- One requisition contained handwritten changes on it; and
- In one case, the amount paid (\$5,017.30) was over the purchase order amount of \$4,999.

After the audit, the District took some action to improve the oversight of its procurement process by developing a policy that removes the purchasing staffs' ability to access the purchasing supervisor's electronic signature. In addition, the District modified its electronic accounting system to reject any invoices that are over the purchase order amount. Finally, the District reports that it plans to improve its process to ensure that requisitions are in place prior to purchase orders being created, all approval signatures are received and that no handwritten changes on requisitions are allowed.

## Misuse of Travel Funds

The District needs to improve oversight over its travel policies. Auditors identified several instances where District employees violated travel policies, resulting in unnecessary expenditures of District funds. Because of the District's lack of sufficient oversight and controls, the potential remains for further misuse. The District has not implemented sufficient oversight and control to mitigate further misuse.

***District travel policy violations identified***—A review of District travel expenditures for FY2007 and FY2008 identified multiple violations of the District's travel policies, resulting in excess travel expenditures in a number of cases. For example:

- Auditors identified an example of a Board member who claimed reimbursements for non-travel days, contrary to District policy. In this case, the Board member claimed approximately \$336 in inappropriate reimbursements for lodging and meals for a non-travel day.
- Auditors identified three cases where Board members and staff canceled their travel reservations but did not give sufficient notice and as a result, incurred unnecessary costs of approximately \$2,280 to the District.
- Some employees inappropriately submitted and received reimbursement for in-state travel mileage even though they had already received an annual stipend from the District for mileage expenses. For some staff, the District provides an annual travel stipend for mileage in lieu of submitting travel claims. However, in two instances, auditors found that employees received both mileage and the stipend, totaling approximately \$500.

The District needs to ensure that the staff follow the District's travel policies. Specifically, it should educate the purchasing clerks to reject the reimbursement of travel information that is either incomplete or incorrect.

## Vehicle Use Not Monitored or Controlled

The District's oversight over its vehicle fleet was inadequate and contributed to the potential for misuse. Because vehicles represent a significant investment for the District, the District should ensure that they are used only for appropriate purposes. After the audit, the District strengthened its policies and procedures over its vehicles and should ensure that staff adhere to them.

***District lacked oversight over its vehicle fleet***—Auditors identified several weaknesses in the District's vehicle fleet oversight:

- The District did not maintain a comprehensive listing or log detailing each vehicle, its location and whether or not it was in use;
- The District had not developed any written policies or procedures to define appropriate use of its vehicles;

- The District did not require vehicle users to fill out mileage reports to track the mileage used;
- The District did not regularly account for its vehicles daily after business hours; and
- The District did not have a District-wide agreement in place for users to sign before using or taking home a vehicle.

Due to the District's lack of oversight of its vehicles, the District could not ensure that they were used only for appropriate purposes. As a result, the potential existed for staff to use the District's vehicles for non-District use. Additionally, the District was not ensuring that the vehicles are adequately safeguarded from theft since it did not have a system to monitor the location of the vehicles.

***Other districts had more oversight over their vehicle fleets***—In contrast to the District, some other school districts had significantly more oversight over their vehicle fleets. Regarding tracking the location of each vehicle, some other districts have implemented systems to monitor their vehicles' whereabouts. For example, the Peoria Unified School District #11 and Phoenix Elementary School District #1 continuously maintained a current listing of each vehicle and its location. Additionally, the Phoenix Elementary School District #1 has purchased an electronic system that monitors each vehicle's location electronically and reports this information back to the district. Moreover, some other districts required user agreements before permitting a staff member to use a vehicle. Specifically, the Peoria Unified School District #11 and Glendale Elementary School District #40 both require vehicle users to sign a user agreement before they can drive one of the vehicles.

***District has strengthened oversight over vehicles***—After the audit, the District took action to enhance its vehicle oversight and ensure that they are used only for appropriate purposes. First, it developed a comprehensive listing of all of its vehicles, which includes each vehicle's vehicle identification number and department that it belongs to. It also developed a log for future use for each department to use to track each vehicle, its mileage, who it is currently signed out to and the specific reason for being signed out. The District should assign a particular District staff member the responsibility to analyze and reconcile the mileage of each vehicle at the end of each month. Additionally, the District developed an agreement for future use for all District-wide staff who sign out District vehicles. Finally, the District is in the process of updating its travel policy to require that any employees have a vehicle use agreement on file prior to signing out a vehicle.

## **District Fuel Pumps Not Secure**

The District did not have effective oversight over its fuel and should establish a stronger system to end fuel misuse. Auditors found that the District's fuel depot was generally without oversight and as a result, the potential for misuse existed. By contrast, some other districts have implemented systems designed to oversee their fuel and ensure that it was used only for appropriate purposes.

***District had a fuel pump for its vehicles***—The District maintains two fuel pumps—one with regular fuel and one with diesel fuel—at its headquarters to fuel its vehicles. In FY2007 and FY2008, the District spent approximately \$227,000 and \$314,000, respectively for fuel.

***District oversight over fuel was weak***—Although fuel represents a significant investment for the District, it had very weak oversight to ensure that its fuel was used only for appropriate purposes.

- The District primarily relied on staff observation and fuel logs to monitor fuel use. However, these practices were inadequate because they could not monitor all staff use of the fuel. According to a mechanic, the District's only control over fuel usage is for the mechanics to watch the fuel pumps and ensure that only District vehicles are fueled. However, an auditor observed one instance where a fueling occurred but the view of the vehicle being fueled was obstructed.
- Additionally, although they were the only written source of fuel usage, auditors found that the fuel logs were inaccurate and unreliable. Auditors analyzed 21 business days' worth of logs and could not reconcile them to the fuel purchased for the same time period. Auditors were able to reconcile only four of the 21 fuel logs to within 10 gallons of fuel.
- Auditors also found many incomplete entries on the logs where staff recorded either their vehicle's mileage or the amount of fuel pumped, but not both of these details.
- Auditors found that not one person from the District analyzed and reconciled the fuel logs with the fuel invoices. As a result, not one person from the District was regularly monitoring fuel usage to identify and address potential discrepancies.
- The District had gates around the fuel pumps, however, they were left open during regular business hours and there were several employees who had gate access after business hours.

Because the District's controls over its fuel were so weak, the potential existed for District fuel to be misused either by staff or by non-District individuals.

***Other districts had more oversight over their fuel***—In contrast to this District, some other districts had stronger oversight over their fuel to ensure it was not misused. One method some districts have implemented included an electronic card system to monitor their fuel usage. For example, the Glendale Elementary School District #40, Phoenix Elementary School District #1 and Peoria Unified School District #11 had all implemented a fuel card system that assigned fuel users a unique number and tracked their fuel usage. In addition, the Peoria Unified School District #11 and Chandler Unified School District #80 also reconciled their fuel usage regularly to help identify any discrepancies and potential misuse.

***District enhancing controls of its fuel***—During the course of the audit, the District had already taken steps to improve the controls over its fuel by implementing an electronic fuel card system. This new system assigns each vehicle user a card and personal identification number to give them access to the fuel. Only cardholders are able to access the fuel, and users must enter their vehicle's mileage to activate the system. In addition to implementing this system, the District has adopted policies and procedures governing the use of its fuel, however the District should assign a specific staff member the responsibility to regularly reconcile the fuel logs to the fuel invoices.

## **Recommendations:**

1. Because maintaining employment eligibility documentation for all staff is critical to complying with federal regulations, the District should continue to ensure that through its hiring process, it obtains all required employment eligibility documentation.
2. The District should ensure that staff adhere to the District's new procurement policy.
3. The District should ensure that it adopts and adheres to procurement policies to ensure that requisitions are in place prior to purchase orders being created, all approval signatures are received and that no handwritten changes on requisitions are allowed.
4. The District should ensure that the staff adhere to the District's travel policies. Specifically, it should educate the purchasing clerks to reject the reimbursement of travel information that is either incomplete or incorrect.
5. At the end of the month, a particular District staff member should analyze and reconcile the mileage of each vehicle.
6. The District should ensure staff adhere to its policies and procedures governing the use of its fuel.
7. The District should assign a specific staff member the responsibility to regularly reconcile the fuel logs to the fuel invoices.

# ADM FUNDING ADJUSTMENTS

Pursuant to A.R.S. §15-915(A), ADE has made a determination that the State Aid for the District did not conform with statutory requirements and that the District was overpaid State Aid by \$907,952.45. According to A.R.S. §15-915(A)(1) and (2), this correction may be made either in the current year or the budget year. In case of hardship, the District may request that the Superintendent of Public Instruction allow the correction to be made partly in one year and partly in the following year.

The District may appeal the findings contained in the audit pursuant to A.R.S. §41-1092, et seq. Attached as Appendix A (see page a-i) are the statutes that govern the appeal process. This agency determination becomes final 30 days after receipt by the District.

Table 9 lists the overstated ADM and funding adjustments for the District for FY2006, FY2007 and FY2008.

Table 9

**Roosevelt Elementary School District  
Overstated ADM and Funding Adjustments Required for  
FY2006, FY2007 and FY2008**

	FY2006		FY2007		FY2008		Total	
	Overstated ADM	Amount						
Instructional Hours Shortage	49.97	\$267,875.34	57.41	\$307,759.12	47.69	\$255,652.89	155.07	\$831,287.35
Enrollment Errors	0.00	0.00	0.00	0.00	0.23	1,232.97	0.23	1,232.97
Ineligible ELL Add-on Weighted ADM Testing Proficiency	11.96	38,653.31	2.38	7,691.88	4.75	15,351.44	19.09	61,696.63
Ineligible ELL Add-on Weighted ADM Home Language	1.30	4,201.45	1.34	4,330.72	1.61	5,203.33	4.25	13,735.50
<b>Total Adjustment</b>	<b>63.23</b>	<b>\$310,730.10</b>	<b>61.13</b>	<b>\$319,781.72</b>	<b>54.28</b>	<b>\$277,440.63</b>	<b>178.64</b>	<b>\$907,952.45</b>

Source: Auditor analysis of SAIS and District student and financial data for FY2006, FY2007 and FY2008.

# APPENDIX A

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## State Rules for Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action for which you can file an appeal. The audit report and cover letter, along with this information serves as notice of your appeal rights under §41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in the Arizona Revised Statutes.

### **A.R.S. §41-1092.03. Notice of appealable agency action; hearing; informal settlement conference; applicability**

- A. An agency shall serve notice of an appealable agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appealable agency action and to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appealable agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.
- C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

### **A.R.S. §41-1092.06. Appeals of agency actions; informal settlement conferences; applicability**

- A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative

shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.