

## Blue Elementary School District

District educates a small number of students in a remote community and has taken steps to control its costs, but lacked procedures for certain business office activities, resulting in it being underfunded by over \$31,000 and inaccurately reporting its fiscal year 2023 spending; and did not have a formal agreement with Greenlee County School Superintendent's Office (GCSSO) to provide business office services, increasing the risk of disruptions to District operations

### Audit purpose

To assess the District's efficiency and effectiveness in 4 operational areas—administration, plant operations and maintenance, food service, and transportation—and its compliance with certain State requirements.

### Key findings

- District lacked policies and procedures to ensure it reported contracted miles and riders to ADE, resulting in the District not receiving more than \$31,000 in State aid for its contracted transportation operations.
- District lacked procedures to ensure GCSSO staff completed certain business office functions in accordance with State laws and the USFR, causing it to misreport \$44,000 in fiscal year 2023 operational spending.
- District did not have a formal, written agreement outlining the services GCSSO provides on the District's behalf, increasing the risk of disruptions to District operations should the GCSSO decide it is no longer willing or able to provide services.

### Key recommendations

The District should:

- Create written policies and procedures for District accounting and finance-related responsibilities that include requirements for:
  - Annually reviewing ADE's most recent transportation guidance and accurately reporting to ADE all route miles traveled and riders transported for State funding purposes.
  - Reviewing the impact of reporting contracted miles and riders on its transportation State aid amount when preparing the District's annual budget and, when necessary, updating its tax levy calculations for transportation funding if a local levy for that purpose is not necessary.
  - Ensuring staff responsible for classifying expenditures review the Uniform Chart of Accounts for school districts at least annually and at any time it is revised or updated and implement its guidance to accurately account for and report the District's spending throughout the year.
- Immediately work with ADE to correct its transportation funding reporting for the previous 3 fiscal years to account for its contracted miles and riders to ensure it receives the correct level of State aid funding.
- Enter into a formal, written agreement with GCSSO for the services it provides to the District that complies with A.R.S. §11-952 and clearly documents the agreement's duration and purpose and the roles, responsibilities, and expectations for both parties to the agreement.