PERFORMANCE AUDIT

ARIZONA SCHOOL FOR THE DEAF AND THE BLIND

Report to the Arizona Legislature
By the Auditor General
October 1992
92-4

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

October 13, 1992

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Ms. Betty Borland, Chairman
Board of Directors
Arizona School for the Deaf and the Blind

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona School for the Deaf and the Blind. This report is in response to a December 13, 1991, resolution of the Joint Legislative Oversight Committee.

The report addresses the need to 1) streamline the school's management and administrative hierarchy; 2) strengthen controls over local funds and donations; 3) improve the Board's oversight of school operations; and 4) expand the school's role as a statewide resource to local school districts. The report also recognizes the significant improvements made by the school to address concerns raised in our 1987 audit.

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

This report will be released to the public on October 14, 1992.

Sincerely,

Douglas R. Norton

Douglas R. Norton
Auditor General

DRN:lmn

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SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset Review of the Arizona School for the Deaf and the Blind, pursuant to a December 13, 1991, resolution of the Joint Legislative Oversight Committee. This performance audit was conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957. This is the second performance audit of the Arizona School for the Deaf and the Blind conducted by the Auditor General. The first performance audit, Auditor General Report 87-10, was conducted in 1987.

The Arizona School for the Deaf and the Blind (ASDB) provides educational and other services to sensory-impaired students. The School's Tucson and Phoenix campuses provide kindergarten through high school classes for approximately 500 day and residential students. ASDB also provides preschool and outreach programs for approximately 450 infant and preschool-age children; administers a regional cooperative program in the northern part of the State to provide improved educational programming to sensory-impaired students in their home schools; and serves as a resource to local school districts. ASDB is governed by a seven-member Board that appoints a Superintendent to oversee school operations.

The School's Administrative Structure Is Top-Heavy And Could Be Downsized To Save Over $500,000 Annually
(see pages 7 through 17)

We found the number of top administrators in ASDB's administrative structure has grown significantly since the early 1970s, even though enrollment at the Tucson campus has declined. Board members, administrators, teachers, staff, and parents all expressed concerns to us about the School's top-heavy administrative structure. Our analysis of the administrative structure revealed that 10 positions at the Tucson campus and one at the Phoenix campus could be eliminated, providing first year savings of over $400,000 and long-term cost savings of over $500,000 annually. These savings could be applied to needed ASDB programs that have been underfunded.

The Board Should Improve Its Oversight And Control Over Nonappropriated Funds (see pages 19 through 27)

The Board has allowed school administrators too much latitude in the use of nonappropriated funds. These funds, which include donations and local funds, have in some cases been misused or imprudently used. For example, the School spent $54,070 in trust and other nonappropriated funds for out-of-state travel in fiscal year 1990-91, much of it for administrators. In two instances, 11 administrators attended the same conference. In addition, the former Superintendent violated State purchasing statutes and may have violated conflict of interest statutes in previous years when he used School funds to purchase $3,500 worth of commemorative mugs. In another instance in 1989, the former Superintendent used an estate's $2,000 bequest to the School for out-of-state travel rather than depositing it in the trust fund for investment. Board control over nonappropriated funds is very important because these monies are exempt from the State budgeting process.

ASDB Has Improved Student Evaluation And Placement (see pages 29 through 36)

Our 1987 audit reported major problems with student admission and placement. Our current review found ASDB has corrected most of these problems; however, some problems remain with placement of multiply handicapped students and students with severe emotional disorders. Programs for these students are costly, and ASDB's role in serving these students is unclear. The Legislature should establish a task force of ASDB, Department of Education, local school district, and Department of Health Services officials to address the needs of these students.

The Board Needs To Improve Its Governance Of The Arizona School For The Deaf And The Blind (see pages 37 through 43)

Board oversight and control of School operations has been weak. Until informed by several outside parties, the Board was unaware of significant management and financial problems at the School. Other evidence of the Board's weak oversight includes its failure to evaluate the former Superintendent's performance during four of the last five years; develop

a comprehensive set of policies to guide administrators in managing operations and finances; and address substantive policy issues in Board meetings.

Other Issues

In addition, our report contains two findings that address the following issues.

- ASDB needs to do more to fulfill its mandated role as a statewide resource to local school districts. During our review, we found the regional cooperative program to be successful, and recommend expanding the program to two other regions. ASDB also needs to expand other services to districts, such as evaluation services, summer programming, and providing equipment and materials. Funds for expanded programming could be derived from the cost savings realized by streamlining the School's top-heavy administrative structure. (See Finding V, pages 43 through 49.)

- ASDB needs to increase its efforts in monitoring the success of its graduates. Tracking graduate performance in the workplace or in higher education can assist ASDB in determining whether the School's programming is meeting its statutory mandate of preparing students to lead "...an adult life of independence and self-sufficiency, a meaningful personal, family and community life, and a useful productive occupational life." (See pages 51 through 56.)

TABLE OF CONTENTS

	Page
INTRODUCTION AND BACKGROUND	1
FINDING I: THE SCHOOL'S ADMINISTRATIVE STRUCTURE IS TOP-HEAVY AND COULD BE DOWNSIZED TO SAVE OVER $500,000 ANNUALLY	7
Administrative Structure Is Top-Heavy	7
ASDB Could Reduce The Number Of Administrative Positions	10
Monies Spent On Administration Could Be Better Used For Other Purposes	15
Board Needs To Study Organizational Issues	16
Recommendations	17
FINDING II: THE BOARD SHOULD IMPROVE ITS OVERSIGHT AND CONTROL OVER NONAPPROPRIATED FUNDS	19
Board Has Not Exercised Adequate Control Over Nonappropriated Funds	19
Poor Judgment Exercised By Former Administrators	20
Board Needs To Strengthen Controls Over Nonappropriated Funds	25
Recommendations	27
FINDING III: ASDB HAS IMPROVED STUDENT EVALUATION AND PLACEMENT	29
ASDB's Evaluation And Placement Process Has Markedly Improved	29
Placement Of Multiply Handicapped Students Continues To Generate Controversy	31
Recommendations	36

TABLE OF CONTENTS (Con't)

	Page
FINDING IV: THE BOARD NEEDS TO IMPROVE ITS GOVERNANCE OF THE ARIZONA SCHOOL FOR THE DEAF AND THE BLIND	37
Board Oversight And Control Is Weak	37
Action To Improve Governance Is Needed	40
Recommendations	42
FINDING V: ASDB'S ROLE AS A STATEWIDE RESOURCE IS NOW CLEARLY ESTABLISHED IN STATUTE; HOWEVER, MORE NEEDS TO BE DONE TO FULFILL THIS MANDATE	43
ASDB Is Now Required To Serve As A Resource To Local School Districts	43
Pilot Regional Cooperative Program Has Been Successful And Should Be Expanded	44
Services Provided To Local School Districts Are Limited And Should Be Increased	47
Recommendation	49
FINDING VI: ASDB NEEDS TO COLLECT MORE COMPREHENSIVE INFORMATION ABOUT ITS STUDENTS' POST GRADUATION SUCCESS	51
Information About Student Outcome Is An Important Management Tool	51
Information On Student Outcome Is Limited	53
ASDB Needs To Expand Follow-Up Of Graduates	54
Recommendations	56
OTHER PERTINENT INFORMATION	57
SUNSET FACTORS	61
AGENCY RESPONSE	

LIST OF TABLES

		Page
TABLE 1	ARIZONA SCHOOL FOR THE DEAF AND THE BLIND STATEMENTS OF FTEs AND ACTUAL AND APPROVED EXPENDITURES FISCAL YEARS 1989-90, 1990-91, AND 1991-92 (Unaudited)	3
TABLE 2	ARIZONA SCHOOL FOR THE DEAF AND THE BLIND TRUST FUND AND LOCAL FUND TRAVEL EXPENDITURES BY POSITIONS FOR FISCAL YEAR 1990-91 (Unaudited).	23
TABLE 3	ESTIMATED COST OF CONSTRUCTION AND LEASE/PURCHASE PAYMENTS ON SIX NEW AND TWO USED MODULAR BUILDINGS AT ASDB'S TUCSON CAMPUS (Unaudited)	59

LIST OF CHARTS

CHART 1	ARIZONA SCHOOL FOR THE DEAF AND THE BLIND ADMINISTRATIVE STRUCTURE IN 1974	8
CHART 2	ARIZONA SCHOOL FOR THE DEAF AND THE BLIND ADMINISTRATIVE STRUCTURE IN FISCAL YEAR 1991-92.	9
CHART 3	ARIZONA SCHOOL FOR THE DEAF AND THE BLIND PROPOSED ADMINISTRATIVE STRUCTURE.	14

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset Review of the Arizona School for the Deaf and the Blind, pursuant to a December 13, 1991, resolution of the Joint Legislative Oversight Committee. This performance audit was conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957. This is the second performance audit of the Arizona School for the Deaf and the Blind conducted by the Auditor General. The first performance audit, Auditor General Report 87-10, was conducted in 1987.

School's Purpose, Programs, And Structure

The original intent in establishing the Arizona School for the Deaf and the Blind (ASDB) was to provide educational opportunities for sensory-impaired students ages 6 through 21. In 1988, the Legislature redefined ASDB's mission as follows:

> The purpose of the Arizona state school for the deaf and the blind is to promote and maintain an educational opportunity of adequate scope and quality for sensory impaired children in this state which will lead to an adult life of independence and self sufficiency, a meaningful personal, family and community life, and a useful productive occupational life.

In its role, ASDB provides direct educational services to students and also acts as a resource to local school districts. ASDB provides direct educational services at campuses in Phoenix and Tucson. The Phoenix Day School for the Deaf (PDSD) has an enrollment of approximately 200 students and provides kindergarten through twelfth-grade classes for hearing-impaired and sensory-impaired, multiply handicapped students that live at home in the Phoenix metropolitan area. The Tucson campus has an enrollment of approximately 150 day and 160 residential students and provides kindergarten through twelfth-grade classes for students that are hearing-impaired, visually-impaired, or multiply handicapped with a sensory impairment. Residential students are those that live on campus during the school year, primarily because their home school district cannot provide the needed educational services. The Tucson campus also

provides evaluation and educational services to multiply handicapped children with a sensory impairment through its Arizona Diagnostic Testing and Education Center (ADTEC).

ASDB also provides other services throughout the State and to local school districts. ASDB administers preschool and outreach programs for approximately 450 infant and preschool-age children. In addition, ASDB administers a regional cooperative program in the northern part of the State in which 31 school districts pool special education resources to provide improved educational programming to sensory-impaired students in their home schools. ASDB also serves as a resource to local school districts for evaluations, curricula, and training.

ASDB is governed by a seven-member Board comprising the State Superintendent for Education or his or her designee and six members appointed by the Governor. The Board appoints a Superintendent to oversee the daily operations of the School.

Budget And Personnel

ASDB's operating budget consists of both appropriated and nonappropriated funds. Appropriated funds include General Fund monies, a per student allocation from the Department of Education's Special Education Institutional Voucher Fund, and charges for nonresident tuition. Nonappropriated funds include Federal grants ($508,000 estimated for fiscal year 1991-92), the school's trust fund earnings, donations, and local funds. The ASDB's trust fund consists of monies bequeathed to the school by private donors, which are then invested and managed by a contracted financial advisor. The current value of the trust fund is $1.6 million, yielding an estimated $92,400 in earnings for fiscal year 1991-92. Local fund monies include all other monies available to the school and are used for a variety of purposes. Finding II, page 19 describes ASDB's nonappropriated funds.

The Legislature authorized 477.7 full-time equivalent employees (FTEs) for ASDB for fiscal year 1991-92; however, ASDB employs approximately 800 people to implement its program responsibilities. Many of these employees are part-time. Table 1, page 3 lists ASDB's expenditures and the number of FTEs for its appropriated funds.

TABLE 1

ARIZONA SCHOOL FOR THE DEAF AND THE BLIND
STATEMENTS OF FTEs AND ACTUAL AND APPROVED EXPENDITURES
FISCAL YEARS 1990-91, 1991-92, AND 1992-93
(unaudited)

	1990-91 Actual	1991-92 Actual	1992-93 Approved
FTEs	483	482	490
Expenditures			
Personal services	$11,980,222	$12,209,783	$12,715,000
Employee related	1,673,020	2,854,673	2,964,200
Prof. & outside services	306,456	263,393	165,200
Travel, in-state	61,421	48,337	50,600
out-of-state(a)	(1,958)	82	0
Other operating	2,061,109	2,485,729	3,797,800
Food	151,120	133,283	147,200
Land, Buildings and Equipment	340,292	778,968	305,400
Lump Sum reduction	0	0	(18,000)
TOTAL	$16,571,682	$18,774,248	$20,127,400

(a) ASDB budgets most of its out-of-state travel from nonappropriated trust and local fund monies. For fiscal year 1990-91, ASDB expended $54,070 from these funds for out-of-state travel.

Source: Arizona Financial Information System reports for Fiscal Years 1990-91, and 1991-92; State of Arizona Appropriations Report for Fiscal Year ending June 30, 1993.

Audit Methodology And Scope

In addition to utilizing standard audit methodology, such as data analysis, records review, and interviewing, we employed other methods to determine the efficiency and effectiveness of the School's operations and programs. We surveyed all 233 local school districts in the State. We also surveyed a statistically significant sample of parents of children in ASDB programs and parents of children in the regional cooperative program. We also contracted with experts in the field of education for the sensory-impaired to evaluate and determine whether ASDB had resolved the problems concerning student evaluation and placement we found in our previous audit.

Our audit report of ASDB presents findings and recommendations in six areas:

- Whether ASDB's management structure is top-heavy and could be downsized
- Whether ASDB's nonappropriated funds have proper oversight and control
- Improvements and continued problems with student evaluation and placement
- Adequacy of Board governance of school operations
- Need for ASDB to expand its role as a resource to local school districts
- Need for ASDB to track student postgraduate performance

In addition to these audit areas, we present a section of other pertinent information that includes information on the adequacy of teaching methods and equipment at the School and an overview of the scope and progress of the School's building program (see pages 57 through 60). In addition, this report contains a response to the 12 Sunset Review factors (see pages 61 through 65).

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the President of the Board of Directors, Board members, and the management and staff of the Arizona School for the Deaf and the Blind for their cooperation and assistance throughout the audit.

FINDING I

THE SCHOOL'S ADMINISTRATIVE STRUCTURE IS TOP-HEAVY AND COULD BE DOWNSIZED TO SAVE OVER $500,000 ANNUALLY

ASDB's administrative structure has an excessive number of top administrators, and some positions could be eliminated so that monies could be better spent on direct services to students. In addition, the Board should study some other organizational and position-related issues.

Administrative Structure Is Top-Heavy

Despite a decline in enrollment at the Tucson campus, ASDB's administrative structure has grown significantly since the early 1970s. Board members, administrators, staff, and parents have expressed concerns about ASDB's top-heavy administrative structure. As a result of these concerns, we examined the administrative structure to determine whether various positions were needed.

Growth of the administrative structure - The number of ASDB administrators has increased since the early 1970s, particularly at the Tucson Campus. However, during the same period, the Tucson campus enrollment has decreased approximately 25 percent, from 418 students in 1974 to 310 in January 1992. In 1974, the administrative structure was fairly simple and streamlined. Since 1974, the structure has grown in both numbers of administrators and layers of administration. For instance, the creation of several director-level positions added a layer to the management structure and additional directors have been added over the years.[1] Charts 1 and 2 (pages 8 and 9) illustrate the increase by comparing ASDB's administrative structure in 1974 with the current structure.

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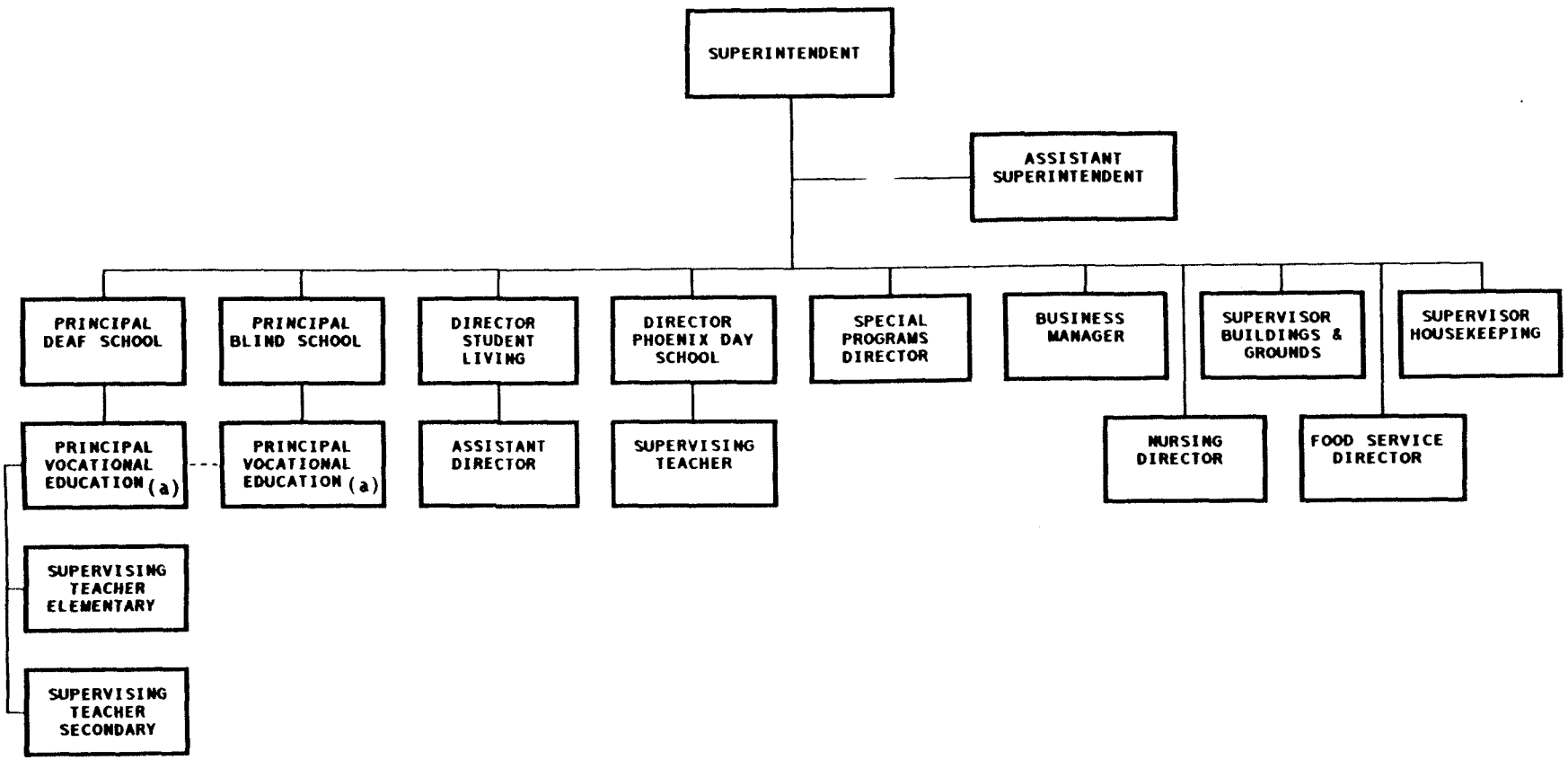
(1) Two off-campus programs have been added since 1974. The Regional Services Program serves 450 sensory impaired infants and preschool children throughout the State. The Regional Cooperative Program provides educational opportunities to sensory impaired students in their home school districts. Our analysis, however, focused primarily on the Tucson campus administrative structure.

CHART 1

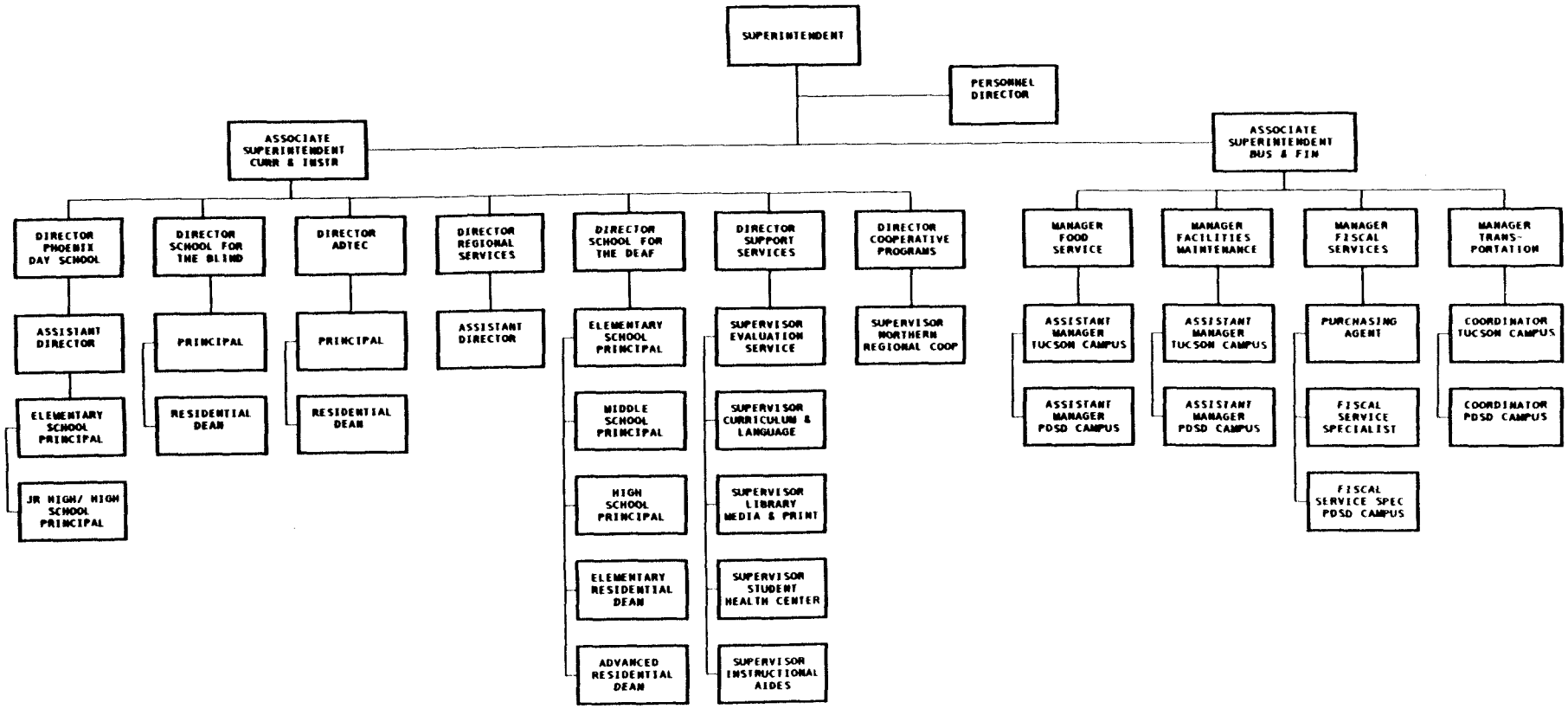
ARIZONA SCHOOL FOR THE DEAF AND THE BLIND ADMINISTRATIVE STRUCTURE IN 1974



(a) This is one position which serves both the deaf and blind schools.

CHART 2

ARIZONA SCHOOL FOR THE DEAF AND THE BLIND
ADMINISTRATIVE STRUCTURE
IN FISCAL YEAR 1991-92



Widespread concern about top-heavy administration - Board members, administrators, staff, and parents have expressed concerns about the number of top administrators and middle managers at ASDB. The perception that the administration is top-heavy is shared among these groups, as summarized below.

- **Four Board members** indicated to us that the administration is top-heavy and one suggested that monies spent on administration could be used to provide direct services to students. In fact, the Board has discussed this issue at its meetings and plans to study the organizational structure to address these concerns.

- **Administrators and staff members** view the administration as being top-heavy. Teachers and residential staff have suggested that the top administration be reorganized and that administrative secretarial staff be cut to reduce positions. In addition, several administrators and staff pointed out particular positions that they consider unnecessary. Some staff members were also concerned that during a reduction in force (RIF) budget cut last year, although direct service positions were cut, management positions were not reduced.

- **Parents** also indicated that the number of administrative positions should be reduced. During deliberations about last year's RIF parents suggested cutting administrators rather than direct service functions for students.

ASDB Could Reduce The Number Of Administrative Positions

The Board should downsize ASDB's administrative structure. We found that ASDB could eliminate 11[1] administrative positions.[2] The organizational structure resulting from these reductions would allow adequate coverage of the duties and functions necessary to manage the School.

Administrative positions could be eliminated - During our audit we identified the following 11 positions that could be eliminated from upper

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(1) These 11 positions include two part-time positions and equate to a total of 10 FTE positions.

(2) Our examination consisted of reviewing job descriptions, determining spans of control, comparing ASDB's structure with other state schools, reviewing previous ASDB proposals for staff reduction, comparing the current structure with ASDB's past structures, and interviewing numerous management and staff members. In addition, our consultants were asked to comment on the organizational structure. Management positions were considered for elimination if we determined that the duties and functions of one administrative position could be sufficiently covered by another position.

and middle management, which would eventually save over $500,000 annually[1] in salaries and benefits.

- **The Associate Superintendent for Curriculum and Instruction** position ($74,000) is unnecessary. The Associate Superintendent is responsible for the oversight of the academic programs. However, this position was vacant from August 1991 to July 1992 while the Associate Superintendent served as Acting Superintendent. The Directors operate the programs on a day-to-day basis and could report directly to the Superintendent. In addition, a study found that few other states operate schools for the deaf and the blind with an Associate Superintendent.

- **The Assistant Facilities Manager** position ($42,000) on the Tucson Campus is not a full-time supervisory position; rather, the Assistant Facilities Manager assumes the responsibility of Facilities Manager in his absence and performs carpentry work. Currently, the Facilities Manager is coordinating the building program and is often busy with construction-related items. The end of the building program this December will allow the Facilities Manager to resume the day-to-day supervision of personnel and routine maintenance matters. Therefore, the Assistant Facilities Manager position will not be necessary.

- **The High School Principal in the School for the Deaf** position ($62,000) is unnecessary and could be eliminated by combining the middle school and high school programs. The School for the Deaf in Tucson currently has three Principals to serve 186 students, while the Phoenix Day School for the Deaf (PDSD) operates with only two Principals for 209 students. In addition, the High School Principal in the School for the Deaf has the smallest span of control of all the Principals in the academic departments, supervising only seven teachers. By contrast, the PDSD Principals supervise an average of

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(1) All position costs shown in parentheses were determined using the salary and benefits of the person currently holding the position. Salary amounts have been rounded to the nearest thousand dollars. Incorporation of ASDB's "bumping" policy would, however, reduce the immediate dollar savings. The policy provides permanent employees, whose positions are eliminated, with certain "bumping rights" to other ASDB positions for which they may qualify. An individual who bumps into a lower classification is placed at the step in that classification closest to their current salary. Since the individuals they are bumping have the least seniority in the classification, it is common that the individual bumping into that classification (from a higher position in the agency hierarchy) will earn more than the individual they are bumping. The immediate net savings in the RIF process is the salary/benefits of the employee actually bumped from the agency plus or minus any costs/savings that accrue through the bumping chain of events. However, given turnover, promotions, etc., over time the full savings from eliminating a position are realized.

ASDB estimates the immediate savings to be approximately $413,000 annually for the positions identified in this finding.

19 teachers plus instructional aides. Our consultants recommend that the Deaf High School and Middle School be combined to enhance the program for students in both departments. They stated that two Principals were not necessary to run the middle school and high school programs.

We contacted three schools in other states regarding their programs and found that the South Carolina School for the Deaf and Blind, which is similar in size to ASDB, has only two assistant principals. Also, the Arkansas School for the Deaf, which is comparable to the Deaf School in Tucson, eliminated two of their principals, and the superintendent indicated that she has not received any complaints from staff concerning this change.

- One Dean position in the School for the Deaf ($46,000) could be eliminated by combining the elementary and advanced residential programs under the direction of one Dean. The Deans head the residential programs and supervise the Teaching Parents and Night Supervisors that instruct and supervise pupils after school. In 1974, two Deans administered three residential programs serving over 246 students. Today, four Deans serve only 160 students and provide little direct supervision because they work day hours while their subordinates work evening hours. Any additional staff supervision that may be necessary could be provided by the Master Teaching Parents, who are the experienced residential staff. Because the job descriptions for Master Teaching Parents provide for them to assume the supervisory responsibility for residential staff, direct support to residential staff should not suffer.

- The Regional Cooperative Program Director position ($72,000) is unnecessary. Currently, the one Regional Cooperative is administered by a Regional Supervisor in Flagstaff and a full-time Director based in Tucson. Two administrators are unnecessary for this program, because North Central Regional Cooperative is managed by the Regional Supervisor on a day-to-day basis. Further, even as additional regions are developed, oversight of the program could be provided by the Regional Services Program, which already provides services on a statewide basis.

- The ADTEC Director position ($75,000) could be eliminated by placing the evaluation and education functions in other departments since these evaluation and education functions will be physically separated upon completion of the new buildings next fall. The ADTEC evaluation functions will share the same facility with the Department of Instructional Support Service's (DISS) evaluation functions. Therefore, the ADTEC and DISS evaluation functions could be combined in an agencywide resource in one department. Additionally, the ADTEC education component could be administered by the Director of the Blind School. The Principal of ADTEC would report to that Director. This organization has been successfully implemented at the Florida School for the Deaf and Blind.

- **PDSD Assistant Director** position ($66,000) is unnecessary and could be eliminated. The current role of the PDSD Assistant Director is to oversee the educational programs while the Director handles the business operations of the school. However, because direct supervisory responsibility for the business and finance operations was shifted to managers on the Tucson Campus in 1989, two supervisors are unnecessary. Therefore, the Director could assume responsibility for the educational programs, and the Tucson Campus Business and Finance Supervisors could manage the business operations, which would eliminate the need for the Assistant Director. This would bring PDSD in line with other ASDB academic programs by cutting to only two layers of administration, instead of the current three layers: the Director, Assistant Director, and Principals.

- **Four Administrative Secretary** positions[1] ($70,000) that support the Associate Superintendent of Curriculum and Instruction (1 FTE), the ADTEC program (1.5 FTE), and the Regional Cooperative Program Director (.5 FTE) will not be necessary when the administrative structure is reorganized.

Proposed reorganization would provide for adequate management of ASDB - As previously noted, the revised organizational structure would provide sufficient management personnel to effectively perform the duties of the eliminated positions. The structure that would result from eliminating these 11 positions is shown in Chart 3, page 14. The reorganized structure would reduce the layers of top administration from four to three and also reduce the number of Director-level positions from seven to five.

The Board has expressed the desire to evaluate and possibly propose an alternative restructuring that would capture similar dollar savings. The Board has set aside funds to perform a management study. In addition, the Board noted that the recently hired new superintendent should have some flexibility in organizing his administration. The Board's concept has merit. Our review and recommendations are based on the school's existing administrative structure. However, any reorganization based on a different structure should still be expected to identify comparable or greater administrative savings.

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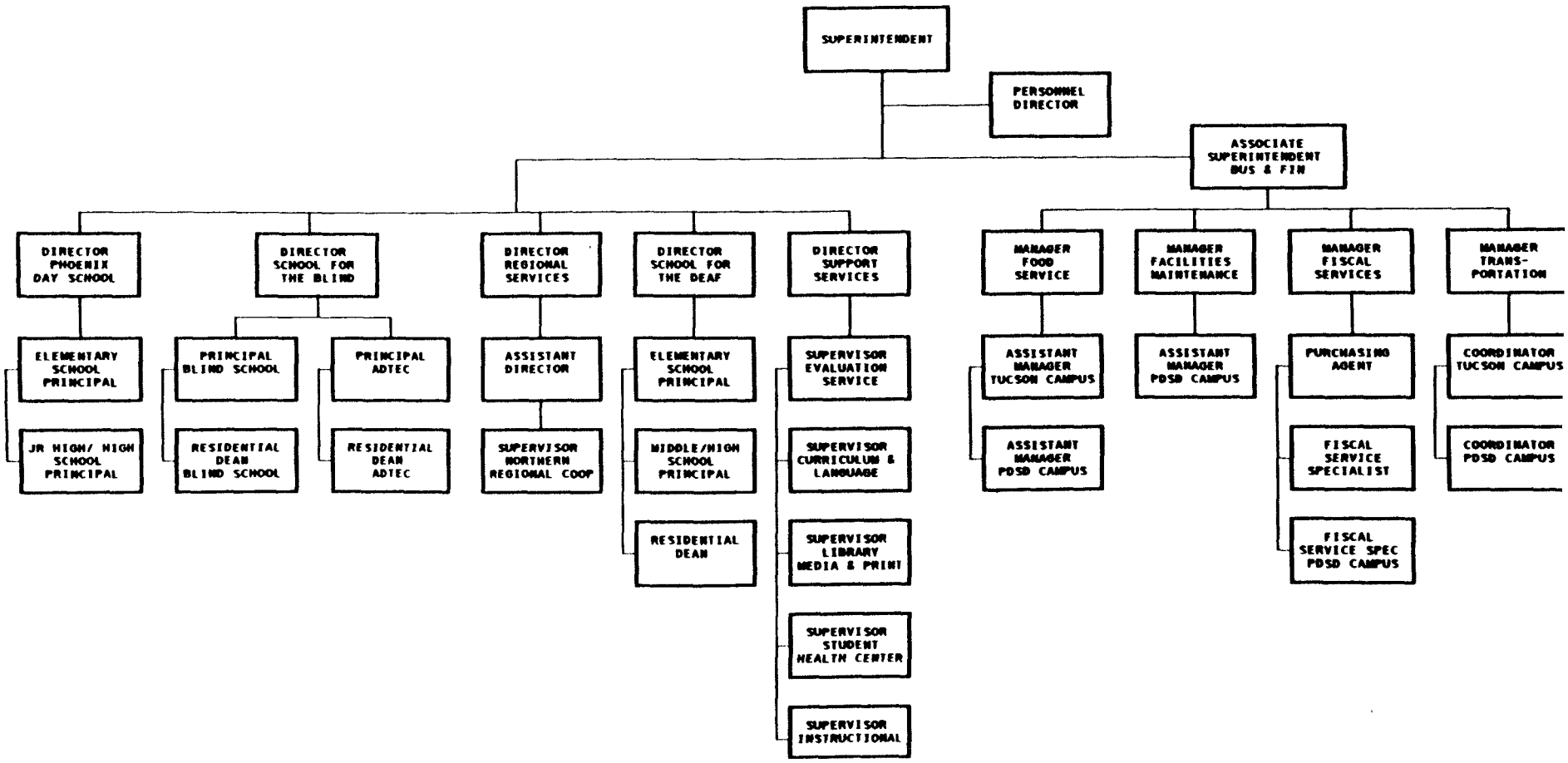
(1) These four positions consist of three FTEs.

CHART 3

ARIZONA SCHOOL FOR THE DEAF AND THE BLIND
PROPOSED ADMINISTRATIVE STRUCTURE



Monies Spent On Administration Could Be Better Used For Other Purposes

The monies spent on the administrative salaries could be better used for direct services to students if the 11 administrative positions were eliminated. For example, part of the $500,000 annual savings could be used to fund expansion of the Regional Cooperative Program.

- **Regional Cooperative Program expansion would require $291,300** - The monies saved from reducing the administrative structure could be used to fund two additional regional cooperative programs. Expanding the program to two additional regions would cost an estimated $291,300[1]. This expansion would meet the statutory mandate for three regional cooperatives and would serve children in their home districts in the least restrictive environment. Although ASDB has consistently included funding for these regions in their budget request since fiscal year 1989-90, these regions have not been funded. (See Finding V, page 43 for further discussion of the need to expand the regional cooperative program.)

In addition to expanding the Regional Cooperative Program, the savings could be used to help fund other needed programs. Several of the needed programs are described below.

- **New educational programs and equipment** - The saving could also be used to help fund a program to serve severely emotionally disturbed students (see Finding III, page 29). In addition, specialized education equipment could be purchased for the use of new as well as present programs. In recent years, the special education equipment budget has been cut severely; consequently, there is a great need for this type of equipment. For example, the entire 1990-91 budget for specialized education equipment was eliminated due to mid-year budget cuts. (See Other Pertinent Information, page 57.)

- **Physical facilities improvements** - According to ASDB's capital budget request for fiscal year 1992-93, the School's physical facilities need improvements, such as air conditioning in the gym and one dormitory, alarm system upgrades, locker room repairs, handicapped access to rest rooms, and furnishings for the new high school building. Also, the fire alarm systems in the gym and four residence halls are inadequate and in violation of the State fire code.

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(1) Estimate obtained from the 1992-93 ASDB Operating Budget Request.

- **Expanded resource services for local school districts** - ASDB is required by statute to be a resource to local school districts, and the savings from reducing the administrative structure could be used by ASDB to comply with this mandate. According to ASDB officials, few services are currently being provided to local school districts due to funding limitations. (See Finding V, page 43 for further discussion of the need for expanded resource services.)

- **EDP support** - Based on our review, the EDP function appears to be understaffed, and more EDP support seems to be needed. Only one FTE position is currently allocated for EDP functions, which consists of two half-time positions, the Grants/Compliance/EDP Coordinator and the Systems Operator/Videographer. The EDP system does not contain basic information such as complete enrollment and student records. In addition, the Manager identified many programming and other projects that are needed to improve the efficiency and effectiveness of the data processing system.

Board Needs To Study Organizational Issues

The Board needs to study other issues related to the organization of ASDB, including the evaluation of positions affected by the downsizing, and the role of PDSD administrators in business and finance operations.

The Board determined that a management study of ASDB is needed and allocated monies in fiscal year 1991-92 for the study. However, they decided to postpone the study until they receive the results of this audit. Based on our review, the Board should conduct further study in two key areas:

- **Effects of downsizing on positions should be studied** - The Board's study should include an evaluation of the staff whose duties or responsibilities change as a result of restructuring to consider salary adjustments. For example, the Master Teaching Parent position would be expanded upon elimination of one Dean, and a salary adjustment for the new responsibilities could be necessary.

- **Role and responsibility for business functions at PDSD needs to be clarified** - The Board needs to clarify the role of PDSD and Tucson Campus administrators in the operation of the Food Service, Transportation, Accounting, and Facilities functions at PDSD. The managers of these operations are based on the Tucson Campus and are charged with the responsibility for these functions at both the Tucson and PDSD Campuses. However, it seems the Director of PDSD is managing these operations. For example, the control of some financial matters lies with the Director, and the Tucson Campus Manager has little knowledge of the use of some monies. As a result, some problems with the financial transactions at PDSD have been identified, as discussed in Finding II, page 19.

RECOMMENDATIONS

1.. The Legislature should consider reallocating appropriations for the following 11 positions or other administrative positions identified by the Board to the regional cooperative programs and other direct student service programs:

- Associate Superintendent of Curriculum and Instruction
- Assistant Facilities Manager
- High School Principal in the School for the Deaf
- One Dean in the School for the Deaf
- Regional Cooperative Program Director
- ADTEC Director
- Four Administrative Secretaries
- Assistant Director of PDSD

2. The Board should cost out needed programs and establish priorities for using the monies saved to provide programs for direct services to students. The Board should then propose these alternatives to the Legislature for their consideration.

3. The Board should conduct further studies of the positions affected by downsizing and the role of PDSD administrators in business and finance operations.

FINDING II

THE BOARD SHOULD IMPROVE ITS OVERSIGHT AND CONTROL OVER NONAPPROPRIATED FUNDS

The Board should exercise greater control over the use of non-appropriated funds. In the past, poor judgment by ASDB administrators has resulted in State law and policy violations, excessive out-of-state travel expenditures, and improper use of donations and other monies. To correct these conditions, the Board should strengthen its oversight and control of nonappropriated funds.

Board Has Not Exercised Adequate Control Over Nonappropriated Funds

The Board has not used its authority to properly control nonappropriated funds. The Board is statutorily responsible for all monies received by the School, including those that are not appropriated by the Legislature. ASDB has several sources of nonappropriated funds, including the trust fund, trust fund earnings, private donations to ASDB, and local fund monies.(1) Income from these sources, which is described below, exceeds $100,000 per year.

- Trust fund and earnings - The trust fund consists of monies and other assets bequeathed to ASDB. These monies, totaling approximately $1.6 million, are managed by the Board through an investment counselor.(2) The fund is expected to earn $92,400 in 1991-92. In 1990-91, trust fund earnings totaled approximately $88,600, of which almost $86,700 was expended.

- Donations - ASDB receives donations in varying amounts from private parties throughout the year. The ASDB Tucson Campus received approximately $18,400 in donations and PDSD received approximately $4,600 in fiscal year 1990-91. Over the last four years, ASDB Tucson has received an average of over $20,000 annually in donations.

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(1) ASDB also receives Federal grants. The fiscal year 1991-92 budget includes an estimated $508,000 in Federal funds. Use of these Federal monies was not reviewed as part of this audit.

(2) The investment portfolio market value was $1,649,423 on March 31, 1992.

- Local funds - Local fund monies are raised by ASDB activities and expended for a wide variety of items. For example, a local fund was established for the receipts of the sale of curriculum materials.

Board lacks control of donations and local fund monies - Although the Board has improved the control over trust funds, the Board allows administrators too much discretion in the use of donations and local funds. The Board does not have knowledge of the donations received or the ASDB administration's intended use of these funds. When donors do not specify a purpose for the gift, administrators have been free to deposit the monies in any local or trust fund earnings account without informing the Board.

The Superintendent can also establish local funds and deposit monies into these funds. In addition, an authorized administrator can expend the local fund monies without the knowledge or approval of the Board. The Board generally does not receive any information regarding local funds.

Lack of oversight for nonappropriated funds was also an issue during our 1987 audit. In 1988, the Legislature amended ASDB's legislation to require the Superintendent to report to the Board on the use of these funds. In response the Board has tightened controls over trust fund expenditures by requiring that the trust fund be budgeted in greater detail, limiting transfers between budget categories to less than 10 percent without Board approval, and requiring that all out-of-state travel to be pre-approved by the Board. However, our current audit work indicates that the Board still lacks information about donations and local funds and has not adequately controlled their use.

Poor Judgment Exercised By Former Administrators

Former administrators at ASDB have used poor judgment in handling trust fund earnings, donations, and local fund monies. In two cases, administrators violated State laws and policies. More commonly, trust fund earnings and local fund monies have been used by administrators for excessive out-of-state travel. In addition, some donations received by the School have been poorly managed by former administrators, and local fund monies have lacked oversight.

State laws and policies violated - We identified two instances in which ASDB former administrators violated State laws or policies.

- **Example 1** - In the summer of 1986, the then ASDB Superintendent ordered approximately 3,000 coffee mugs intended to help commemorate the 75th anniversary of the School. The mugs were purchased at a price of $2.55 each for a total procurement of approximately $8,700. After the order was placed but before it was delivered, ASDB business office personnel informed the Superintendent that he had violated the State Procurement Code by failing to seek competitive bids for the procurement of the mugs. In response, the Superintendent contacted the ASDB Alumni Association (which consisted primarily of ASDB graduates employed at the School) and requested that they purchase the mugs from the vendor and then sell them at a higher price as a means of raising funds. However, since the Alumni Association only had approximately $2,000, the Superintendent personally borrowed $6,700 from a third party and loaned it to the Association to pay the balance of the amount due. The Association agreed to repay the Superintendent from the proceeds of the mug sales.

  Over the next several months, the Alumni Association sold the mugs for $5 to $6 each to various groups, including sources within the School. In total, more than $3,500 of ASDB funds were expended on the purchase of mugs from the Alumni Association: $1,500 of trust fund earnings, $1,370 of local funds, and $648 of general funds. Over $2,000 of these expenditures were specifically approved by the Superintendent, and records indicate that the Superintendent received $5,610 back from the Alumni Association.

  Comments - Several statutory violations occurred as a result of the mug purchase and sales. First, while acting on behalf of the School, the former Superintendent clearly violated the procurement code when placing the order for the mugs without obtaining competitive bids. Second, purchases of the mugs by school officials from the Alumni Association were also violations of the State Procurement Code, because competitive bids were not obtained and public funds were used. Third, in an effort to evade the initial violation of the Procurement Code, the former Superintendent may have also violated the State conflict of interest statutes when he authorized the expenditure of ASDB funds to purchase mugs from the Alumni Association after he loaned money to the Association and therefore had a substantial interest in the loan being paid.

- **Example 2** - On July 26, 1991, PDSD signed a rental agreement with the Arizona College of the Bible, a private concern, for the use of the PDSD Sportsdome. The agreement allowed the college to use the gym for its 1991-92 basketball and volleyball schedules totaling 47 games. For the rental, PDSD charged the college $1,400 which the college paid PDSD in two installments of $700 in August 1991 and January 1992. These monies were deposited in the PDSD local fund.

Comments - The gym at PDSD is fully funded for normal operating costs for the year in the budget of the general fund. According to the Department of Administration (DOA) Finance Department, the proceeds from the rental of the facility should be accounted for in the general fund as a miscellaneous revenue. (In addition, our legal counsel believes that the monies should be reported by the Superintendent to the Board and included in the Board's report to the Legislature.) However, the Director deposited the rental monies in the private fund for athletics and theatre. The Director should have been particularly aware that this violated State policy, as ASDB had unsuccessfully sought legislation in fiscal year 1990-91 to obtain authorization to deposit rental revenue in student activities accounts.

Out-of-state travel expenditures excessive - ASDB used nonappropriated monies for an excessive amount of out-of-state travel. In fiscal year 1990-91, $49,257 (approximately 57 percent) of the trust fund earnings were expended for out-of-state travel. Another $4,813 was expended for travel from other local funds in that fiscal year. One-half of the monies (52 percent) was spent for travel for administrators.[1] See Table 2, page 23 for a summary of 1990-91 out-of-state travel. In some cases, travel costs were excessive. For example,

- Eleven administrators attended the Conference of Educational Administrators Serving the Deaf (CEASD) Annual Convention in New Orleans in June 1991, at a cost of $8,972.

- Seventeen ASDB staff attended the 1989 CEASD Annual Convention at the Princess Resort in San Diego. Eleven administrators and six staff attended. Teachers were limited to $200 each for the trip. However, ASDB fully funded the cost of the trip for the administrators, at a cost of up to $870 per administrator. The total cost of the trip was approximately $9,800, almost one-third of the total travel expenditures for the year. The Board approved this trip after the expenditures were made.

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(1) Despite excessive out-of-state travel expenditures, few travel funds are available for teaching staff. In fiscal year 1990-91, teaching staff travel expenditures accounted for only . percent of total travel expenditures, as shown in Table 2, page 23. Board policy heavily restricts teaching staff travel, as reimbursement for out-of-state travel is limited to $200 per trip with the remainder of the costs paid by the teachers. However, the secretarial staff have been fully reimbursed for out-of-state travel. For example, an administrative secretary and a receptionist traveled to Denver in 1990 to attend a conference at a cost of $1,904, which was fully reimbursed. In contrast, a teacher paid all the costs over $200 from her own pocket to attend a conference in Washington D.C., although the ASDB principal attending the same conference was reimbursed $1,062 for the trip.

TABLE 2

ARIZONA SCHOOL FOR THE DEAF AND THE BLIND
TRUST FUND AND LOCAL FUND
TRAVEL EXPENDITURES BY POSITIONS
FOR FISCAL YEAR 1990-91
(Unaudited)

Position	Trips Taken	Travel Expenditures	Percentage of Travel Expenditures
Superintendent	5	$3,320	6%
Associate Superintendents	5	5,120	10
Directors	14	12,440	23
Assistant Directors	2	1,610	3
Principals	7	5,480	10
Administrative Staff	3	2,650	5
Other Professional and Supervisory Personnel	15	11,440	21
Teaching Staff	6	1,760	3
Basketball Tournament[a]	1	10,250	19
Total	58	$54,070	100%

(a) Basketball Tournament expenditures consist of airfare for students and coaches and reimbursement of meals for coaches.

Source: ASDB financial records for fiscal year ended June 30, 1991.

The Board is often unaware of such expenditures until after the fact, if at all. Board approval for the two trips described above was not obtained until after the travel expenses had been incurred. In another case two PDSD staff attended a conference at a cost of $1,750. The School used local funds for this travel, which was never approved by the Board.

Some donations and local funds are poorly managed - Other problems exist in the management of donations and local funds. The Superintendent and the Director of PDSD receive donations for their respective campuses. If not restricted to a specific purpose by the donor, these administrators allocate donations however they choose. This situation has led to questionable management of some donations by administrators as indicated by the following examples.

- The former Superintendent received a donation of $2,500 in May 1990 that the donor designated for the work subsidy fund, a fund that provides employment for students. The Superintendent diverted $1,000 of this donation into the account he used to pay for community-based events to promote the School's image. However, the Superintendent does not have the authority to change the designated purpose of a donation and is legally responsible if the donation is used for a purpose other than the one designated. Further, the donor or the intended beneficiaries of the donation could enforce a claim against the Superintendent or ASDB that the donation was used inappropriately.

- In August 1989, ASDB received a bequest of $2,000 from an estate distribution. Historically, bequests received by ASDB are deposited into the trust fund and invested. However, the former Superintendent chose to spend this bequest for out-of-state travel during that year.

Administrators have also established and utilized local funds without oversight. The following are examples of two local funds with various problems.

- **Curriculum materials fund** - This fund was established to receive the proceeds from the sale of curricula developed by ASDB and sold to other schools. The monies deposited in the fund were intended to be used to pay for the cost of duplicating and distributing curricula. Although ASDB administrators utilized these monies for a variety of

curriculum-related purposes, including out-of-state travel and purchases of computer equipment, they did so without the knowledge or approval of the Board.[1]

- PDSD local funds - PDSD has several local funds with revenues from a variety of sources, including donations and receipts from school athletic events. These funds were established by the PDSD Director who, in practice, has also exercised sole control over them without any direction from the ASDB Superintendent or the Board. These funds have been used for out-of-state travel for the PDSD Director and other PDSD staff and for purchases of capital equipment without the knowledge or approval of the Board.

Board Needs To Strengthen Controls Over Nonappropriated Funds

The Board should strengthen controls over nonappropriated funds. Although the Board has established a policy that requires advance approval of travel, it should also institute further controls over the nonappropriated funds. As an alternative, the Legislature may wish to consider making these monies subject to appropriation.

Board has established policy to require advance approval of travel - In response to concerns about excessive travel, the Board changed its policy to require approval of out-of-state travel in advance and on a trip-by-trip basis. Until recently, the former Superintendent apportioned the lump sum budgeted by the Board for out-of-state travel in any way he chose. After the Board learned of plans for three administrators and three teachers to attend a conference in Hawaii in 1991, they rejected the plans for the trip for the administrators. The Board felt the trip to Hawaii for administrators was inappropriate at a time of staff layoffs. Prior to this event, the Board typically approved

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(1) In addition, ASDB's practice of depositing the proceeds of curriculum sales into its curriculum materials fund may be inconsistent with State accounting procedures. School curriculum development staff are funded through General Fund appropriations. A Department of Administration-Finance official advised us that monies generated from activities funded by the General Fund should be deposited in the General Fund.

out-of-state travel after it occurred. Since then, the Board has required administrators to seek approval from the Board before traveling out-of-state.

Other controls over nonappropriated funds are inadequate - Board policies and controls over local funds and donations are deficient in several additional areas.

- The Board does not adequately review donations when they are received to determine their most appropriate use or review how donations are used. Although reviewing all donations upon receipt is not practical because most are small, the Board should review large donations (over $1,000) when they are received. The Board should also review the use of all donations on a quarterly basis.

- The Board does not approve the establishment of each fund or specify the expenditures that can be made from the fund. Therefore, because the Board does not control the transactions in a particular fund, it may not be aware of certain transactions.

- The Board does not periodically review and approve the revenues and expenditures of all nonappropriated funds quarterly, although it is statutorily responsible for reporting all financial transactions of the School to the Governor.

Appropriation of monies may be considered - If the Board does not establish meaningful oversight over donations and local fund monies, the Legislature may wish to consider including them for appropriation in the budget, since the expenditures made from these funds include out-of-state travel and equipment purchases. A Senate bill was introduced in the most recent legislative session that would have made donations subject to appropriation by the Legislature, however, it did not pass. Appropriation of the trust fund earnings and local funds would enable greater control over the use of these monies. For example, ASDB out-of-state travel expenditures could be more closely monitored by the Legislature, as is done with the travel expenditures of most other State agencies.

RECOMMENDATIONS

1. The Board should establish strict policies and controls over the expenditure of nonappropriated monies. The Board should also

   a. Revise ASDB's travel policy to limit the number of persons on each trip, increase the travel allowance for teaching staff, and require justification for each trip.

   b. Approve use of donations over $1,000.

   c. Review the use of donations under $1,000.

   d. Approve the establishment of local fund accounts, including specifying the sources and uses of these monies.

   e. Review and approve revenue and expenditure transactions quarterly for a funds.

2. If the Board cannot effectively oversee or control the use of the donations and local fund monies, the Legislature may wish to consider appropriating them.

FINDING III

ASDB HAS IMPROVED STUDENT EVALUATION AND PLACEMENT

ASDB has done much since 1987 to improve the evaluation and placement of students at ASDB. However, some problems in placing multiply handicapped students remain to be addressed.

As part of our review of ASDB's student evaluation and placement process, we surveyed local school district officials throughout the State and parents of ASDB students. We also contracted with a team of experts in the field of sensory-impaired education to assist with our assessment of the School's level of compliance with Federal and State regulations concerning student evaluation and placement. The consultants examined a representative sample of 178 student files; reviewed 11 cases that had been the object of complaints or disputes involving ASDB; and interviewed representatives of ASDB, the Arizona Department of Education, and local school districts.(1)

ASDB's Evaluation And Placement Process Has Markedly Improved

Substantial progress has been made toward upgrading student evaluation and placement at ASDB. Our previous review of ASDB revealed significant problems with the evaluation and placement process. Since then, steps have been taken to address or ameliorate many of these problems.

1987 audit found major problems - Our Office first reviewed the evaluation and placement process at ASDB in 1987. At that time, we found that ASDB made admission and placement decisions without involving local school districts. For example, Tucson Unified School District personnel were aware of only 6 of 104 students from their district that were

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(1) The consultants' report is available for review by interested individuals. Copies of the report may be requested from the Office of the Auditor General.

enrolled at ASDB. We found ASDB's admissions policy was inadequate because it did not include a system to involve school districts in the referral and placement process at ASDB.

Significant improvement has occurred - ASDB has addressed many of the concerns raised in our previous report and now encourages school district and parent involvement in the evaluation and placement process at ASDB.[1] For example,

- To encourage district involvement, ASDB has changed the way it schedules evaluation and placement meetings. Meetings for a district's students are now scheduled around the same time to make it more convenient for district officials to participate.

  Notification of scheduled meetings has also improved. Although some occasional problems still exist, 95 percent of the parents we surveyed said ASDB provided adequate notice of meetings scheduled for their children.[2] Almost 90 percent of school district officials that had students evaluated at ASDB in the past three years reported that ASDB provided adequate notification of evaluation and placement meetings.[3]

- Teleconferencing has been used in some instances when parents or district officials were unable to attend.

ASDB now keeps districts better informed of the students from their districts that are enrolled in ASDB programs. Staff at both ASDB-Tucson and PDSD have been assigned responsibility for keeping school districts informed of the students placed in their programs.

In addition to the School's efforts, statutes and policies have been revised to require school district involvement in student evaluation and placement.

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(1) Despite ASDB's efforts, districts do not always participate in evaluation and placement meetings. In reviewing student files at ASDB-Tucson, the consultant team found the signature of school representatives on only 63 percent of initial placement forms and 72 percent of three-year reviews, although a district representative is required to attend these meetings and sign these forms.

(2) Questionnaires were sent to a statistically valid sample of 233 parents. Completed surveys were received from 177 parents, for a response rate of 76 percent.

(3) Surveys were also sent to all 233 local school district special education directors. Completed surveys were received from 159 districts, for a 68 percent response rate. Ninety respondents reported that students from their district had been evaluated at ASDB in the past three years.

- Arizona Revised Statutes (A.R.S.) §15-1342 was amended in 1988 to require that school district officials direct the evaluation and placement process and participate in evaluation and placement meetings at ASDB.

- ASDB developed a new admissions policy in 1989 that requires all referrals for evaluation and placement in ASDB programs to be made through the student's district of residence. The policy also establishes guidelines for evaluation and placement that require collaboration between ASDB and the local school district.

- ASDB's Board of Directors also established a policy expressing ASDB's commitment to serve only those students that cannot be adequately served in a regular classroom with the use of supplemental aids and services.

The consultant team that assisted with our review reported that ASDB has made "enormous strides in the past five years." These consultants found no major flaws in the evaluation and placement process.

Placement Of Multiply Handicapped Students Continues To Generate Controversy

Problems continue in placing students with multiple handicaps. Since 1987, ASDB has expanded its programs to serve sensory-impaired, multiply handicapped students. However, placement of these students still generates some controversy, and the factors generating controversy need to be addressed. Services for sensory-impaired students with severe emotional disorders also need to be developed to ensure compliance with Federal requirements.

Services to multiply handicapped students expanded since 1987 - Programs for multiply handicapped students at ASDB have increased since 1987. Our previous report recommended that ASDB expand efforts to meet the needs of sensory-impaired students with additional handicaps. In many instances, ASDB was found to be better suited to provide programs for these students than local districts. However, at that time ASDB appeared to be reluctant to serve multiply handicapped students. ASDB has taken a number of steps to expand services for multiply handicapped students since 1987. The number of educational classes for multiply handicapped, severely sensory-impaired (MHSSI) students at ASDB's Arizona Diagnostic

Testing and Education Center (ADTEC) in Tucson was increased from five to seven. In addition, two classes for MHSSI students were established at the Phoenix Day School for the Deaf. The North Central Regional Cooperative, which began operating in 1989, also serves 23 MHSSI students.

Placement of multiply handicapped students continues to create problems - Although ASDB has expanded programs for multiply handicapped students, placement of these students still creates problems. In interviews with the consultant team and in responses to our survey, some school districts expressed concerns about ASDB's willingness to accept multiply handicapped students as indicated by the following responses:

> ASDB needs to accept in their program in Tucson students who are severe in nature. It has been my experience that they have only taken those students that offer minimal challenge to them.
>
> Although things have improved recently, ASDB has not wanted to accept students who are handicapped (in addition to the sensory impairment). The strange outcome is that ASDB tends to take the less severely handicapped students, while the public schools take the more complex students.
>
> The reason we do not refer many students to ASDB programs is because historically they do not accept our referred students who have "other" disabilities.

Some local districts have filed complaints with the Arizona Department of Education (ADE) regarding the evaluation and placement of students at ASDB. Members of the consultant team reviewed 11 complaints identified by ADE and found that these cases typically involved students with "extremely challenging problems requiring the design of individualized educational and other intervention programs."[1]

Factors leading to problems need to be addressed - Several factors appear to be responsible for the controversies involving multiply handicapped students.

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(1) The complaints concerning ASDB primarily involved sensory-impaired students with severe emotional disorders, mental retardation, or limited English proficiency.

ASDB's role in serving sensory-impaired students with additional handicapping conditions is unclear. ASDB statutes conflict and may lead to disputes over which students the School should serve. Some school district representatives and ADE officials believe that ASDB is required to serve all sensory-impaired students that cannot be served by their district of residence. An ADE official cited Arizona Revised Statutes (A.R.S.) §15-1343(A):

> A person is entitled to an education in the school for the deaf and the blind without charge if he is a resident of the state, age six to twenty-one years and sensory impaired to an extent that he cannot acquire an appropriate education in the school district of residence.

ASDB, in contrast, has argued that the School is only part of a continuum of services required by sensory-impaired students. A.R.S. §15-1342(F) provides some support for this position:

> If the chief administrator of the school or accommodation school or his designee and the superintendent of the school [ASDB] determine that the school [ASDB] cannot provide the appropriate educational programs and services needed by the child, they shall locate or establish a program to meet the child's needs in consultation with the department of education and any other appropriate state agency.

The cost of serving sensory-impaired students that are multiply handicapped may also generate controversy over who will serve these students and who will pay for services. ASDB and ADE officials agree that current funding levels do not match the cost of serving special education students. An ASDB official has said that this makes it difficult for them to add new students during the year. For fiscal year 1990-91, ASDB received $12,210 from institutional voucher payments for each student classified as MHSSI. However, ADE reports that ASDB's per pupil cost for MHSSI students was $31,451 for the same period.

The problems associated with serving multiply handicapped students cannot be resolved by ASDB alone. In November 1991, representatives of ASDB met with ADE officials to discuss the complaints received by ASDB. In January 1992, ASDB and ADE established a voluntary task force to review ASDB's admissions policy and role. Although the group discussed several issues, many remain unresolved, and additional measures are needed to

reduce controversy over ASDB's role. A more formalized task force needs to be established by the Legislature to examine ASDB's role in serving sensory-impaired, multiply handicapped students and the adequacy of current funding levels. The task force should be directed by ADE and include representatives of ASDB, local school districts, and the Department of Health Services' Behavioral Health Division. In addition, legislative action may be needed to clarify ASDB's statutory role and address current funding problems.

Program for students with severe emotional disorders needed - Arizona may not comply with Federal requirements because it lacks some necessary services for sensory-impaired students with severe emotional disorders.

In recent years, several sensory-impaired students with severe emotional disorders have been referred to ASDB for placement. ASDB and local school districts have found these students difficult to serve because they may exhibit aggressive behaviors that necessitate placement in a hospital or residential treatment setting. In addition, these students require the services of trained counselors and therapists that are also skilled in working with the sensory-impaired.

Arizona currently lacks some services for sensory-impaired students with severe emotional disorders. According to our consultants, the State does not have psychiatric treatment facilities designed to handle sensory-impaired students with severe emotional disorders. A recent report by the Statewide Behavioral Task Force on Deafness also indicates Arizona does not have adequate behavioral health services for the deaf and hard of hearing. As a result, the State may not comply with Federal special education requirements. The Federal Individuals with Disability Education Act (IDEA) requires that states provide all citizens with a free, appropriate education. In addition, IDEA requires that states have a full range of placement options available.

ASDB has recognized the need to improve services for this population of students.[1] However, providing services to sensory-impaired students with severe emotional disorders can be costly. According to our consultants, school-based programs can cost between $60,000 and $120,000 per pupil annually, and hospital-based programs can cost over $1,000 per day.[2] To date, ASDB's efforts to establish a special program have been unsuccessful. Development of such services will require additional funding and the active participation of ADE, ASDB, local school districts, and the Department of Health Services' Behavioral Health Division.

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(1) ASDB submitted a grant proposal to the U.S. Department of Education seeking funds for a joint program with a Tucson psychiatric hospital. The School has also worked to obtain funding for the program through the Department of Health Services' Behavioral Health Division.

(2) Currently, one Arizona student is in an Illinois program for hearing-impaired students with severe emotional disorders. This student was placed in a hospital setting for 60 days at an average cost of $1,335 per day. The student is now in the program's therapeutic group home at a cost of $212 to $262 per day.

RECOMMENDATIONS

1. ASDB should continue its efforts to improve the evaluation and placement process. Specifically,

   - The School should take steps to ensure it consistently complies with the statutes and regulations governing student evaluation and placement, and
   - ASDB should work to achieve full parental and school district participation in the evaluation and placement process.

2. The Legislature should establish a task force to address problems concerning the placement of multiply handicapped students. The task force should be led by ADE and include representatives from ASDB, local school districts, and the Department of Health Services' Behavioral Health Division. Specifically, this group should

   - Clarify ASDB's role in serving sensory-impaired students with multiple handicaps and severe emotional disorders.
   - Examine the adequacy of funding levels for sensory-impaired students with multiple handicaps.
   - Determine the need for and type of special programs for sensory impaired students with severe emotional disorders.
   - Develop recommendations and report findings to the Legislature.

3. Based on the recommendations of the task force, the Legislature should consider revising ASDB's statutes to clarify the School's role in serving the sensory impaired.

FINDING IV

THE BOARD NEEDS TO IMPROVE ITS GOVERNANCE OF THE ARIZONA SCHOOL FOR THE DEAF AND THE BLIND

The Board of Director's oversight and control of the Arizona School for the Deaf and the Blind (ASDB) needs strengthening. In recent years, significant leadership and financial management problems have developed without the Board's knowledge. Although the Board has taken some steps to improve its oversight and control of ASDB, further action is needed to ensure effective governance.

The statutes assign primary responsibility for proper operation of ASDB to the Board of Directors. Although the Board hires a Superintendent to provide day-to-day management of the school, the Superintendent has very few direct statutory responsibilities other than to hire other School personnel. All other major responsibilities (viz., budget development and approval, control of expenditures of appropriated funds, establishment of personnel policies, development of curricula and programs, disposition of trust lands, and control over trust fund investments and expenditures) rest with the Board.

Board Oversight And Control Is Weak

Because the Board of Directors' oversight and control of ASDB operations is weak, significant management and financial problems have arisen without the Board's knowledge. The Board lacks the policies and procedures needed to guide staff and secure the information necessary to direct School operations effectively. Inefficient and unproductive Board meetings also contribute to inadequate governance.

The Board was unaware of problems - Until informed by legislators in July 1991, ASDB Board members state they were unaware of the serious dissatisfaction of ASDB staff, parents, and some legislators with the

former Superintendent's management of ASDB.[1] Matters contributing to dissatisfaction with ASDB leadership in 1991 include the following:

- Concerns about an excessive number of administrators
- Reducing services to students but not administrators during a major reduction in force
- Funding of administrators' frequent travel to out-of-state conferences
- Frequent air travel from Tucson to Phoenix and rental of luxury cars in Phoenix by the former Superintendent
- Problems with staff morale and management communication
- The former Superintendent's request to the Legislature, without the Board's knowledge, for postponement until 1994 of the 1991-1992 Sunset Audit of ASDB
- Inclusion of a $54,000 clock tower in construction plans for the Tucson campus, in spite of the objections of staff, parents, and legislators

After being informed of these problems, the Board met several times to address the situation. During this time, the Superintendent relinquished his position and was reassigned as the Board's Project Specialist. The former Superintendent served in this position at a salary of $74,500 from July 1991 to June 1992. The position was funded using savings from the vacant Superintendent position.

Performance of Former Superintendent not evaluated - Many of the problems might not have developed if the Board had more actively monitored and evaluated the performance of the former Superintendent. According to BOARDSMANSHIP, the manual for school boards published by the Arizona School Boards Association, evaluation of the Superintendent is one of a board's most powerful tools for managing a school in the public interest. However, in four of the five years preceding the ASDB Superintendent's removal in 1991, the Board did not formally evaluate his performance.

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(1) The Board was also unaware of the questionable expenditures of nonappropriated funds we found during this audit (see Finding II, page 19).

Policy guidance is lacking - Although part-time, the Board could exercise more oversight by developing better operating policies for the staff and school.

According to the BOARDSMANSHIP manual, a school board is responsible for adopting policies under which administrators and teachers may operate the school. Although Boards should not be involved in the day-to-day management of the school, they should, through policies, provide clear direction for the administration of the school. Among policies needed, the manual states, is a written communications policy that provides for a planned, systematic, two-way program of communication between the institution and its internal and external publics.

As yet, the Board has no written communications policy to ensure a systematic dialog with its internal publics (ASDB administrators, staff, students) or its external publics (students' parents, advocacy groups, the Legislature, the media). The need for a communications policy is particularly important because the policy in force prior to August 1991 was perceived as prohibiting staff input to the Board.

Furthermore, the Board provides ASDB administrators and staff relatively little other written policy guidance, except on personnel matters, compared to the policy guidance provided at similar, highly regarded special schools in other states or at an effectively managed Arizona public school.[1] ASDB Board policies, for example, provide little of the extensive policy guidance provided at other schools regarding curricula and instruction, student behavior and responsibilities, general school administration, educational philosophy, provision of support

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(1) To evaluate the scope of policy direction provided ASDB, we compared policy manuals or policy manual indices of highly regarded special schools in several other states, as well as the National School Boards Association policy classification system index and the index of the policy manual of the Mesa public schools, which employs the NSBA system, with the ASDB manuals.

services, relations with other agencies, or communications and community relations. In addition, the Board has not adopted policies for its operations except for the election of officers and attendance, the later of which has not been enforced.

Board meetings also contributed to governance problems - Inefficient and unproductive Board meetings also limited the Board's ability to govern. During our initial interviews, Board members expressed dissatisfaction and frustration with the Board's procedures and accomplishments. They noted that meetings focus more on "housekeeping" than on important policy issues. Our review and analysis of the minutes of 28 regular Board meetings held from July 1989 through February 1992, and observation of Board meetings over a six-month period confirms this.

Although much of the Board's emphasis on routine matters is the result of its attempts to exercise greater control over school affairs, the Board's effectiveness in these efforts is limited by the lack of policies and procedures governing their review and Board members' inability to review information prior to the meeting.

As a result, Board meetings (which usually consist of a public study session, closed executive session, and a public meeting) typically last about four hours and, frequently, as long as five or six hours. When Board meetings habitually exceed two and one-half hours, the BOARDSMANSHIP manual states the reason for this is either consideration of administrative items more properly the province of school administrators or inadequate preparation by Board members. Both problems appear to contribute to the excessive length of ASDB Board meetings. ASDB Board activities focus predominantly on routine business and personnel matters, and some Board members residing outside Tucson complain that information packages frequently arrive too late to permit review before meetings.

Action To Improve Governance Is Needed

Although the Board has taken some steps to address its governance problems, further action is needed. If governance is not improved

through the Board's efforts, other governance systems should be considered.

The Board has begun to address governance problems - In recognition of the Board's problems in governing ASDB, many of which Board members discussed candidly with us, the Board has taken some steps to improve governance. For example, the Board in its public study sessions includes discussion of upcoming Board agenda items, calls routinely for public comment on issues during its regular meetings, and requires separate readings at successive monthly meetings before acting on the most important issues in order to promote dialog with staff, students, parents, and the public. To enhance dialog, the Board has rescinded all restrictions on staff communications with Board members. The Board also contracted for Arizona School Board Association assistance in conducting the search for a new Superintendent. The Board has also completed a Request for Proposal (RFP) for outside help in preparing a comprehensive policy manual. However, funding has not been obtained. In addition, the Board investigated the possibility of an outside review of ASDB management needs, but the review is being held in abeyance pending completion of this audit. Finally, the Board brought some trust fund expenditures under its direct control.

Further action is required - The Board needs to follow through on some of the tentative steps it has already taken as well as take additional measures to govern ASDB more effectively. Among actions the Board should take are the following additional measures.

- Secure and commit the resources needed to develop a comprehensive, codified policy manual to guide ASDB administrators and staff.
- Develop and publish bylaws that include prompt and regular attendance, and conduct its meetings in accordance with them.
- Improve its oversight of the Superintendent and regularly evaluate his or her performance.
- Improve its oversight and control of nonappropriated funds (see Finding II).
- Ensure that its members receive the training needed to conduct Board meetings effectively.

- Ensure that Board members have information packets at least seven days before the Board's regular public meetings.

<u>Other governance systems are possible</u> - If governance is not improved by the Board's efforts, other governance systems could be considered. There are a variety of service delivery models for sensory-impaired pupils and, according to our consultants and Federal officials, highly regarded special schools function within each model. Most of these special schools operate under the direction of their states' board of education; however, specifically appointed boards, such as the ASDB Board, direct the operation of these special schools in 14 states. In three states, these special schools operate under the direction of the state board of regents.

RECOMMENDATIONS

1. The Board should develop a comprehensive set of operating policies to guide its activities and ASDB's activities.

2. The Board should thoroughly evaluate the Superintendent's performance each year.

3. The Board should ensure that its members receive the training needed to perform their duties effectively.

4. The Board should ensure that every member receives information for its meetings in time to review the information before the meetings.

FINDING V

ASDB'S ROLE AS A STATEWIDE RESOURCE IS NOW CLEARLY ESTABLISHED IN STATUTE; HOWEVER, MORE NEEDS TO BE DONE TO FULFILL THIS MANDATE

Although ASDB now provides some services to local school districts, additional efforts are needed to fully develop the School's role as a statewide resource. Since our 1987 audit, ASDB's statutes have been amended to require that the School serve as a resource to local school districts throughout Arizona. ASDB has worked with districts in north central Arizona to develop a successful regional cooperative program for sensory-impaired students. In addition, ASDB has provided a limited quantity of resource services to school districts; however, these services should be expanded.

ASDB Is Now Required To Serve As A Resource To Local School Districts

ASDB's role in providing resource services to the public school community is now clearly established. In our 1987 report, we found that ASDB could further develop its role as a statewide resource in the education of the sensory impaired. Since 1987, ASDB's statutes have been revised twice to require that ASDB provide resource services to local school districts. In 1987, legislation was passed that called for the establishment of a pilot program of regional cooperative services to be operated by ASDB. The program was to provide a variety of services for participating districts. In 1990, ASDB's statutes were again amended to mandate that ASDB provide a number of services to school districts, State institutions and other approved education programs. These changes establishing ASDB's role as a resource to local school districts are important for several reasons.

- Federal law requires that students be placed in the least restrictive environment. Public Law 94-142 presumes that disabled children will be educated with nondisabled children, unless these children cannot be educated satisfactorily in regular classes with the use of supplementary aids and services. ASDB can offer services that allow districts to serve some students that would otherwise be placed out of district.

- ASDB can offer specialized services for the sensory-impaired that are difficult for some districts to provide because of geographic factors and the small number of sensory-impaired students. The 1988 Arizona School Superintendent's Special Education Services Study found that rural districts are typically small and often lack the resources to offer an effective and efficient special education program.

- ASDB has expertise in the education of sensory-impaired students that some districts may lack. School districts sometimes find it difficult to attract personnel that are trained to work with sensory-impaired students because they may need staff on a part-time or limited-term basis.

- Finally, ASDB has facilities for the sensory-impaired that districts may be unable to provide. Our consultants found that ASDB has outstanding facilities for both hearing-impaired and visually-impaired students.

Pilot Regional Cooperative Program Has Been Successful And Should Be Expanded

The pilot regional cooperative program administered by ASDB has shown positive results and should be expanded. The program was established in north central Arizona in 1987 and has proven to be beneficial. As a result, the ASDB Board of Directors should consider extending the program to other areas of the State.

Overview of the pilot regional cooperative program - A pilot regional cooperative program was established by Senate Bill 1251 in 1987. This legislation called for the creation of three regional service cooperatives in fiscal year 1987-88.[1] These cooperatives were to be operated by ASDB through intergovernmental agreements with participating school districts, and were to provide a variety of services, including the following:

- Educational programming

- Evaluations, including audiological, psychological, and vision assessments

- Specialized related services, including orientation and mobility training

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(1) The pilot program was originally scheduled to operate through fiscal year 1989-90; however, in 1990 it was extended through fiscal year 1993-94.

- Specialized curriculum materials and equipment
- Program and staff development assistance
- Assistance with screening, identification, and registration of sensory-impaired pupils

In 1988, the State Board of Education determined that regional cooperative programs would operate in north central, southeast, and southwest Arizona.[1] Due to resource constraints, funding was provided for the establishment of only one regional cooperative. The north central region was selected as the pilot region because of the lack of services in that area and because of the active interest shown by parents and school districts to improve services.

The North Central Regional Cooperative began operating in the fall of 1989. As of February 1992, 31 local school districts were participating in the Cooperative, which was providing educational services to 84 students.

Pilot program has been successful - The pilot regional cooperative program has been quite successful during its first three years of operation. Parents of students in the North Central Regional Cooperative have expressed high levels of satisfaction with the program. Ninety-one percent of the parents responding to our survey favored continuing the program[2], and a majority indicated their children are receiving a wider range of special services, are spending more time receiving services, and are receiving a higher quality of services since the program was established. Many parents commented on the benefits of the program. A sample of their comments follows.

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(1) The north central region includes most of Yavapai, Coconino, and northern Mohave Counties. The southeast region includes the Tucson metropolitan area, and Graham, Cochise, Santa Cruz, and southern Greenlee Counties. The southwest region includes Yuma and southern La Paz Counties.

(2) As part of our review, questionnaires were sent to the parents of all 72 students then receiving services through the Cooperative. Completed surveys were received from the parents of 64 students, for a response rate of 89 percent.

> The services being provided would not be made available without the ASDB Cooperative Program. The School does not have personnel and/or equipment to provide satisfactorily for visually-disabled students. Guidance from specialists is needed and should be continued.
>
> Since our son started junior high this year, and started receiving help, he has started to enjoy reading and school. His grades were all A's and B's on his last report card. I cannot praise the program enough.
>
> Before this program, we had to personally fight for every service our daughter needed to compensate for her hearing loss. Now we have knowledgeable and supportive personnel and the services are available as needed.

School district officials also appear to strongly support the program. We surveyed local officials from the North Central Regional Cooperative regarding the program.(1) Of those respondents that expressed an opinion, all believed the program should be continued. In addition, many district officials indicated they would have difficulty providing comparable services on their own. The high level of participation in the North Central Regional Cooperative also indicates the program is beneficial to local school districts. Although involvement in the North Central Regional Cooperative is voluntary, most districts within the region's boundaries are participating in the program. In addition, four school districts outside the region have joined the Cooperative or receive services through the program.

The program's success is also indicated by the increased number of students served. North Central Regional Cooperative staff have identified sensory-impaired students that had not previously been served or were underserved. Prior to the establishment of the North Central Regional Cooperative, 63 pupils within the north central region were classified as sensory impaired. During the first year of the program, Cooperative staff identified 49 additional students with hearing or vision

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(1) Surveys were sent to the Special Education Directors in the 31 local school districts that are members of the North Central Regional Cooperative. Surveys were returned by 22 districts, for a response rate of 71 percent.

loss. In addition, Cooperative personnel found that 18 of the 63 students classified as sensory impaired were not receiving needed services prior to the program. These children were enrolled in a school district program without a special teacher for the hearing or visually impaired.

The regional cooperative program should be expanded - Regional service cooperatives should be established in the southeast and southwest regions of the State. Monies saved from the elimination of unnecessary administrative positions (see Finding I, page 7) could be used to cover the base-level administrative costs of adding two more regional cooperative programs, which ASDB estimates to be $291,300.

Services Provided To Local School Districts Are Limited And Should Be Increased

Although ASDB has provided some services to local school districts, these services need to be expanded. In addition to direct services to students provided through the regional cooperative program, statutes also require ASDB to provide a wide range of resource services to school districts and other educational institutions in Arizona. However, to date ASDB's efforts have been limited. More needs to be done if ASDB is to fulfill its mandate as a resource to local school districts.

ASDB is required to provide a variety of resource services - In 1990, ASDB's statutes were amended to require the School to serve as a statewide resource in the education of the sensory impaired (ASDB requested this change). Arizona Revised Statutes (A.R.S.) §15-1302(D) requires ASDB to provide a wide range of resource services, including but not limited to the following:

- Assessments
- Special curriculum
- Equipment and materials
- Supplemental related services
- Special short-term programs

- Program planning and staff development
- Information services for parents, families, and the public
- Research and development to promote improved educational programs and services

ASDB is to provide these services to school districts, State institutions, and other approved educational programs.

Limited resource services have been provided - Although ASDB has provided some services to local school districts, programs have yet to be developed fully in many services areas. ASDB provides several types of assessment services to local school districts.[1] The School has also developed specialized curriculum materials that are available to school districts. However, ASDB still needs to expand or develop many services, including the following:

- Evaluation services - A needs assessment conducted by ASDB in 1991 found that student evaluation is the resource service most needed by school districts. However, ASDB has been unable to keep up with the demand for these services. Our survey of local school districts found that some districts have been placed on a waiting list for evaluation services. In addition, two districts reported they had been refused evaluation services by ASDB. The consultant team reports that additional resources would need to be allocated to ensure that student evaluation services are provided in a timely fashion.
- Special short-term programs - Our consultants recommend that "serious consideration should be given to expanding ASDB on-campus programs to a full-year program either by summer programming or short-term intensive instruction for students who wouldn't be enrolled full time." The consultant team notes that ASDB could offer programs in orientation training, Braille, computers, and American Sign Language.
- Providing needed equipment and materials - The North Central Regional Cooperative has a materials and equipment center in its Flagstaff office that supplies materials to teachers in the region. ASDB's Acting Superintendent has suggested establishing such a program on a statewide basis. Equipment used by sensory-impaired students, such as Braille writers and auditory trainers, could be purchased by ASDB

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(1) The School's Arizona Diagnostic Testing and Education Center (ADTEC) performs in-depth nine-week evaluations of sensory-impaired students with additional handicapping conditions. ASDB also conducts routine student evaluations, called Public School Assessments (PSAs), for school districts that lack the expertise to evaluate sensory-impaired students themselves.

or collected from districts that no longer need it and distributed to districts with a demand for this equipment. The center could also serve as a clearinghouse for teaching materials, such as books in Braille and audio-visual materials.

In addition, ASDB has made little progress in creating staff development programs for local school district personnel or public information programs. The School also made little progress in providing supplemental related services, such as orientation and mobility training, to students in school district programs.

School officials cite resource constraints as the primary reason more services have not been provided.[1] However, the cost savings realized by eliminating nonessential administrative positions may provide funding for expanded services to local districts (see Finding I, page 7).

RECOMMENDATION

1. ASDB's Board of Directors should consider the following steps to fulfill the School's mandate as a statewide resource.

   a. Expand the regional cooperative program to the southeast and southwest regions of the State.

   b. Expand existing programs and develop new programs required by A.R.S. §15-1302(D).

   c. Request the Legislature to allow savings generated from the elimination of administrative positions be used to fund these programs.

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(1) In 1990, ASDB estimated it would cost $250,000 to develop resource services.

FINDING VI

ASDB NEEDS TO COLLECT MORE COMPREHENSIVE INFORMATION ABOUT ITS STUDENTS' POST GRADUATION SUCCESS

The ASDB should increase its efforts to evaluate the success of its graduates in postsecondary employment and education. Evaluating student outcomes is an important measure of the School's success in preparing sensory-impaired students to lead full, meaningful lives. To date, ASDB has collected only limited information about student activities after graduation. Although the School has recently expanded follow-up of graduates, it needs to collect more systematic and comprehensive data.

Information About Student Outcome Is An Important Management Tool

The success of ASDB graduates is an important measure of the School's performance. Arizona law establishes specific goals for the School. In addition, parents and governing Board members also have expectations of the School, particularly in the areas of academic and vocational preparation. These expectations are also reflected in professional literature.

Statutory requirements - Arizona law establishes definite expectations of ASDB. A.R.S §15-1302(B) provides: "The school shall be for the education of sensory impaired persons, so that the persons educated there may become self-sustaining and useful citizens." The Legislature further expanded on the School's purpose in 1988 when it added:

> The purpose of the Arizona state school for the deaf and the blind is to promote and maintain an educational opportunity of adequate scope and quality for sensory impaired children in this state which will lead to an adult life of independence and self-sufficiency, a meaningful personal, family and community life and, a useful productive occupational life.

These goals, which are also included in the School's mission statement, require some type of follow-up. Without tracking students' progress after graduation, the School cannot ascertain whether it is meeting its goals.

Other expectations - Some parents of ASDB students also have definite expectations about their children's capabilities. Approximately 10 percent of the ASDB parents responding to our survey expressed concern about their children's ability to successfully compete after graduation. Typical comments included the following:

> I've been pleased by [my daughter's] progress in many areas, yet the world is predominately hearing and unfortunately our kids must live mostly by their rules. To be taught how to cope in that world would be most beneficial.

> Everyone is too satisfied with accepting old [ideas] regarding education of the deaf. Students and faculty will live up to the expectations set for them. If these are low, they'll respond accordingly. (emphasis in original)

The parents' concerns are echoed by ASDB Board members' observations that the School's expectations are too low, allowing students to graduate with only marginal skills. These Board members want the Board to adopt policies that will lead to a more challenging, results-oriented education for ASDB students.

Professional education literature also emphasizes student ability to succeed after graduation. One recent study of school-to-work transition of deaf school graduates states:

> Competitive employment has been viewed as the most desirable outcome of the transition process, coupled with the capacity to live independently, socialize and engage in community life.[1]

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(1) Thomas E. Allen, Brenda W. Raslings, and Arthur N. Schildroth, Deaf Students and the School-to-Work Transition (Baltimore, MD: Paul H. Brooks Publishing, Co., Inc., 1989), page ix.

In addition, recent trends indicate that special education programs are increasingly likely to be evaluated in terms of student ability to succeed in a postschool environment. All of the special education outcome models presented in a recent report from the National Center for Educational Outcomes include postgraduation activity as an outcome measure.[1]

Information On Student Outcome Is Limited

Despite the importance of outcome information, ASDB has collected little information in the past about students after they graduate. For example, the most recent annual report (1989-90) indicates that 73 percent of the Class of 1990 are enrolled in postsecondary educational programs. Another 24 percent are employed or in job training programs. However, this information is based solely on the students' plans at time of graduation. ASDB staff do not contact students after graduation to determine whether they accomplished their stated goals.

Although ASDB participates in a national survey of deaf school graduates, the information collected is of limited value to the school because few ASDB graduates respond to the survey. The highest response rate (19 percent) in the past five years occurred in the 1990 survey; other years' response rates ranges from 7 to 13 percent. In addition to its low response rate, the survey is limited because it does not include graduates of the Phoenix Day School for the Deaf, which has a larger graduating class than the Arizona School for the Deaf. Moreover, the School for the Blind does not conduct a systematic follow-up survey of its graduates.

ASDB's limited follow-up activity and information about its graduates appears to be typical of many state schools for the sensory impaired. One of our consultants and others with experience in conducting post

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(1) The National Center on Educational Outcomes is a collaborative effort of the National Association of State Directors of Special Education, the University of Minnesota, and St. Cloud State University. The Center's mission is to provide national leadership in identifying educational outcomes for students with disabilities and developing a system of indicators for monitoring those outcomes.

graduation outcome evaluations suggest that few, if any, schools diligently track graduates.

ASDB Needs To Expand Follow-Up Of Graduates

Given the importance of outcome evaluation to judging compliance with statutory goals and other expectations, ASDB should expand the information it collects about its graduates. The limited information currently available suggests that some ASDB graduates may lack the skills necessary to lead independent, self-sufficient lives. Although ASDB has recently initiated more systematic follow-up activities, additional efforts are needed.

Available information - Although ASDB lacks complete information about all of its graduates, the information that is available indicates some graduates may not be prepared to successfully continue their education or gain employment. As previously noted, parents and Board members expressed concern about the low levels of achievement of ASDB graduates, particularly in reading. Nationally, reading levels for deaf school graduates have persisted at the third- and fourth-grade median levels for two decades. One ASDB faculty member noted that such skill levels are characteristic of even the most intelligent deaf school graduates and can limit their opportunities in college or work.

ASDB staff obtain some information through contacts with vocational rehabilitation counselors serving graduates. For example, the vocational staff at both the Tucson campus and PDSD indicated they obtain feedback and information on individual graduates during their contacts with vocational rehabilitation counselors. These counselors report that ASDB graduates vary in their ability to further their education or obtain work. Specific problem areas noted include independent living, mathematics and spelling, reading and writing, and a lack of motivation and interest.

Recent efforts - ASDB has recently increased its efforts to obtain follow up information on students after graduation. In 1991, ASDB staff

conducted a follow-up survey of the 54 ASDB-Tucson students that graduated from 1987 through 1991. The survey found that 17 students were employed; 20 were in postsecondary education programs; 13 were unemployed; and 4 were out of state and no information was available about them. The vocational counselor at Phoenix Day School for the Deaf was also able to provide current status information about 1990 and 1991 graduates.

The 1991 follow-up survey provides a more realistic description of graduates' activities than the information routinely presented in the ASDB annual report; however, the survey is still too limited to serve as a useful indicator of student outcome. The major limitation of the survey is that it provides very little information about the types of employment, wages, and quality of the graduates' lives. Such information would indicate whether the School is meeting the goals set by law or student and parent expectation. Similarly, knowing only that students are in postsecondary education programs provides little information about the type of programs or students' success.

ASDB staff indicated they plan to expand on the survey of graduates from 1987-1991 by following up on students three to six months after graduation. While this effort is a good first step, it may still provide only limited information because graduates may take a few years to settle into a career or job after graduation.

If ASDB is to adequately evaluate its effectiveness, the School needs to expand its efforts to track students from all schools, campuses, and programs. To do this, staff should develop a survey designed to collect information about graduates' employment, education, income, and other significant activities over a multiyear period. The survey design should also provide for comparing graduates' activities and achievements to the established goal of a meaningful and productive life. Such an effort would require the School to allocate additional resources for outcome evaluation.

RECOMMENDATIONS

1. ASDB should design a comprehensive outcome evaluation model based on the School's statutory goals.

2. ASDB should designate staff to carry out the activities required by the design. The designated staff should be given adequate time to complete all required tasks.

3. ASDB should include the results of its outcome evaluation in its annual report and in a report to the Legislature.

OTHER PERTINENT INFORMATION

During our audit, we collected information on ASDB teaching methods and curricula as well as the School's construction program.

Teaching Methods And Curricula

As part of their review, our consultants reviewed ASDB curricula and teaching methods. Although they found the curricula and methods to be good, the consultants also found that some equipment is obsolete, especially in the School for the Blind.

Teaching methods and curricula are commended - The consultants found that ASDB teaching methods reflect contemporary thought and trends in sensory-impaired education, and report that ASDB teaching methods and curricula at both campuses are exemplary in some areas and good in others. They note that ASDB's Independent Living Center provides occupational studies and consumer education. According to the consultants, ASDB's Transition Program, which helps student and parents look at possible postgraduation employment opportunities, is unusually strong and managed in a creative way. The consultants state that ASDB strives for an up-to-date approach in its programs, and they agree with the favorable accreditation reports ASDB has received.

Consultants also commended the following special programs:

- The Regional Services Program, which uses qualified local personnel to provide services to preschool, sensory-impaired children that live in sparsely populated areas and might otherwise not be served.
- The Arizona Diagnostic Testing and Education Center, which provides diagnostic and educational services for multiply handicapped, severely sensory-impaired children.
- The North Central Regional Cooperative, which provides itinerant services to the sensory-impaired pupils of 31 participating school districts in Coconino, Yavapai, and parts of Mohave, Navajo, and Gila Counties under a pilot program instituted in 1989.

Special equipment shortages exist - According to the consultants, equipment provision is uneven and, since the 1987 audit, some significant shortages have developed, in large part as a result of midyear budget cuts. Budget data confirm that in fiscal years 1987-88 through 1991-92, midyear budget cuts reduced planned equipment purchases by over 50 percent as $370,258 of $675,500 in authorizations were reverted to the State treasury.

According to the consultants, the greatest shortage of equipment is in the School for the Blind (ASB). Advances in computer technology have, they note, provided devices such as voice-to-type units, which can greatly enhance the employability of visually-impaired students and help them become independent, productive citizens. ASB also needs Braille and Speak and NoteTaker devices.

Consultants found, however, that PDSD's Center for Laboratory Studies and its library of 10,000 computer accessible books are commendable uses of new technology. They believe the new Learning Resource Building on the Tucson campus will facilitate development of a similar center there if budget constraints do not curtail equipment purchases.

ASDB Construction Program

A major building program at ASDB's Tucson campus, which began with replacement of the food service building (as recommended in our 1987 audit), will be completed in December 1992 with delivery of five other new structures. The construction cost of the project is expected to exceed $15.5 million; however, the new buildings were acquired under 20 year lease/purchase agreements, with annual payments of over $1.6 million.[1] Thus, the total cost is expected to exceed $33 million over 20 years (see Table 3, page 59). In addition to the new construction, two large modular buildings were bought and moved to the Tucson campus for slightly over $1 million.

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(1) Lease/purchase payments vary from year to year with changes in interest rates, insurance costs, and the other variable costs.

TABLE 3

ESTIMATED COST OF CONSTRUCTION AND LEASE/PURCHASE PAYMENTS ON SIX NEW AND TWO USED MODULAR BUILDINGS AT ASDB'S TUCSON CAMPUS
(Unaudited)

New Buildings	Estimated Cost of Construction(a)	Estimated Annual Lease/Purchase Payment	Estimated Cost to State Over Life of Lease/Purchase Agreements
Food Service	$ 3,150,000(b)	$ 300,900	$ 6,018,000
High School	2,350,000	244,000	4,880,000
Middle School	2,163,000	257,800	5,156,000
Elementary School	1,991,000	237,200	4,744,000
Learning Resources Center	1,768,000	210,700	4,214,000
Auditorium	3,141,000	374,300	7,486,000
Unallocated Architectural, Improvement and Other Costs(c)	1,017,000	-0-	-0-
SUBTOTALS	15,580,000	1,624,900	32,498,000
Modular Buildings	1,020,000	-0-	1,020,000
TOTALS	$16,600,000	$1,624,900	$33,518,000

(a) May 1, 1992 estimate of final costs for buildings under construction.
(b) Final cost for completed building.
(c) Includes fees and costs common to more than one building, such as water and sewer and other site improvements.

Source: Arizona Department of Administration and ASDB Associate Superintendent for Business and Finance.

The new construction addresses a variety of problems. Our 1987 audit confirmed ASDB reports that the food service building was in serious disrepair, with faulty beams, plumbing, and electrical and fire control systems, and recommended correcting a number of faults immediately and replacing the building as soon as possible. In addition to our audit recommendations, ASDB closed its auditorium due to structural problems, determined that its library did not comply with Federal regulations on handicapped access, and identified other buildings that needed major renovations or replacement. Consequently, the Legislature approved the construction of five new structures.

ASDB's construction budgets did not include monies to furnish and equip the five new buildings. An estimated $1.5 million will be needed for additional furnishings and equipment for these buildings.[1] Administrators expect to request about $400,000 per year for four years to provide the funding necessary for furniture and equipment.

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(1) Some furnishings and equipment already owned by the School will be used in the five new buildings.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona School for the Deaf and the Blind should be continued or terminated.

1. Objective and purpose in establishing ASDB

The original intent in establishing the Arizona School for the Deaf and the Blind (ASDB) was to provide educational opportunities for sensory-impaired children between the ages of 6 and 21. The 1988 Session Laws, Chapter 237 provides a further statement of purpose in that the School shall

> . . . promote and maintain an educational opportunity of adequate scope and quality for sensory impaired children in this state which will lead to an adult life of independence and self-sufficiency, a meaningful personal, family and community life, and a useful productive occupational life.

2. The effectiveness with which ASDB has met its objective and purpose and the efficiency with which the Agency has operated

In general, ASDB appears to be effective in providing educational and other services to sensory-impaired children. Both recent accreditation reports and our consultants found that ASDB educational programs were of a high caliber, utilizing modern curricula and teaching methods. ASDB's building program is replacing obsolete structures with modern facilities specifically designed for serving the sensory impaired. ASDB has developed and operates successful regional programs for both preschool and school-age children.

However, the School could improve its efficiency by streamlining its management structure at a savings of over $500,000 annually (see Finding I, page 7). The School could help ensure it is effective by increasing its efforts to evaluate its graduates' success in postsecondary education programs and employment (see Finding VI, page 51).

3. The extent to which ASDB has operated within the public interest

ASDB has operated within the public interest through its provision of services to sensory-impaired students. ASDB provides direct educational and other services to over 1,000 preschool through high school-aged pupils in the State. In addition, ASDB is the only residential school for sensory-impaired children in Arizona. Further, ASDB also provides a variety of resource services to school districts and administers the cooperative pilot program in the northern part of the State.

However, the public interest has not been well served by ASDB's use of nonappropriated school funds (see Finding II, page 19). The ASDB Board could strengthen the School's ability to operate within the public interest by exercising its authority over School operations and finances more effectively (see Finding IV, page 37).

4. The extent to which rules and regulations promulgated by ASDB are consistent with the legislative mandate

Whether ASDB has authority to promulgate rules is unclear. Because it is not specifically exempt from the requirements of the Administrative Procedures Act as are other educational bodies, some ASDB policy development may be subject to requirements and procedures for rule making. See Sunset Factor number nine for further discussion and recommendation.

5. The extent to which ASDB has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public

Again, whether ASDB has authority to promulgate some rules is unclear. See Sunset Factor number nine for discussion and recommendation.

6. <u>The extent to which ASDB has been able to investigate and resolve complaints that are within its jurisdiction</u>

ASDB's enabling legislation does not establish a formal complaint review process. Public law 94-142 and State statutes authorize ASDB along with the Arizona Department of Education to conduct due process hearings to resolve any disagreements regarding student evaluation and placement.

7. <u>The extent to which the Attorney General or any other applicable agency of State government has the authority to prosecute actions under its enabling legislation</u>

ASDB's enabling legislation does not establish such authority.

8. <u>The extent to which ASDB has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate</u>

As a result of issues detailed in our 1987 ASDB audit and the report of a Joint Legislative Committee formed to study ASDB, a number of statutory changes were proposed and adopted into law in 1988. These changes increased the ASDB Board from 5 to 7 voting members; amended the evaluation and placement process to mandate parent and local school district participation; required the Superintendent to report annually to the Board on the use of monies received as donations or income from donations; required salary equity studies every 5 years; and addressed other matters. In fiscal year 1990-91, ASDB submitted an unsuccessful legislative package that included several changes to its statutes, including creating an enterprise fund, amending trust land management provisions, and amending residency determination provisions.

9. <u>The extent to which changes are necessary in the laws of ASDB to adequately comply with the factors listed in the sunset law</u>

Based on a legal analysis of ASDB statutes, we recommend the Legislature consider the following changes:

- Amend A.R.S. §15-1325(C) to clarify the Board's authority to dismiss the Superintendent. The Legislature had previously amended this same statute to strengthen the Board's ability to dismiss the Superintendent by eliminating the requirement that the Board have cause for dismissal. Although the hearing

provision appears to limit this authority, Board authority in this area can be clarified by amending A.R.S. §15-1325(C) to delete the hearing provision or give the ASDB Board the same authority school boards have over district superintendents. A school board is required to offer its superintendent a new contract unless the Board gives notice of its intention not to offer a new contract.

- Amend A.R.S. §15-1326(B) to eliminate the "unsuited" and "not qualified" provisions for terminating a probationary employee. The statute currently allows the Superintendent the authority only to dismiss probationary employees that are "unsuited or not qualified for employment at the school." Typically in state government, probationary employees are dismissed without cause. ASDB has recently had two probationary employees challenge their terminations because they feel they are suited and qualified for their positions. Eliminating these provisions would provide the Superintendent and the Board sufficient authority to dismiss probationary employees and bring ASDB statutes in line with State government practice.

- Amend A.R.S. §41-1005 to specifically exempt ASDB from the Administrative Procedures Act (APA). The APA outlines a formal process for agency rule development, review, and approval. Because ASDB currently is not exempt, some ASDB policies relating to students and employees may be subject to APA requirements. In contrast, other educational bodies, the Board of Regents, and local school districts are specifically exempt from the APA.

In addition, ASDB and the Attorney General's Office should consider a major revision and update of ASDB statutes. In some cases they are misleading because other statutes and requirements supersede them, and other ASDB statutes could potentially place the State at risk to provide programming beyond Federal requirements. Both the School's Attorney General representative and our own general counsel noted problems with ASDB statutes.

10. <u>The extent to which termination of ASDB would significantly harm the public health, safety and welfare</u>

Termination of ASDB would significantly impact the welfare of the sensory-impaired students it serves and, to a lesser extent, the welfare of sensory-impaired students in the public schools. Without ASDB educational programs and services, sensory-impaired pupils

from small and rural districts would not be served or would be underserved because of the high cost, shortage of skilled educators for the sensory impaired, and lack of appropriate evaluation. Termination would also eliminate other ASDB programs, such as evaluation and education of multiply handicapped, sensory-impaired students, Federally required programs for sensory-impaired, preschool-age children, ASDB's administration of the regional cooperative program, and other services ASDB provides to local school districts.

11. <u>The extent to which the level of regulation exercised by ASDB is appropriate and whether less or more stringent levels of regulation would be appropriate</u>

Since ASDB is not a regulatory agency, this factor does not apply.

12. <u>The extent to which ASDB has used private contractors in the performance of its duties and how the effective use of private contractors could be accomplished</u>

Since the 1987 audit, ASDB has made several changes in contract services. ASDB now provides student transportation in-house. Previously, some bus service was contracted out; however, ASDB found it could provide the entire service at less cost. Another change involved shifting approximately 100 individuals providing part-time contracted services for rural preschool children to the ASDB payroll. The Attorney General recommended this shift to comply with Internal Revenue Service guidelines.

ASDB has increased contracting in some areas; for example, ASDB eliminated its central laundry and now contracts for laundry services. ASDB now contracts for security services at the PDSD campus. In addition, ASDB utilizes contracted services for photocopying, investment management, a variety of medical and evaluation services, and pest control.

ASDB ARIZONA STATE SCHOOL
for the DEAF and the BLIND

October 5, 1992

Mr. Doug Norton
Auditor General
2700 N. Central Ave., Suite 700
Phoenix, AZ 85004

Dear Mr. Norton:

The Board of Directors of the Arizona Schools for the Deaf and the Blind is pleased to provide this response to your 1992 Performance Review and Sunset Audit. The Board notes that this Audit recognizes significant changes and improvements that have occurred correcting deficiencies identified in the 1987 Audit. Also of interest and of great importance to the Schools is the report of the consultant team made up of professionals in the education of children who are blind and deaf. Their report shows that significant attention has been given to resolving previous deficiencies and describes an organization of outstanding schools, programs, services and faculty. Arizona citizens should be proud of this finding.

The Board of Directors appreciates the fact that the Auditor General invited an outside consulting team of professionals to look at services to children as part of this study. We intend to build on the current quality of ASDB programs by seriously addressing the recommendations of the consulting team and the Auditor General's report. A copy of the consultants report may be obtained from ASDB or the Auditor General. Following, you will find specific responses to the findings.

Finding I and Finding V

The Board of Directors has been committed to studying the administrative needs of the agency and schools, the unmet needs of students enrolled in ASDB programs, the commitment to being a resource provider to programs throughout Arizona, and the development of regional cooperative programs. The Audit Report made specific recommendations in both these areas.

During this current fiscal year the Board of Directors will initiate a process to provide an indepth review of the recommendations of Finding I and V with the intent of preparing a proposal that would be reviewed by the Legislature and its appropriate committees and the Governor's Office of Strategic Planning and Budget.

Finding II

We appreciate the auditors' review and recommendations on improving the Board's oversight and control over certain non-appropriated funds. The 1987 Sunset Audit commented on the Board's lack of financial controls over the Schools' Trust Funds. The Board responded by developing a set of policies and procedures to increase the oversight. We acknowledge that additional procedures need to be in place for local

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and donated funds. Staff is currently developing policies and procedures for the Board's review and consideration

The Audit Report notes that Phoenix Day School deposited $1,400 in "rent" collected for use of facilities and that these funds were deposited in PDSD local funds in violation of state policy. We acknowledge the error and have forwarded the funds to the State Department of Administration, Finance Division. ASDB will pursue legislation which would permit the school to retain income charged to outside organizations for their use of ASDB facilities. The fees would be used to defray costs incurred by ASDB.

Finding III

The Board of Directors acknowledges that the Auditor General not only found significant improvements in the evaluation/placement procedures and services to children who are sensory impaired multiply handicapped, but also found new issues that need to be addressed. Recognizing the need to resolve several current issues and that there will be future problems needing immediate resolution, The Arizona Schools for the Deaf and the Blind and the Arizona Department of Education have established a Task Force of agency and public school representatives to study and recommend solutions to the issues. It is the intent to have such a forum in place in the future to address problems that may need immediate attention and resolution.

Annual budgetary requests, grant proposals, and internal organizational changes have been among the efforts targeting expansion of services to multiply handicapped students. Also, there are specific requirements for inter-agency collaboration (i.e., Department of Health Services, Department of Economic Security, and Department of Education). The Board of Directors will initiate a multi-agency effort, including the Department of Education, Behavioral Health Services, and DES/Developmental Disabilities, to prepare a comprehensive plan to serve sensory impaired multihandicapped children including those who are seriously emotionally disturbed or mentally ill and need intensive specialized and technical programs. It is important to note that in FY 1994 ASDB is requesting budgetary support for the expansion of the multihandicapped program and development of a program for severely emotionally disturbed children. Without funding support the state cannot meet its commitment to these children.

Finding IV

The Board of Directors concurs with the recommendation to improve the Board governance of the school. We appreciate the Auditor General's recognition of the Board's recent improvements and we are committed to taking further steps to increase our efficiency and effectiveness. Within the past year the Board has begun utilizing subcommittees to increase involvement and communication with staff. Also, Board members will be participating in a boardsmanship workshop in early October, 1992. This training will be focused on enhancing Board members' skills to conduct meetings more effectively and efficiently, and develop and publish bylaws to guide Board meetings.

The Board is also committed to developing and implementing policies to assure effective communication between them and ASDB administrators and staff. A Board/staff relations seminar will focus on that goal.

The Board has already taken action to improve oversight over the Superintendent. In September a new Superintendent was hired by the Board to implement a clear set of expectations developed by the Board. The Board has an evaluation policy which will ensure periodic review of the superintendent's performance. The Board has also requested that staff draft a set of policies and procedures to provide Board members with adequate oversight over donations and local funds.

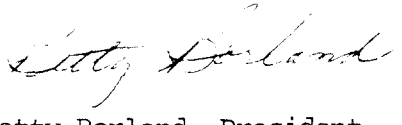
Finding VI

The Arizona State Schools for the Deaf and the Blind have participated in a formal national follow-up study for graduates who are deaf through the National Technical Institute for the Deaf and Gallaudet University Office of Demographic Studies. In addition, the agency has decided to follow the outcomes and evaluation option for accreditation through the North Central Association accreditation process for all programs.

The ASDB Board of Directors recently appointed a new Superintendent who, as a part of his doctoral studies, conducted graduate follow-up studies; therefore, the ASDB Board of Directors has directed the Superintendent to take steps to formalize and expand the current system of following up on recent graduates. The plan will include maintenance of a registry of addresses, formal questionnaires, and telephone or personal interviews at strategic intervals to gather information pertinent to their needs as adults in relation to the programs offered, and information related to the individual's success in living independently in and contributing to the community.

On behalf of the Board of Directors, staff and students at ASDB, I would like to thank you for the opportunity to respond to the Sunset Audit findings. I would also like to extend our appreciation to the audit staff who conducted the review. They have developed a report containing excellent recommendations which will receive our full attention. The members handled a difficult task in a very professional and conscientious manner.

Sincerely,



Betty Borland, President
ASDB Board of Directors

BB/KP:lp

cc: Ralph Bartley
Board of Directors