



## Memorandum

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THRU: Bill Greene, City Auditor (X8982)  
FROM: Diana Storino, Sr. Auditor (X8997)  
Angela Hill, Sr. Auditor (X8866)  
CC: Rosa Inchausti, Interim City Manager  
Tom Duensing, Deputy City Manager  
Keith Burke, Deputy City Manager  
Marie Raymond, Human Services Manager, Education  
Jill Rasmussen, Grants Coordinator, Education  
Rachael Brickner, Sr Management Assistant, Education  
DATE: June 21, 2023  
SUBJECT: FINAL REPORT: Tempe PRE Audit

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Attached is our final report on the subject audit. Copies of this report will be distributed to the mayor and council and posted to the Internal Audit Office website.

Thank you and your staff for your cooperation during this project.

# Tempe PRE Audit

June 21, 2023

## Project Team:

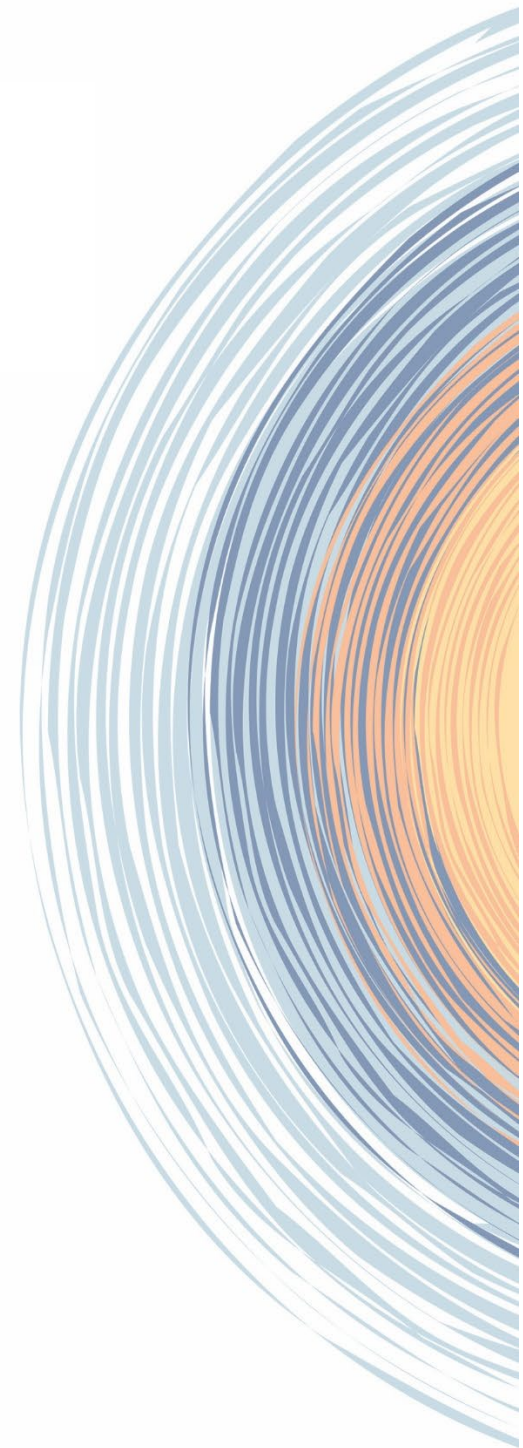
Bill Greene, City Auditor  
Diana Storino, Sr. Auditor  
Angela Hill, Sr. Auditor

## Mission Statement

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in accomplishing strategic priorities, goals, and objectives.



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## **Executive Summary**

### **Purpose**

At the request of the Tempe City Council, the Internal Audit Office (IAO) audited the City's Tempe PRE preschool program to:

- Identify program elements, organizational structure, funding sources, and costs.
- Determine if management controls and processes are in place to ensure program activities are administered in alignment with external funding terms and conditions.

### **Background**

Tempe PRE is a collaboration between the City of Tempe (City) and the Tempe Elementary School District (TD3) to provide a high-quality, full-day preschool program committed to supporting Tempe's youngest learners in preparing for kindergarten. The program is open to all families who live in Tempe, with tuition assistance based on need. Tempe PRE partners with the Maricopa County Head Start program to provide additional support for families who qualify. The program was launched in August 2017 and offers tuition paid seats for interested families living outside of Tempe. Tempe PRE also accepts Arizona Department of Economic Security (DES) subsidies for all families that meet the requirements regardless of where they reside. At the time of our audit, 171 Tempe PRE students were enrolled in the program.

The City Council approved a Workforce Readiness and Economic Vitality (WREV) Council Committee request to approve the use of staff resources to conduct an internal audit of the Tempe PRE program. The audit was requested to ensure the current program can take full benefit of potential funding opportunities from upcoming federal and state government programs.

### **Results in Brief**

**Tempe PRE is structured as a partnership between the City of Tempe, TD3, and various research entities. As shown in the Table below, each organization provides different services from program implementation to execution.**

<b>Tempe PRE System</b>	
<b>Organization</b>	<b>Services Provided</b>
<b>Research Partners:</b> Helios Education Foundation, NORC at the University of Chicago, First Things First, Harder & Company, Arizona State University	Conduct research studies focused on program implementation, quality practices, and child outcomes.
<b>Tempe Elementary School District #3</b>	<ul style="list-style-type: none"><li>• Develop school calendars and provide administrative practices and oversight.</li><li>• Provide classroom facilities and property management.</li></ul>

	<ul style="list-style-type: none"> <li>• Hire and evaluate Tempe PRE teaching staff.</li> <li>• Assign a preschool administrator to work directly with the Tempe PRE Supervisor on program operations and communicate with school administrators and classroom teaching teams.</li> </ul>
<p><b>City of Tempe</b></p>	<ul style="list-style-type: none"> <li>• Deliver implementation and financial support to Tempe PRE through the Office of Education, Career and Family Services.</li> <li>• Administer family enrollment and advocacy.</li> <li>• Provide funding for teaching staff and materials, lunch and snack program, and professional development.</li> <li>• Assist classroom staff with development of curriculum and child assessments.</li> <li>• Obtain DHS licensing (through Kid Zone) for all Tempe PRE sites.</li> <li>• Process registration payments and provide extended care options for families.</li> <li>• Manage Head Start and DES program requirements and billing.</li> </ul>

**In addition to City of Tempe financial support, Tempe PRE has partnerships with other organizations that provide the funding and support necessary to administer and operate the program. More granular tracking of revenues by source and development of routine financial reports would enhance fiscal transparency and aid program management decisions.**

IAO obtained Tempe PRE’s adopted budget for FY 21/22 with an approved funding duration of two years. The City’s Operating Budget Supplemental Request form identified the following annual budget categories:

Personnel Services	\$ 382,492
Supplies and Services	1,550,953
Adopted Budget (Total Cost)	1,933,445
Less: Revenue Offset	(433,444)
Net Fiscal Effect	<u>\$1,500,001</u>

We reviewed City financial records to identify actual expenditure activity that supported approved budgeted amounts. However, we identified several gaps in current financial tracking and reporting processes that prevented presentation of a clear picture of Tempe PRE’s financial position. Improvements are needed in the areas of revenue and expenditure recognition, revenue classification and routine reports and reconciliations to support accurate, transparent, and timely reporting of program financial data.

**Tempe PRE management controls need improvement to ensure program activities are administered in alignment with external funding terms and conditions.**

Opportunities exist to improve key management controls outlined in the Tempe PRE Operations Manual. Specifically, policy updates are needed to address areas essential for contract administration, records management, reporting and fiscal monitoring to support a strong control environment. Our detailed report contains audit observations and recommendations to improve business processes in areas such as:

- Contract administration procedures to ensure all contracts are fully executed and readily accessible.
- Record management to support compliance with licensing and funding requirements.
- Policy guidance regarding invoice preparation, review, and payment.
- Clear policy addressing past due tuition balances.
- Routine and systematic school site visits.
- Accurate and comprehensive operational reporting.

**Recommendations**

Our detailed report contains a few recommendations to further strengthen Tempe PRE management controls.

## Department Responses to Recommendations

<b>Rec. 1.1:</b> Address any outstanding deficiencies noted on previous DHS inspection reports.	
<b>Response:</b> Any deficiencies noted on the DHS inspection reports will be corrected by appropriate staff and the Tempe PRE Supervisor will confirm that the deficiencies have been corrected within 15-30 days, or sooner, depending upon the deficiency cited. The Tempe PRE supervisor will also conduct monthly site visits using a DHS checklist to ensure continued compliance.	<b><u>Target Date:</u></b> 8/18/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 2.1:</b> Clearly assign contract monitoring responsibilities for each external funding agreement to provide the oversight necessary to ensure compliance with contract provisions.	
<b>Response:</b> This function will be assigned to the Tempe PRE Supervisor to monitor agreements. Tempe PRE will also establish a contract data base within in the office so that contracts can be accessed/viewed readily and as needed.	<b><u>Target Date:</u></b> 8/18/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 2.2:</b> Ensure all fully executed documents related to the Tempe PRE program are stored and can be retrieved readily.	
<b>Response:</b> This function will be assigned to the Tempe PRE Supervisor to monitor agreements. Tempe PRE will also establish a contract data base within in the office so that documents can be accessed/viewed readily and as needed.	<b><u>Target Date:</u></b> 9/1/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.1:</b> Enhance fiscal transparency by classifying intergovernmental revenue accurately and recognize expenditures incurred and revenue when earned.	
<b>Response:</b> Tempe PRE staff will work with COT Accounting staff to establish separate account codes which will allow for accurate revenue recording for each intergovernmental revenue source. Expense invoices from TD3 will be captured within the fiscal year they occurred.	<b><u>Target Date:</u></b> completed
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.2:</b> Generate routine financial reports to demonstrate budgetary control and compliance with governing documents.	

<b>Response:</b> Financial reports will be generated monthly through PeopleSoft and reviewed for accuracy, compliance, and forecasting. Issues/questions/concerns will be discussed with Manager/Director.	<b><u>Target Date:</u></b> 7/1/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.3:</b> Develop written guidance to ensure consistent practices and adequate supporting documentation for billing and past due account treatment.	
<b>Response:</b> The Tempe PRE Operations Manual will be updated to reflect proper and consistent policies for billing and past due accounts. The same information will be reflected in the Tempe PRE Parent Handbook.	<b><u>Target Date:</u></b> 8/30/23
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.4:</b> Ensure expenditure amounts and frequencies in the <u>Tempe PRE Operations Manual</u> are consistent with the IGAs.	
<b>Response:</b> The Tempe PRE Operations Manual will be updated to reflect the terms of the IGA.	<b><u>Target Date:</u></b> 8/30/23
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.5:</b> Obtain and review supporting documentation prior to payment of any invoice.	
<b>Response:</b> Staff will obtain and review supporting documentation from TD3 prior to the payment of any invoice and in accordance with the IGA.	<b><u>Target Date:</u></b> 8/18/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 3.6:</b> Request updated cost model information which supports the TD3 in-kind contribution.	
<b>Response:</b> Staff will request updated cost model information which supports the TD3 in-kind contribution from the district CFO.	<b><u>Target Date:</u></b> 8/18/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 4.1:</b> Review and update the Tempe PRE Operations Manual for completeness and accuracy. At a minimum, address policy improvements noted in this audit.	
<b>Response:</b> The Tempe PRE Operations Manual will be reviewed for completeness and updated for additional policy clarifications	<b><u>Target Date:</u></b> 8/30/2023

and accuracy. The Tempe PRE DHS Manual will also be added as an addendum to the Operations Manual.	
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 4.2:</b> Work with TD3 to ensure all teaching staff in the classroom have received the required background screening in accordance with DHS regulations.	
<b>Response:</b> Tempe PRE has collaborated with TD3 to establish new procedures for any staff assigned to PRE classrooms. PRE staff will have completed all background, training, and staff documentation requirements prior to beginning work in the classroom.	<b>Target Date:</b> Completed
<b>Explanation, Target Date &gt; 90 Days:</b>	
<b>Rec. 4.3:</b> Conduct regular site visits and document and track improvement efforts.	
<b>Response:</b> The Tempe PRE Supervisor along with the Tempe PRE Specialist will conduct monthly site inspections to document DHS compliance for both staff and participant files along with required site documentation. Visits will be documented, improvements tracked and follow up will occur, if necessary.	<b>Target Date:</b> 8/18/2023
<b>Explanation, Target Date &gt; 90 Days:</b>	



# 1 – Tempe PRE Program

## Background

The City launched the Tempe PRE program in August 2017 to provide high-quality, full-day preschool for three- and four-year-old children. The program is managed by the City of Tempe Office of Education, Career and Family Services staff and classes are taught by early childhood education-certified teachers.

## Approach

The IAO performed the following steps to identify Tempe PRE program elements, organizational structure, and student composition. We also determined if certain license requirements were met.

- Reviewed the *Tempe PRE Operations Manual* and website to become familiar with the program, partnerships, and general business practices.
- Interviewed Tempe PRE and Kid Zone staff as well as Tempe Elementary District #3 (TD3) staff to gain an understanding of roles and responsibilities.
- Conducted classroom site visits to observe if:
  - current license and insurance certificates were posted in the classrooms.
  - previously reported Department of Health Services (DHS) Inspection Report deficiencies were corrected.
  - teacher/student ratios were maintained as provided for in the City policy and Department of Health Services (DHS) regulations
- Documented tuition levels and number of children served.

## Results

**Tempe PRE is structured as a partnership between the City of Tempe, TD3, and various research entities. As shown in the Table below, each organization provides different services from program implementation to execution.**

Table 1 Tempe PRE System	
Organization	Services Provided
<b>Research Partners:</b> Helios Education Foundation, NORC at the University of Chicago, First Things First, Harder & Company, Arizona State University	Conduct research studies focused on program implementation, quality practices, and child outcomes.
<b>Tempe Elementary School District #3</b>	<ul style="list-style-type: none"><li>• Develop school calendars and provide administrative practices and oversight.</li><li>• Provide classroom facilities and property management.</li></ul>

	<ul style="list-style-type: none"> <li>• Hire and evaluate Tempe PRE teaching staff.</li> <li>• Assign a preschool administrator to work directly with the Tempe PRE Supervisor on program operations and communicate with school administrators and classroom teaching teams.</li> </ul>
<p><b>City of Tempe</b></p>	<ul style="list-style-type: none"> <li>• Deliver implementation and financial support to Tempe PRE through the Office of Education, Career and Family Services.</li> <li>• Administer family enrollment and advocacy.</li> <li>• Provide funding for teaching staff and materials, lunch and snack program, and professional development.</li> <li>• Assist classroom staff with development of curriculum and child assessments.</li> <li>• Obtain DHS licensing (through Kid Zone) for all Tempe PRE sites.</li> <li>• Process registration payments and provide extended care options for families.</li> <li>• Manage Head Start and DES program requirements and billing.</li> </ul>

**We verified that required license and insurance certificates were posted in all classrooms we visited. Additional efforts should be made to address any remaining deficiencies previously identified on DHS inspection reports.**

DHS staff periodically conducts inspections to evaluate licensee compliance. Arizona Department of Health Services Rules and Regulations state,

*“The department shall visit each childcare facility as often as necessary to assure continued compliance with this article and department rules. The department shall make at least one unannounced visit annually.”*

The rules and regulations also discuss how noncompliance can jeopardize licensing. Specifically, DHS policies provide the following factors in determining whether to deny, suspend, or revoke a license:

1. Repeated violations of statutes or rules
2. A pattern of non-compliance
3. The type of violation
4. The severity of each violation
5. The number of violations

IAO conducted site visits of Tempe PRE classrooms at the seven school locations and determined if active licenses and insurance certificates were appropriately posted on classroom bulletin boards in every Tempe PRE classroom, as required.

IAO staff also reviewed deficiencies identified in the most current DHS inspection reports to determine if they were remediated following report issuance. The number of deficiencies identified by DHS in the inspection reports for the 11 classrooms totaled 41. We judgmentally selected 21 to verify if they had since been corrected and noted that 19 of the 21 deficiencies were resolved. It is important to resolve outstanding deficiencies to ensure that DHS does not assess penalties or take any advanced actions.

Table 2 provides detailed audit testing information by school.

<b>Table 2 Inspection Detail Follow-Up</b>				
School	DHS Inspection Date	Total # of Deficiencies Noted in DHS Report	# of Deficiencies selected for Testing	# of Tested Deficiencies Cleared
Aguilar	2/2/2022	6	2	1
Arredondo	10/12/2022	5	2	2
Carminati	2/16/2022	5	3	2*
Getz	6/15/2022	5	4	4
Shamley	8/10/2022	3	2	2
Thew	8/3/2022	11	3	3
Wood	2/2/2022	6	5	5
<b>Total</b>		<b>41</b>	<b>21</b>	<b>19</b>

\*1 exception cleared onsite during fieldwork

**During site visits, we noted the Tempe PRE student to teacher ratio complied with DHS requirements. However, staff vacancies and absences contributed to a teacher to student ratio in excess of the more stringent target established by City policy.**

As of January 5, 2023, 171 students were enrolled in the Tempe PRE program with a total stated capacity for 198. During our site visits at the 11 Tempe PRE classrooms, we determined if there was compliance with staff to student ratios as provided in DHS Rules and Regulations and the Tempe PRE Operations Manual. The City adopted a stricter staff to student ratio than required by DHS:

Arizona Department of Health Services Rules and Regulations state,

*“A licensee shall ensure that at least the following staff-to-children ratios are maintained at all times when providing childcare services to enrolled children.”*

The DHS staff to student ratio required for 3-year-old children is 1:13.

*Tempe PRE Operations Manual* states, “Each Tempe PRE classroom is staffed by a certified teacher as well as an instructional assistant with a 1:9 adult to child ratio.”

On January 31, 2023, there was a staff vacancy at Thew Elementary School and both Tempe PRE teachers were absent. Therefore, the vacancy combined with absences contributed directly to staffing challenges. In an attempt to ensure compliance with staff to student ratios, staff was moved from Aguilar to Thew. However, this created a staff shortage at Aguilar which could not be remedied by bringing administrative staff from the front office because they are not qualified, Tempe PRE teachers.

Since the site visit (and as of February 21, 2023), TD3 filled two of the four teacher vacancies. At the time of the audit, there were still four Tempe PRE vacancies between the City and TD3. Positions included the full-time and part-time vacancies shown in Table 3 below.

As a general practice, when the vacant positions are filled, staff would be available to cover absences and ensure Tempe PRE teacher to student ratios are maintained.

Table 3 below provides student capacity, enrollment, teacher allocations and vacancies by school.

Table 3 Schools, Capacity and Staffing Data As of 2/21/23								
School	Classrooms	Capacity	Enrolled	Teachers	Instructional Assistants		Vacancy	
					FT	PT	FT	PT
Aguilar	2	36	36	2	3			
Arredondo	1	18	17	1	1	1		
Carminati	1	18	12	1	1			1
Getz	2	36	36	2	1	2		
Shamley	1	18	12	1	1			1
Thew	2	36	24	2	2	2		
Wood	2	36	34	2	2	1		
<b>Total</b>	<b>11</b>	<b>198</b>	<b>171</b>	<b>11</b>	<b>11</b>	<b>6</b>		<b>2</b>

**Of the 171 Tempe PRE students enrolled at the time of our audit, 69 (40%) were completely subsidized by the City, 61 (36%) were funded by outside sources, and 41 (24%) either paid full or half tuition.**

Tempe PRE is administered by the City and offers families financial assistance based on income eligibility requirements. The Federal Poverty Levels (FPL) are reviewed annually to determine financial assistance eligibility for the program. Free, half-tuition, and full tuition options are available depending on income eligibility requirements and

available seats. Tuition rates for school year 2022-23 and distribution by school are detailed below and shown in Table 4:

**Free:** Tempe families with an income at or below 200% of the Federal Poverty Level (FPL)

**Half Tuition:** Tempe families with an income between 200 to 300% of the FPL. \$375 per month or \$385 with extended care.

**Full Tuition:** All families are eligible. \$750 per month or \$770 with extended care.

<b>Table 4                      Number of Children Served by Tuition Level                      As of 1/5/2023</b>								
School Name	Free	Half	Full	DES	First Things First Scholarship	Ramsey Social Justice Foundation Scholarship	Head Start	Total
Aguilar	17	5	8	4	2	0	0	36
Arredondo	3	0	9	4	1	0	0	17
Carminati	6	0	0	5	1	0	0	12
Getz	15	4	7	9	0	1	0	36
Shamley	8	0	2	1	1	0	0	12
Thew	17	1	2	3	1	0	0	24
Wood	3	0	3	5	5	0	18	34
<b>Total</b>	<b>69</b>	<b>10</b>	<b>31</b>	<b>31</b>	<b>11</b>	<b>1</b>	<b>18</b>	<b>171</b>

## Recommendations

1.1 Address any outstanding deficiencies noted on previous DHS inspection reports.

## **2 – External Funding Agreements**

### **Background**

Tempe PRE has various governing documents that establish the collaborative relationships that serve to administer the Tempe PRE program. Appropriate contract administration functions include consistent processes to execute, store, and monitor contracts to ensure compliance with terms and conditions.

### **Approach**

We conducted the following audit steps to identify Tempe PRE external funding sources and key terms and conditions:

- Reviewed IGAs and participation agreements terms and conditions;
- Interviewed Tempe PRE staff to locate governing documents and identify contract administration practices.

### **Results**

**The City of Tempe has various partnerships with other organizations that provide additional funding necessary to administer and operate the Tempe PRE program. As shown in Table 5 and the partnership descriptions below, each organization has a different funding source and unique agreement provisions.**

Tempe PRE staff identified the following primary program partners and associated agreements. IAO reviewed the agreements to identify the funding source and amount, key provisions, and current agreement status. Primary partnerships are briefly described below and in Table 5. *Section 4 - Management Controls* of our report contains results and conclusions regarding audit testing of key agreement terms.

<b>Table 5 Primary Program Partners Numbers Derived from IGAs and Staff Reporting</b>				
<b>Organization</b>	<b>Source of Revenue</b>	<b>Initial Agreement</b>	<b>Agreement Status</b>	<b>Amount</b>
DES	State of AZ	Various licensing dates	Ongoing- tied to licensing	\$220,000* (*Annual staff estimate)
Head Start	Maricopa County	8/12/2019	Expires 6/30/2024	\$133,120
First Things First	Valley of the Sun United Way	7/1/2022	Expires 6/30/2023	\$160,000
TD3	TD3	7/1/2017	Renewed 7/1/2021; up to (5) 1-year renewals	\$676,179 (In-kind: See Section 3)

## **DES Subsidy**

The City of Tempe Kid Zone Enrichment Program holds a DHS License for each Tempe PRE school. The license is required to be eligible for DES funding. A child enrolled in Tempe PRE is eligible to receive a tuition assistance subsidy if certain conditions are met. DHS rules and regulations must be followed to ensure continuous funding and licensing to operate a preschool program. Of the DHS rules and regulations, we identified the following specific requirements for our audit review:

- DES Central Registry Background Clearance
- DPS Fingerprint Clearance Card
- Health Screening with Tuberculosis (TB) Results
- First Aid/CPR Card
- Food Handlers Card

## **Head Start Program**

Tempe PRE has an established collaboration with Maricopa County Head Start to expand access to high quality preschool within the Tempe School District. Specific provisions and requirements of this collaboration are documented in an Intergovernmental Agreement (IGA). Maricopa County provides funding to increase instructional annual hours for enrolled Head Start children. Head Start reimburses Tempe PRE at a daily rate per eligible student for 160 school days not to exceed \$133,120.

The IGA with Maricopa County requires certain provisions for instructional staff. IAO judgmentally selected the following terms to review for compliance:

- Health Screening with TB Results
- First Aid/CPR card
- Food Handlers Card

## **First Things First**

First Things First provides scholarships funded through the Valley of the Sun United Way to income eligible students. The number of scholarships awarded and reimbursement rate are determined by various criteria including the program's Quality First Star Rating.

Tempe PRE established a participation agreement with First Things First which outlines the roles and responsibility for participation in the scholarship program. Key provisions from the agreement include:

- Household income at or below 300% of the 2022 US Department of Health and Human Services Federal Poverty Guidelines
- Children not yet eligible for kindergarten based on age
- Current Arizona resident

### **TD3**

The City has a collaborative partnership through an IGA with TD3 to provide a high-quality full-day preschool program. The IGA specifies that Tempe PRE classes will be conducted at TD3 school sites and the district will interview and hire instructional staff. The agreement delineates TD3 and City responsibilities including reimbursement of TD3 for various expenditures including supplies, food, and salaries. Additionally, books and records are required to be available to each party during the time of the agreement and three years after termination of the agreement.

**Contract administration procedures need improvement to ensure all contracts are fully executed and readily accessible. Contract monitoring and oversight are essential controls to ensure compliance with terms and conditions and continuation of current funding.**

During the audit, Tempe PRE staff was not able to readily provide copies of all the executed governing documents for the Tempe PRE program. Currently, contract monitors are not assigned to manage external funding agreements or document status of key terms and conditions.

At the conclusion of our audit fieldwork, some documents we requested remained outstanding. In other cases, agreements were not fully executed (i.e., did not contain all appropriate signatures). Without a fully executed contract, enforcement of the terms and conditions may be met with resistance. For instance, the benefits may not be realized or legal requirements to perform may be unenforceable. The likelihood of litigation may increase to determine the actual status of the parties' obligations.

At the conclusion of fieldwork, IAO documented the status of each governing document for the Tempe PRE program. The following chart summarizes execution status, agreement name, and number.

<b>Table 6 Tempe PRE Governing Document Status</b>		
<b>Fully Executed?</b>	<b>Document Name</b>	<b>Document #</b>
	<b><u>TEMPE Elementary School District</u></b>	
Yes	IGA between TD #3 and City of Tempe	C2017-133
Yes	Addendum No. 1	C2017-133a
Outstanding*	Addendum No. 2	
Yes	Amended and Restated IGA	C2017-133A
No	Addendum No. 1	C2017-133A1
Yes	Addendum No. 2	C2017-133A2
No	Addendum No. 3	C2017-133A3
Yes	2nd Amended and Restated IGA between TD#3 and City of Tempe	C2017-133B



Yes	Addendum No. 1	C2017-133B
	<b><u>Head Start</u></b>	
No	IGA between Maricopa County Administered by its Human services Department and TD #3 and City of Tempe	C-22-20-005-3-00
No	Amendment 1	C-22-20-005-3-01
No	Amendment 2	C-22-20-005-3-02
No	IGA between Maricopa County Administered by its Human services Department and TD #3 and City of Tempe	C2022-145
No	Amendment 1 to IGA between Maricopa County Administered by its Human services Department and TD #3 and City of Tempe	C2022-145A
	<b><u>First Things First</u></b>	
Outstanding*	IGA C2017-240A 1	
Outstanding*	IGA GRA-STATE-21-1079-01 Amendment 1	
Yes	First Things First Quality 1st Scholarship Program Participant Agreement	N/A
N/A	Participant Agreement (application)	N/A

\*Note: Outstanding means the audit team never received a copy of this agreement.

## Recommendations

- 2.1 Clearly assign contract monitoring responsibilities for each external funding agreement to provide the oversight necessary to ensure compliance with contract provisions.
- 2.2 Ensure all fully executed documents related to the Tempe PRE program are stored and can be retrieved readily.

## **3 – Tempe PRE Financial Information**

### **Background**

Tempe PRE program is funded through various sources including the City of Tempe. Tempe PRE also partners with the Maricopa County Head Start, First Things First, and Arizona Department of Economic Security (DES) to provide additional financial support to families who meet income qualifications.

In addition to direct financial contributions made by Tempe PRE partners, the program receives in-kind contributions from TD3 in the form of free classroom space and administrative support services. The City reimburses TD3 through a quarterly invoice process outlined in the IGA for various expenditures including supplies, food, and salaries.

### **Approach**

The IAO conducted the following steps to evaluate program revenues and expenditures and identify sources and amounts of funding:

- Identified funding revenues and expenditures for the Tempe PRE program;
- Reviewed City budget documents to determine adopted program budgets for revenues and expenditures;
- Recalculated DES and Head Start funding and verified amounts were accurately recorded in the City financial records;
- Verified FTF scholarships were accurately recorded in City financial records in accordance with Regional Scholarship Program Participant Reconciliation Report
- Identified Tempe PRE in-kind contributions based on calculations provided by TD3;
- Reviewed TD3 invoice expenditures, evaluated adequacy of supporting documentation and verified accurate reporting in City financial records;
- Reviewed past due accounts to ensure compliance with City policy.

### **Results**

**In addition to City of Tempe financial support, Tempe PRE has partnerships with other organizations that provide the funding and support necessary to administer and operate the program. More granular tracking of revenues by source and development of routine financial reports would enhance fiscal transparency and aid program management decisions.**

IAO obtained Tempe PRE's adopted budget for FY 21/22 with an approved funding duration of two years. The City's Operating Budget Supplemental Request form identified the following annual budget categories:

Personnel Services	\$ 382,492
Supplies and Services	1,550,953
Adopted Budget (Total Cost)	1,933,445
Less: Revenue Offset	(433,444)
Net Fiscal Effect	<u>\$1,500,001</u>

We reviewed City financial records to identify actual expenditure activity that supported approved budgeted amounts. However, we identified several gaps in current financial tracking and reporting processes that prevented presentation of a clear picture of Tempe PRE’s financial position:

1. **Revenue and Expenditure Recognition:** Review of the City’s financial systems showed that Tempe PRE expenditures are recorded when paid rather than when incurred and revenues are recorded when received rather than earned as required in modified accrual basis of accounting.

For example, a TD3 invoice for approximately \$462,000 for period April to June 2022 (Q4) was not posted to City financial records in FY 21/22. It was recorded in October 2022 (FY 22/23) when it was paid. Therefore, program expenditures were understated at the end of FY 21/22. Because of this practice, only two quarters of TD3 expenditures have been recorded for FY 22/23 as of April 2023.

2. **Revenue Classification:** Currently, Tempe PRE revenues are categorized as tuition, registration, late fees, or donations. DES and Head Start payments to the City are have been included in these categories rather than recorded as intergovernmental revenue. Revenue received from DES and Head Start is based on attendance and agency specific criteria and is applied to pay for program expenses. These revenues represent governmental funding sources and should be classified as intergovernmental revenue. Conversely, tuition that is not paid by external funding sources is based on an invoice generated by the City and is correctly classified as tuition revenue.

3. **Routine Reports and Periodic Reconciliations:** IAO requested financial reporting that would detail the program budget and track detailed revenues and expenditures. We did not receive any financial reporting for the Tempe PRE program. Additionally, we requested reconciliations to identify how the adopted budget numbers correlate to the budgeted and actual revenue and expenditures in the City’s financial records. No reconciliations were provided.

Financial reporting and reconciliations are two important controls that help ensure proper classification of transactions and that revenues and expenditures are recorded when transaction occurs. Periodic financial reporting is necessary to provide reliable, timely, and useful data needed to support operating, budgeting, and policy decisions. These reports should be reviewed by management to ensure accuracy and consistent reporting treatment over time.

Financial reporting is helpful in demonstrating budgetary control and compliance with governing documents. Once periodic financial reports are generated, the

next step would be to prepare financial forecasting by incorporating proforma analysis which can be used when making program decisions based on “what if” scenarios that can address fluctuations in revenue and expenditures and the impact on the program over time.

**TD3 calculated the fair market value of the in-kind contribution to the City of Tempe at about \$676,000.**

IAO interviewed TD3 Chief Financial Officer to gain an understanding of the methodology used in the calculation of the in-kind contribution. We reviewed the calculations for reasonableness and that methodology was consistently applied. We also verified the mathematical accuracy of calculations.

Table 7 TD 3 Tempe PRE In-Kind Contribution		
Description	Amount	Cost Driver
Facility	\$539,482	Based on an hourly room rental rate considering extended hours, camps
Utilities	69,240	Based on allocation of square footage dedicated to Tempe PRE classrooms
Indirect Cost	67,457	Allocated based on 5.07% of reimbursed costs
Total Value of In-Kind Contribution	\$676,179	

During the staff interview, the CFO mentioned the hourly room rates applied in the model are not current and should be updated. The City should ask for cost model updates periodically to ensure the numbers are current. After evaluation of in-kind calculation and interview with TD3 staff, the following are items to consider:

- Ensure cost model is kept current and can be substantiated through market studies in the case of facility costs based on a rental rate.
- Ensure mathematical accuracy of model
- Document all cost components and make necessary adjustment to reflect accurate cost allocation
- Retain supporting documentation

**Head Start and FTF invoices were calculated and recorded correctly in the City’s financial records. However, additional research is needed to verify Head Start daily reimbursement rates align with governing documents.**

Head Start

The City submits monthly Head Start reimbursement claims to Maricopa County Human Services Department. IAO judgmentally selected three monthly reimbursement claim

forms totaling \$34,363.75. Without exception, we verified the submissions were properly authorized by the Tempe PRE supervisor, invoice amounts were accurate based on the number of students and days enrolled, and amounts agreed with City financial records.

Although the selected invoices recalculated without exception, we noted the cost per day outlined in the Tempe PRE Operations Manual did not mathematically align to the IGA. The agreement provides for a maximum reimbursement of \$133,120. The Tempe PRE Operations Manual states the daily rate is \$37.15 per student. Given the daily rate for 20 students at 160 days, a maximum of \$118,800 would be permitted. This is approximately \$14,000 less than allowed for in the IGA. Although not an exception, additional research is needed to ensure the daily rate is accurate and consistent with the intent of the IGA. After the completion of fieldwork, staff indicated there are 180 school days. IAO reviewed the IGA and were unable to confirm the number of school days or the daily rate as it was not included in the agreement.

### First Things First

We judgmentally selected the January 2023 Regional Scholarship Program Participant Reconciliation Report for FTF scholarships to ensure accurate recording in the City's financial records. This report included 12 students and scholarships totaling \$12,075. No exceptions were noted for FTF invoices.

**Our examination of DES billings demonstrated a need for additional policy guidance regarding invoice preparation and review. Invoice documentation should be adequate to ensure billing practices are consistently applied and amounts are calculated accurately based on dates and rates provided in the DES authoritative documents.**

Kid Zone staff receives monthly DES AZCCATS Billing Forms which are auto populated by DES with maximum authorized dates of attendance, maximum monthly tuition, and related copay amounts. Kid Zone staff then reviews the billing form and submits modifications to reflect actual student attendance, absences, copays, and maximum authorized amounts.

We judgmentally selected two months of billings totaling approximately \$16,200 and 21 students from the associated months for testing. We conducted the following tests:

- Verified DES AZCCATS Billing Form matched attendance sheets
- Traced and agreed rates on the billing form to the DES Maximum Reimbursement Rates for Child Care
- Confirmed accuracy of billing form to DES Certificate of Authorization noting start dates, number of days and half or full day allocation
- Verified mathematical accuracy of the billing form
- Traced and agreed amounts from the billing forms to City's financial records

Our evaluation of DES AZCCATS Billing Forms indicated a need for detailed policy guidance in two key areas:

- Accuracy of unit rates
- Inconsistent application of absences

### Accuracy of Unit Rates

Of the billing forms reviewed, we noted a few instances where the amount could not be recalculated because the rate used on the billing form did not match the rates documented in the Maximum Reimbursement Rates for Child Care form. Since DES populates these rates, Kid Zone staff indicated that they accepted the prepopulated rates from DES as accurate. When investigating further, Kid Zone staff agreed that the invoice practices could be strengthened by obtaining additional documentation from DES to support rates.

### Application of Absences

The DES Certificate of Authorization provides student confirmation of DES services noting start dates, number of days authorized for attendance and half or full day allocation. The AZCCATS Billing Form calculates the maximum days authorized based on the Certificate of Authorization and related copay, unit rate, and half or full day allocation. During testing of transactions, we noted several instances in which the half or full day allocation differed from actual attendance as documented on the attendance sheets. These differences were due to student absences. According to Kid Zone staff, DES pays for two full day absences per month per student. We were not provided any documentation to support this practice nor was there a consistent practice of applying absences between full day and half days. Without specific DES instruction documentation regarding application of absences, accurate billing cannot be verified.

### **Policy guidance is needed to ensure consistent treatment of enrollees with past due balances.**

The Tempe PRE Operations Manual states,

“Tuition is due on the 1st of every month for the following month’s program. A \$25 late fee will be assessed for payments received/posted after the 20th of the month. If payment is not received by the end of the month, your child will be withdrawn from the program.”

The manual also states that any participant with an outstanding balance will not be able to re-enroll until the balance is paid in full or payment arrangements have been made with Tempe PRE staff. However, the manual does not provide detailed guidance on past due account practices and treatment.

Through discussion with Kid Zone staff, we were provided a report entitled Past Due Guardian Accounts by Participant. Kid Zone staff indicated this report was used to identify past due accounts but was unaware of any specific management evaluation of overdue balances as it is not addressed in the Tempe PRE Operations Manual.

We reviewed the Kid Zone Past Due Guardian Accounts by Participant Report as of May 4, 2023 and noted the past due balances fall into these primary categories:

- 1 month past due \$1,313
- DES subsidy sunset \$795
- Multiple months past due \$625
- Late pick up fees \$195

On the report, three accounts had a past due balance that were no longer receiving a DES subsidy. In discussion with Kid Zone staff, we were informed that when a guardian is reenrolling in DES, the participant is not removed from Tempe PRE. While waiting for approval, the tuition is allowed to accumulate a past due balance. There are no assurances provided by DES that the tuition assistance will be reinstated. Upon reinstatement the outstanding balance may be paid by DES. Tempe PRE Operations Manual does not account for time elapsed while waiting for DES approval or resulting action in the event of denial. Absence of clear policy may lead to disparate treatment, or the appearance of disparate treatment, among participants.

**Controls over the TD3 invoice review and payment process should be strengthened to ensure expenditures are consistently and adequately supported and comply with IGA requirements.**

We judgmentally selected three TD3 invoices and evaluated if:

- Expenditures had adequate supporting documentation, were mathematically accurate and complied with IGA requirements
- Amounts were recorded accurately in City financial records

Table 8 below details the TD3 total invoices reviewed:

<b>Table 8</b>			
<b>TD3 Invoices</b>			
(rounded to nearest dollar)			
	<b>2022</b>	<b>2023</b>	
	April – June (Q4)	July – Sept (Q1)	Oct – Dec (Q2)
Services			
General Supplies	\$33,855	\$0	\$1,145
Technology	\$2,752	\$0	\$0
<u>Total Services</u>	\$36,607	\$0	\$1,145
<u>Food Supplies</u>	\$7,916	\$10,529	\$14,209
Salaries			
Teachers	\$273,111	\$129,413	\$235,753
Substitutes	\$6,910	\$5,185	\$0.00
Camps	\$31,607	\$15,337	\$4,296
Pre School IA	\$105,979	\$67,346	\$147,745
<u>Total Salaries</u>	\$ 417,608	\$ 217,282	\$ 387,794

<u>Total Invoice</u>	<u>\$ 462,131</u>	<u>\$ 227,811</u>	<u>\$ 403,148</u>
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### Quality of Supporting Documentation

All invoices tested were recorded accurately in City financial records; however, we noted areas for improvement with the quality of supporting documentation. The Q1 Substitute Teacher contract amount was supported by a report entitled Sub Invoices which did not have any identifying system information from which it was generated and had a handwritten note at the bottom noting to add the amount to the City invoice. The report identified a 67%/33% split in salary and benefits. The City paid the indicated 67% with no supporting documentation to support this allocation such as a timesheet.

The TD3 invoices also include a “District Wide” line item. Through discussion with TD3 staff, we were informed this amount reflects the salary of the district Tempe PRE coordinator. Addendum 2 to the Amended and Restated IGA provides the City will reimburse 75% of the salary. We were unable to recalculate this amount as the IGA does not have a salary amount included and the invoices do not contain supporting documentation for the salary.

### Missing Documentation

IAO requested Q4 2022, Q1 2023 and Q2 2023 invoices and supporting documentation to ensure invoices were adequately supported and in compliance with the IGA. We received invoices and supporting documentation for Q1 and Q2 for 2023 and our request for Q4 remains outstanding. We verified it was recorded as paid in the City’s financial records.

Upon further review, lunch invoices for Q1 and Q2 were not provided for Carminati, Getz, Shamley, and Thew. As a result, the lunch invoices for the four schools were not submitted for reimbursement.

### Alignment with IGA

During the review of the TD3 invoices, we noted instances in which clarification was needed to ensure compliance with the IGAs. Specifically, the 2<sup>nd</sup> Amended and Restated IGA between the City and TD3 does not stipulate a rate of occurrence for reimbursements per classroom for salary costs. The IGA states the City will reimburse \$128,217 but without the rate of occurrence indicating whether this is per month, quarter, or year we are unable to determine compliance with the IGA. Food costs were another area in which we were unable to determine alignment with the IGA. Snack and lunch supporting documentation were not presented in a way that compliance with IGA could be readily determined. To evaluate compliance, attendance records were needed to evaluate whether the cost per day per student for each month were within expenditure limits.

Additionally, the Amended and Restated IGA states that City will reimburse TD3 up to \$2,500 per classroom for materials and supplies but does not mention frequency of



reimbursement or allowed expenses. Further, the Tempe PRE Operations Manual does not identify level of support or allowed expenses. Without the level of detail an expenditure could disallowed based on the IGA.

## **Recommendations**

- 3.1 Enhance fiscal transparency by classifying intergovernmental revenue accurately and recognize expenditures incurred and revenue when earned.
- 3.2 Generate routine financial reports to demonstrate budgetary control and compliance with governing documents.
- 3.3 Develop written guidance to ensure consistent practices and adequate supporting documentation for billing and past due account treatment.
- 3.4 Ensure expenditure amounts and frequencies in the Tempe PRE Operations Manual are consistent with the IGAs.
- 3.5 Obtain and review supporting documentation prior to payment of any invoice.
- 3.6 Request updated cost model information which supports the TD3 in-kind contribution.

## **4 – Management Controls**

### **Background**

Management controls are processes that help achieve organizational goals. Written policies and procedures and appropriate staff training and resources help support a strong control environment. Control processes typically include setting standards, measuring actual performance, and taking corrective action.

### **Approach**

We conducted the following tests to evaluate management controls over Tempe PRE's external funding requirements:

- Reviewed Tempe PRE Operations Manual to determine compliance with selected provisions;
- Interviewed Tempe PRE, Kid Zone and TD3 staff responsible for program management;
- Tested relevant records and documentation demonstrating compliance with City policy and external funding requirements.

### **Results**

**Opportunities exist to improve key management controls outlined in the Tempe PRE Operational Manual. Specifically, policy updates are needed to address areas essential for records management, reporting and fiscal monitoring to support a strong control environment.**

Tempe PRE Operations Manual provides a clear delineation of staff roles and responsibilities for the administrative functions of the program. However, the policy would be enhanced if it addressed the importance of maintaining compliance and the risk of noncompliance with key provisions in the governing documents. For instance, the policy generally references DHS requirements but does not provide the necessary detail to ensure compliance. Regular updates to the manual help ensure that policy reflects actual business practices and current requirements. The following areas highlight instances where practices differ from policy or guidance is limited or missing:

#### **Record Management and Fiscal Monitoring**

1. **Staff File Location and Content:** According to the Tempe PRE Operations Manual, all student enrollment files are maintained at the Tempe PRE office. Conversely, the manual does not specify the physical location of Staff Files. During interviews, Kid Zone staff and Tempe PRE staff provided conflicting information on location of Staff Files.

During fieldwork at the Kid Zone location, we reviewed a sample Staff File to inventory contents. The file contained a “Tempe PRE Checklist” which detailed the contents needed for a complete Staff File. However, this checklist is not referenced in the Tempe PRE Operations Manual and was not mentioned in interviews with Tempe PRE office staff.

2. **Staff File Completeness:** Tempe PRE office staff stated they maintained a spreadsheet that reflected current Staff File status. We requested the spreadsheet to perform audit testing and evaluate its accuracy. The Tempe PRE spreadsheet documented the Staff File was complete while Kid Zone records stated the file was incomplete.

When following up on this status discrepancy, we were informed the spreadsheet review status was completed based on an oral discussion with staff rather than physical verification of documents. Student and Staff Files are housed at each classroom. Due to the inconsistencies noted, we reviewed Student Files and Staff Files onsite at each school. A coordinated approach to ensure the contents in all files are kept current is needed if the files are kept at multiple locations.

3. **Fiscal Accountability and Compliance:** The Tempe PRE Operations Manual states that TD3 salary and supplies payments are made through an invoice and reimbursement system. However, the manual does not provide actionable steps and guidance to determine if the detail included with the invoice is sufficient to demonstrate compliance with IGA requirements and City policy before payment is authorized.

Invoice transaction processing policies should include detailed steps necessary to ensure fiscal accountability by demonstrating expenditures are authorized, substantiated, and recorded correctly in the City’s financial system. This information should be reviewed with TD3 to ensure it is communicated and understood by both parties.

## Reporting

Accurate and comprehensive operational reporting is an important management control that can assist management in program oversight and monitoring. The Tempe PRE Operations Manual does not provide a complete listing of available reports or provide detailed guidance on how reports are used.

IAO noted during fieldwork that the enrollment dates on the “Kid Zone Program Roster Report” and “Registration Form” were not consistent. Both reports are generated from the Kid Zone System. Kid Zone staff stated they are aware of reporting inaccuracy issues and are working with IT to identify and correct them. The accuracy of the start date is vital because it is used to calculate tuition fees.

**Routine and systematic school site visits are an essential management control for program oversight and monitoring. To ensure Staff and Student Files are in**

**compliance with City policy, Tempe PRE staff should conduct site visits and document specific action items for follow up.**

Tempe PRE Operations Manual does not identify Staff File documentation requirements. Although not addressed in the manual, Kid Zone staff developed a “Tempe PRE Checklist” for inclusion in the Staff File to help provide guidance on file content requirements. IAO utilized the checklist in conjunction with DHS Rules and Regulations to ensure Staff File compliance.

IAO visited 11 classrooms and reviewed 28 Staff Files to ensure compliance with Tempe PRE Checklist and DHS requirements. According to the checklist, file documentation requires:

- Background Screening
- Training
- Food Handler Card
- First Aid/CPR Card
- TB Test
- DPS Fingerprint Clearance Card

**File Review**

Of the 11 classrooms visited, 1 classroom did not have any documentation exceptions. The remaining 10 classrooms had Staff Files that were either missing documentation, information was not obtained in compliance with requirements, or we were unable to authenticate documentation. Detailed exceptions by school are detailed in table below.

<b>Table 9 Staff File Documentation Exceptions by School</b>						
School	Background Screening (Untimely or Unable to Verify)	Inadequate Training	Missing Food Handler Card	Missing First Aid/CPR card	No Negative TB Test	DPS Fingerprint Clearance Card (Untimely or Missing Back of Card)
Aguilar	2			1		
Arredondo	2					
Carminati		1				
Getz		1	1	1	1	4
Thew	2	4		2	1	
Wood	2	4				1
<b>Total</b>	<b>8</b>	<b>10</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>5</b>

## File Documentation for Licensing

Tempe PRE staff coordinate with TD3 Human Resources to ensure all Tempe PRE Staff Files are in compliance with DHS requirements. During site visits, we observed substitute teachers and other administrative staff being recruited to help in the Tempe PRE classrooms to maintain staff to student ratios. To maintain licensing, Tempe PRE is required to have instructional staff who meet background screening requirements of DHS. According to DHS Rules and Regulations, “Licensees are required to submit a fingerprint clearance card application within 7 working days of a staff member’s start date.”

In addition, DHS regulations state, licensees are required to “ensure that each staff member submits to the licensee a copy of the staff member’s valid: Background check document issued under A.R.S. § 46-811(A) within 10 working days after starting date of employment or volunteer service”. This requirement provides background screening in addition to fingerprint clearance card process requirements.

Due to exigent circumstances, TD3 fills classroom vacancies with available staff or instructors from a staffing agency. Strict timeframes pose challenges that inhibit assurance that substitute staff are subjected to the necessary level of background screening required by DHS prior to entering the classroom.

## Site Visit Observations

IAO noted and communicated the following file documentation deficiencies to TD3 staff during the site visit:

- Thew: Staff File was missing a DES direct registry form. However, evidence of DES background check clearance sheet was in another Staff File.
- Wood: Two Staff Files contained expired food handler cards.
- Aguilar: At the time of review, file did not demonstrate adequate hours of CCEI training. Additional records of training hours were subsequently printed and added to the file.

## Student File Review

Tempe PRE Operations Manual refers to quarterly onsite classroom observations and the need to document observational notes by site to track improvement efforts. During interviews, Tempe PRE staff and TD3 staff indicated no site visits were conducted or logs completed. Absence of regular site visits increases the risk of gaps or issues with required file documentation.

IAO visited 11 classrooms and reviewed 177 Student Files to ensure compliance with City policy. Specifically, the Tempe PRE Operations Manual identifies file documentation requirements, income eligibility criteria, and admission randomization selection.

## Student File Documentation

IAO visited all of the Tempe PRE classrooms and reviewed 177 Student Files. According to the *Tempe PRE Operations Manual* each student will have an individual file that includes:

- Registration form
- Parent Agreement
- Emergency Information and Immunization Record (Copy of the Blue Card)
- McKinney Vento Letter from the school district (if applicable)
- Any Letter or written communication sent to the families during the year.

Of the 11 classrooms visited, five classrooms did not have any documentation exceptions. The remaining six classrooms had Student Files that were either missing documentation, required signatures, or had information discrepancies between documents. Detailed exceptions by school are detailed in table below

School		Registration Form		Emergency Information and Immunization Record	McKinney Vento
Name	# of Classrooms	Missing form	Date Discrepancy	Missing Blue card signature	Missing Qualification Letter
Aguilar	2		1	2	N/A
Getz	2	1		13	N/A
Wood	2		3	18	1
Total	6	1	4	33	1

## Income Eligibility and Admission Randomization

We judgmentally selected 23 students, identified tuition funding sources, and verified income eligible criteria were met as specified by funding provider. We additionally verified each vacancy was filled through an admission randomization selection process which eliminated selection based on application date. No exceptions were noted.

## Site Visit Observations

IAO noted missing file documentation and collaborated with TD3 staff to correct the following deficiencies during the site visit:

- Aguilar: MKV letter not in file, missing signature on Blue Card
- Getz/Wood: Several Student Files had multiple copies of Blue Cards with varying levels of information.

## Recommendations

- 4.1 Review and update the Tempe PRE Operations Manual for completeness and accuracy. At a minimum, address policy improvements noted in this audit.
- 4.2 Work with TD3 to ensure all teaching staff in the classroom have received the required background screening in accordance with DHS regulations.
- 4.3 Conduct regular site visits and document and track improvement efforts.

## **Scope and Methods**

### **Scope**

The revenue and expenditure testing for this audit covered fiscal year 2023 to date. We additionally reviewed external funding agreements for compliance with key terms and conditions.

### **Methods**

We used the following methods to complete this audit:

- Reviewed the *Tempe PRE Operations Manual* and website to become familiar with the program, partnerships, and general business practices.
- Interviewed Tempe PRE and Kid Zone staff as well as Tempe Elementary District #3 (TD3) staff to gain an understanding of roles and responsibilities.
- Reviewed IGAs and participation agreements terms and conditions.
- Recorded funding revenues and expenditures of the Tempe PRE program.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.