



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Deer Valley Unified School District

DECEMBER • 2006



Debra K. Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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December 20, 2006

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Deer Valley Unified School District

Dr. Virginia McElyea, Superintendent
Deer Valley Unified School District

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

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

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

This report will be released to the public on December 21, 2006.

Sincerely,

Debbie Davenport
Auditor General

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Deer Valley Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administration, food service, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 5 through 8)

The District's per-pupil administrative costs were 5 percent (\$25) higher than those for other districts of similar size. The District spent 8.9 percent of its total current dollars on administration, higher than the comparison districts' average of 8.1 percent, but lower than the state average of 9.5 percent. The District's slightly higher per-pupil administrative costs were due to higher staffing and salary levels. Specifically, the District has a higher ratio of administrative staff to students than the average for the comparable districts. To achieve the same ratio of administrative staff to students as the comparable districts, Deer Valley would need to reduce its 307 full-time equivalent administrative positions by 24. Further, the District's higher number of administrative staff negates its cost savings from using contracted administrators. Deer Valley contracts for the services of 9 retired administrators, and by doing so, saves money by generally paying a lower salary rate and by not paying certain benefits. The District contracts for more administrators than the comparable districts, but these savings are offset by having more administrative staff. Finally, the District's starting salary rate for administrative support staff was 5 percent higher than the average of comparable districts.

Food service (see pages 9 through 11)

The District's food service program was self-sufficient. The program generated over \$9.2 million in revenue, covering \$8.6 million in operating costs, \$315,000 in capital

purchases, and \$307,000 of indirect costs, such as electricity, water, and waste removal. The program's \$2.01 cost per meal was similar to the comparable districts' average of \$1.99; however, its \$269 cost per student was \$29 higher than the comparable district average of \$240 per student. This is due primarily to the District's serving more meals per student. Deer Valley has closed campuses, which means students cannot leave campus for lunch, which appears to result in more students eating school meals. Because it serves more meals, the District spent 4.8 percent of its available operating dollars on food service, compared to an average of 4.1 percent for the comparable districts. The District developed and monitored one performance measure for its food service program, but should incorporate additional measures to help manage the program and keep meal costs as low as possible.

Student transportation (see pages 13 through 18)

The District spent 31 percent (\$64) more per student and a higher percentage of its total current expenditures on transportation than the comparable districts. As a result, the District subsidized its transportation program with \$1.4 million that potentially could otherwise have been spent in the classroom. A major factor in the District's higher transportation costs is that it encompasses three times as many square miles as the comparable districts. However, several other factors also contributed to its high per-student transportation costs, including inefficient routes and bus storage locations and having more transportation employees than comparable districts. The District operated its high school transportation routes at only 53 percent of capacity, its buses traveled about 24 percent farther to begin routes, and it employed 48 percent more drivers and 57 percent more bus aides than the comparable districts averaged. The District also counted riders improperly and did not maintain sufficient documentation to support either the number of riders transported or miles traveled. Performance measures would help identify inefficiencies, but the District has not established such measures.

Plant operation and maintenance (see pages 19 through 21)

The District spent 10 percent less per pupil and 9 percent less per square foot on plant operations and maintenance costs than its comparable districts. These lower costs were not due to differences in square footage, as Deer Valley USD and the comparison group both averaged about 127 square feet per pupil. The District's plant operations and maintenance costs accounted for 10.8 percent of its total current expenditures, slightly less than the comparison districts' and the state-wide averages. Deer Valley has lower costs largely because it spends less than the comparison group to contract for repair and maintenance services. This is partially due to the District's having newer buildings that need fewer repairs. Its average building age was 12 years, while the comparison group average was 17 years.

However, district administrators also attribute the lower contract costs to having more employees who are trained to perform technically advanced repair work, such as chiller and air conditioner repairs. Having on-site expertise reduces the need for more costly contracted services. Finally, the District dedicated 19 full-time staff to implement its preventative maintenance schedule, compared to 5 staff, on average, at the other districts.

Proposition 301 monies (see pages 23 through 27)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District can make several improvements in how it administers its Proposition 301 monies. Its Proposition 301 plan did not state which positions were eligible for Proposition 301 monies or the amount of performance pay an employee could earn. Further, the District did not maintain adequate documentation to support the propriety of its Proposition 301 expenditures, may have supplanted about \$1 million of expenditures that should have been paid from other monies, and spent about \$116,000 of menu monies for expenditures not allowed by law.

Classroom dollars (see pages 29 through 31)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Therefore, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After adjusting approximately \$4.6 million of the District's \$179 million total current expenditures for coding errors, the District's classroom dollar percentage decreased from 61.9 percent to 60.2 percent. While this revised percentage remained above the state average, it was 1.6 percentage points below the comparable districts' average and 1.1 percentage points below the national average. As a result of this lower percentage and the lower total spending noted below, the District spent only \$3,374 per pupil in the classroom, \$291 per pupil less than comparable districts and \$420 per pupil less than the state average.

The District spent \$5,608 per pupil, which is \$320 less than the \$5,928 per pupil that the comparable districts averaged and almost \$900 below the state average of \$6,500. The District received and spent fewer operating dollars than the comparable districts for many reasons, including the following: the District did not receive desegregation monies, did not operate a career ladder program, and did not have a K-3 override. Additionally, the District had fewer English Language Learners or special needs students for whom a district receives additional funding and, with its lower poverty rate, received less Federal Title I program monies.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Deer Valley Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines six aspects of the District's operations: administration, food service, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

The Deer Valley Unified School District is located in north Phoenix, serving parts of Cave Creek, Glendale, Phoenix, Anthem, and New River. In fiscal year 2005, the District served 32,026 students attending 34 schools, in pre-kindergarten to grade 12.

A 5-member board governs the District, and a superintendent, 4 assistant superintendents, and 8 directors manage it. In fiscal year 2005, the District employed 34 principals, 24 assistant principals, 1,663 certified teachers, 228 instructional aides, and 1,163 other employees, such as administrative staff, bus drivers, and custodians.

District programs and challenges

The District offers a wide range of instructional and other programs (see textbox), including technology-based learning programs. According to district officials, the District places a strong emphasis on communication and parent and community involvement, including participation in academic and planning committees.

For the 2005 school year, the District had 5 schools labeled performing, 8 schools labeled performing plus, 13 schools labeled highly performing, and 8 schools labeled excelling through the Arizona LEARNS program. Additionally, 33 of the District's 34 schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act.

The District offers:

- Differentiated Instruction
- Inclusion programs for special needs
- Standards-based curriculum
- Enrichment classes
- Advanced Placement
- Honors and International Baccalaureate
- Character Counts!
- Full range of clubs, sports activities
- Tuition-based pre-school
- At-risk tutoring
- Gifted program
- Before and after school programs
- Workshops for parents

The District has grown by about 5 percent during each of the past 4 years, adding about 5,800 new students over that time. District administrators stated that this growth has been a challenge, especially due to the location of the growth. The density of student population has been shifting from the District's southern boundaries to its northern boundaries, which has required frequent changes in school attendance boundaries.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on four operational areas: administration, food service, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2005 summary accounting data for all districts and the Deer Valley Unified School District's fiscal year 2005 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2005 expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared these to similar districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2005 food service revenues and expenditures, including labor and food costs; observed meals being prepared and served to students; evaluated functions such as meal production, purchasing, and inventory control; and compared costs to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus routing. Auditors also reviewed fiscal year 2005 transportation costs and compared them to similar districts'.

- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2005 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2005 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and other expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.

The audit was conducted in accordance with government auditing standards.

Following are the main conclusions related to the audit objectives:

- **Administration**—The District's per-pupil administrative costs were slightly higher than costs in comparable districts due to higher staffing and salary levels.
- **Food service**—The District's food service program was self-sufficient with a cost per meal similar to comparable districts', but it served more meals per student and therefore spent a higher portion of its total budget on food service expenditures. The District calculated and monitored a meals-per-labor-hour performance measure. However, to effectively manage the program and help keep meal costs as low as possible, the District should incorporate additional measures, such as the total cost per meal and its various components, such as food costs and salary and benefit costs per meal.
- **Student transportation**—The District's transportation costs per pupil were higher than comparable districts', primarily because it traveled 44 percent more miles per pupil than comparable districts. The District covers three times more square miles than the comparable districts, on average. However, the higher costs were also due to inefficient routes and bus storage locations and having more transportation employees than comparable districts. Further, the District lacked sufficient documentation to support the number of miles and riders it reported for state funding, and did not calculate and monitor performance measures to facilitate program management.
- **Plant operation and maintenance**—The District spent a lower percentage of its current operating dollars on plant operations and maintenance than the comparable districts did, despite having about the same amount of square

footage per student. Expenditures were lower mainly because its buildings were newer, it followed an extensive preventative maintenance program, and its staff's in-house skills necessitated less contracting of technical work.

- **Proposition 301 monies**—The District's Proposition 301 plan was incomplete and its documentation to support Proposition 301 expenditures was inadequate. Further, the District spent a portion of its menu monies for expenditures not allowed by law and may have supplanted about \$1 million of Proposition 301 monies.
- **Classroom dollars**—The District did not accurately report its fiscal year 2005 expenditures. After adjusting approximately \$4.6 million in coding errors, \$2.8 million of which affected the District's classroom dollars, auditors recalculated the District's classroom dollar percentage from a previously reported 61.9 percent to 60.2 percent. While this revised percentage was above the state average, it was 1.6 percentage points below the comparable districts' average and 1.1 percentage points below the national average.

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

CHAPTER 1

Administration

Deer Valley Unified School District's fiscal year 2005 administrative costs were slightly higher than those for other districts of similar size. The District spent 8.9 percent of its total current dollars on administration, lower than the state average of 9.5 percent, but higher than the comparison districts' average of 8.1 percent. Similarly, on a per-pupil basis, the District's costs were \$118 lower than the state average, but \$25 higher than those of comparably sized districts. The District's slightly higher per-pupil administrative costs were due to differences in staffing and salary levels.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.¹

Administrative costs are monies spent for the following items and activities:

- General administrative expenses are associated with governing board's and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

Administrative costs per pupil were slightly higher than comparable districts'

**Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2005
(Unaudited)**

District Name	Total Administrative Cost	Number of Students	Administrative Cost Per Pupil
Scottsdale USD	\$13,708,064	25,301	\$542
Peoria USD	18,122,680	35,814	506
Deer Valley USD	16,053,927	32,026	501
Chandler USD	13,688,067	29,015	472
Paradise Valley USD	14,977,279	33,664	445
Gilbert USD	14,613,643	35,127	416
Average of the comparable districts	\$15,021,946	31,784	\$476

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and average daily membership information obtained from the Arizona Department of Education.

As seen in Table 1, the District spent \$501 per pupil on administrative costs, 5 percent higher than the \$476 per pupil spent by comparable districts, on average. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that had a similar number of students and schools as Deer Valley Unified School District. Although district type was not a factor in selecting comparable districts, all districts of comparable size to Deer Valley are also unified.¹ The following tables use fiscal year 2005 cost information because it is the most

recent year for which all comparable districts' cost data was available.

When administrative costs are further divided into categories, the District's slightly higher costs occur mainly in salaries and purchased services. As shown in Table 2,

Deer Valley USD spent \$11 more per pupil on salaries and \$19 more per pupil on purchased services than the comparable districts averaged.

**Table 2: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2005
(Unaudited)**

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Scottsdale USD	\$392	\$94	\$40	\$16	\$542
Peoria USD	377	84	36	9	506
Deer Valley USD	358	76	60	7	501
Chandler USD	335	66	57	14	472
Paradise Valley USD	314	69	49	13	445
Gilbert Unified USD	317	67	25	7	416
Average of the comparable districts	\$347	\$76	\$41	\$12	\$476

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and average daily membership information obtained from the Arizona Department of Education.

¹ As noted in the Auditor General's November 2002 special study, *Factors Affecting School Districts' Administrative Costs*, district type does not appear to be a significant factor influencing per-pupil administrative costs.

Higher staffing and salary levels increased administrative costs

The District's per-pupil administrative costs are approximately 5 percent higher than those of comparable districts, on average. These higher costs occur primarily at the school level, and are due to higher staffing levels of district employees and staff hired through contracted services, and slightly higher salary levels for administrative support staff.

These higher administrative staffing levels contributed to higher costs in both the purchased services and salary categories, but for different reasons:

- Higher staffing levels**—As seen in Table 3, the District's administrative staff averaged 104 students each, while the comparable districts averaged 113 students per full-time administrative employee. To achieve a ratio of 113 students per administrative employee, Deer Valley USD would have to reduce its number of administrative staff by 24 employees, or almost 8 percent. The District's higher staffing is primarily due to higher staffing levels of classified support positions.
- Some administrators hired through purchased services**—Deer Valley USD contracted for more administrative staff than the comparable districts. The District chose to contract with a third-party vendor for the services of nine full-time administrative employees, eight of whom were former employees, and most of whom had served as principals or assistant principals. These costs were reflected as purchased services rather than as salaries and benefits, and they contributed to the District's higher-than-average purchased service costs. In contrast, two of the comparable districts did not have contracted administrative employees, and the remaining three districts contracted for the full-time services of six former administrative employees, on average.

Table 3: District Staffing Level Comparison
Fiscal Year 2005
(Unaudited)

District Name	Number of		
	Students	Administrative Staff ¹	Students Per Administrative Staff
Peoria USD	35,814	294	122
Gilbert USD ²	35,127	307	114
Chandler USD ²	29,015	259	112
Deer Valley USD²	32,026	307	104
Scottsdale USD	25,301	248	102
Paradise Valley USD ³	33,664	n/a	n/a
Average of the comparable districts	31,784	277	113

¹ The number of administrative staff shown is based on full-time equivalents (FTE). For example, an employee working half-time in an administrative position would be counted as 0.5 FTE.

² District FTE includes employees paid through a contracted service vendor.

³ Auditor General staff determined that district-provided detailed staffing information was not reliable as it did not reconcile to the District's primary accounting records.

Source: Auditor General staff analysis of districts' fiscal year 2005 average daily membership counts and *School District Employee Report* from the Arizona Department of Education.

Contracting through third-party vendors is a way to lower administrative costs because administrators hired through a vendor generally receive between 75 and 100 percent of their former salaries, and the District typically does not have to pay for benefits such as retirement, social security, and medical insurance contributions. The three other comparable districts that used contract administrators—Chandler, Paradise Valley, and Gilbert—had the lowest salary costs of any of these districts. Deer Valley had higher salary costs than these three districts, reflecting its higher total number of administrators.

- **Higher salaries**—In addition to operating at higher staffing levels, the District's starting salary rate for administrative support staff was 5 percent higher than the average of comparable districts.

Recommendation

The District should evaluate whether it can reduce the number of administrative positions.

CHAPTER 2

Food service

The food service program was self-sufficient, generating enough revenue to cover its operating costs, capital purchases, and \$307,000 of indirect costs, such as electricity, water, and waste removal. The program's \$2.01 cost per meal was similar to the comparable districts' average, but its cost per student was 12 percent higher, primarily due to serving more meals per student. As a result, the District spent 4.8 percent of its available operating dollars on food service, compared to an average of 4.1 percent for the comparable districts. The District developed and monitored one performance measure for its food service program, but should incorporate additional measures to help manage the program and keep meal costs as low as possible.

Background

During fiscal year 2005, the District employed 175 full-time equivalent food service staff, with 33 food service managers to operate 34 cafeterias, one at each of its schools. Six district schools served as base kitchens for 20 other schools. Each base kitchen received deliveries of food and supplies for its own program plus the other schools', and then delivered the additional items to those schools. The District is in the process of reorganizing its delivery system to have staff at a central warehouse receive all deliveries from vendors and make deliveries to all the schools. The District believes this process will save money by reducing vendor delivery charges. The District participated in the National School Lunch Program, with a 19 percent free and reduced-price lunch eligibility rate.

Food Service Facts for Fiscal Year 2005

Average cost per meal*	\$2.01
Number of meals served:*	
Breakfast, snacks, and a la carte	1,439,279
Lunch	<u>2,842,889</u>
Total	<u>4,282,168</u>
Kitchens/cafeterias	34
Number of staff**	175.4
Total revenues	\$9,244,433
Total noncapital expenditures	8,626,128
Total equipment purchases	314,704
Percentage of students eligible for free and reduced-price lunches	19%

* Based on lunch-equivalent meals.

** Full-time equivalents (FTE).

The food service program is self-sufficient

During fiscal year 2005, the District served approximately 4.3 million lunch-equivalent meals at an average cost of \$2.01 per meal. As shown in Table 4, this cost per meal was similar to the comparable districts' average \$1.99 cost-per-meal.

**Table 4: Comparison of Cost Per Meal
Fiscal Year 2005
(Unaudited)**

District Name	Salaries and Benefits	Food and Supplies	Other	Cost Per Meal
Paradise Valley USD	\$0.85	\$1.14	\$0.04	\$2.03
Peoria USD	0.84	1.15	0.03	2.02
Deer Valley USD	0.87	1.12	0.02	2.01
Gilbert USD	0.91	1.08	0.01	2.00
Chandler USD	0.87	1.05	0.03	1.95
Scottsdale USD	0.89	0.93	0.12	1.94
Average of the comparable districts	\$0.87	\$1.07	\$0.05	\$1.99

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and data provided by individual school districts.

Additionally, the food service program's \$9.2 million in revenues covered its \$8.6 million operating costs and \$315,000 in capital expenditures, such as equipment purchases. The District also charged the food service program over \$307,000 for indirect costs, such as electricity, water, and waste removal. The remaining monies, together with the prior year-end balance, left the program with approximately \$625,000.

Higher per-pupil food service cost related to producing more meals

**Table 5: Comparison of Food Service Cost Per Pupil
Fiscal Year 2005
(Unaudited)**

District Name	Food Service Cost Per Pupil	Food Service Percentage ¹
Chandler USD	\$291	5.2%
Deer Valley USD	269	4.8
Scottsdale USD	248	3.8
Gilbert USD	237	4.3
Peoria USD	220	3.7
Paradise Valley USD	202	3.3
Average of the comparable districts	\$240	4.1%

¹ Food Service Percentage equals food service costs as a percentage of each district's total current expenditures.

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and data provided by individual school districts.

As shown in Table 5, the District spent \$29 more per pupil on food services than the comparable districts' average. As a result, although the program was self-sufficient, the District spent a larger percentage of its available resources (4.8 percent) for food service compared to similar districts (an average of 4.1 percent). The main reason for the higher per-pupil cost was because the program served more meals per student. On average, the District served 11 percent more meals per student than the comparable districts. A contributing factor appears to be the District's closed campuses, which means students cannot leave campus for lunch. In contrast, three of the five comparable districts allowed upper-level students to leave school grounds during the lunch period.

The District monitored one program performance measure

The District calculated its meals per labor hour to help monitor program efficiency, using 25 meals per labor hour as its productivity target. Additionally, the District tracked the number of each type of meal served and used this information in menu planning. However, to help manage the program and keep costs as low as possible, the District should also calculate and monitor certain cost measures, such as the total cost per meal and its various components, such as food costs and salary and benefit costs per meal.

Recommendation

The District should establish and monitor additional food service operational benchmarks, such as salary, food, and supply costs per meal and cost per student, for comparison to similar districts'.

CHAPTER 3

Student transportation

The District spent more per student and a larger percentage of its available operating dollars on transportation than comparable districts. As a result, the District subsidized its transportation program with \$1.4 million that potentially could otherwise have been spent in the classroom. Several factors contributed to the District's high per-student transportation costs, including the District's large geographic size, inefficient routes and bus storage locations, and having more transportation employees than comparable districts. The District also counted riders improperly and did not maintain sufficient documentation to support either the number of riders or the number of miles traveled. Performance measures would allow the District to identify its inefficiencies, but the District has not established such measures.

Background

During fiscal year 2005, the District transported its students to and from its 34 schools. In addition to regular and special needs transportation, the District provided transportation for field trips, athletic events, and additional afternoon routes for students participating in after-school activities. The main bus storage facility is located near Deer Valley High School, in the southwestern area of the District, and approximately 20 buses are kept at Desert Mountain School, one of the District's northern schools.

Transportation Facts for Fiscal Year 2005

Riders*	
Bus Drivers**	179
Mechanics	12
Regular routes	89
Special-needs routes	63
Average daily route miles	16,150
Total route miles	3,093,586
Total noncapital expenditures	\$8,725,989

* The District's records were insufficient to validate its reported number of riders.

** Full-time equivalents.

Transportation costs were much higher than comparable districts'

In fiscal year 2005, the District spent 4.9 percent of its available operating dollars on student transportation, 1.4 percentage points higher than comparable districts, on average. As Table 6 shows, the District's \$272 per-pupil cost was notably higher than the comparable districts' average of \$208. Because of these higher expenditures, the District subsidized its transportation program with monies that could have potentially been spent in the classroom. In fiscal year 2005, the District received state transportation aid totaling approximately \$7.3 million, but spent about \$8.7 million to operate the program.

Table 6: Students, Route Mileage, and Costs
Fiscal Year 2005
(Unaudited)

District Name	Average Daily Membership ¹	Total Route Miles	Total Noncapital Expenditures	Cost Per Student	Cost Per Mile
Deer Valley USD	32,026	3,093,586	\$8,725,989	\$272	\$2.82
Scottsdale USD	25,301	2,142,065	6,441,362	255	3.01
Chandler USD	29,015	1,916,030	6,006,639	207	3.13
Peoria USD	35,814	1,900,264	7,024,398	196	3.70
Gilbert USD	35,127	2,248,185	6,735,729	192	3.00
Paradise Valley USD	33,664	2,251,672	6,474,387	192	2.88
Average of the comparable districts	31,784	2,091,643	\$6,536,503	\$208	\$3.14

¹ Records were not sufficient to validate Deer Valley USD's reported number of riders; therefore, average daily membership is used for analysis.

Source: Auditor General staff analysis of fiscal year 2005 district mileage reports and average daily membership information provided by the Arizona Department of Education and district-reported fiscal year 2005 accounting data.

The District's high overall costs were mainly the result of driving many more miles than the comparable districts' average. Deer Valley USD has more than three times the square miles that the comparable districts averaged, and its buses traveled about 44 percent more miles, on a per-pupil basis, than the average for the comparable districts. The District's cost per mile, \$2.82, was actually lower than the comparable districts' average of \$3.14. Prior school district performance audits have shown that districts that travel more miles tend to have lower costs per mile. Because Deer Valley USD drove so many more miles than its comparable districts, auditors looked to see if factors besides the District's size contributed to the higher costs.

Opportunities for greater efficiency may exist

Three factors besides the District's size contribute to its higher costs and the need for a subsidy: inefficient routes and bus storage locations and having more transportation employees. Addressing these factors may allow the District to reduce its subsidy and shift more dollars into the classroom:

- Inefficient routes**—The District's regular education routes resulted in buses operating at 69 percent of capacity, on average. In contrast, districts with efficient bus routing will typically use 75 percent or more of bus capacity. Further, the District's high school routes operated at only 53 percent of capacity. The District should analyze rider counts and locations throughout the year and adjust routes as needed to maximize bus capacity usage.
- Buses stored further from schools**—The additional miles driven were in part because of the long distances between the schools and the bus yards where buses are stored. On average, Deer Valley USD's buses traveled an estimated 24 percent farther to begin each route than buses in the comparable districts. Deer Valley USD maintained two storage sites for its buses, similar to the comparable districts. However, given the District's large geographic size, it should consider whether the current sites are appropriately located and whether additional bus yards should be added to reduce the number of miles that are required to be driven to start each route.
- More transportation employees**—As shown in Table 7, the District's higher transportation cost per pupil was primarily evident in salaries and benefits. These categories were 39 and 46 percent higher, respectively, than the comparison districts averaged.

Table 7: Comparison of Per-Pupil Transportation Costs by Category
Fiscal Year 2005
(Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Deer Valley USD	\$168	\$51	\$19	\$34	\$272
Scottsdale USD	134	45	48	28	255
Chandler USD	121	30	19	37	207
Peoria USD	119	36	13	28	196
Paradise Valley USD	111	32	14	35	192
Gilbert USD	120	33	11	28	192
Average of the comparable districts	\$121	\$35	\$21	\$31	\$208

Source: Auditor General staff analysis of fiscal year 2005 average daily membership information provided by the Arizona Department of Education and district-reported fiscal year 2005 accounting data.

Table 8: Full-Time Equivalent Comparison
Fiscal Year 2005
(Unaudited)

District Name	Total FTEs	Driver FTE	Bus Aid FTE	All other FTE
Deer Valley USD	258.9	178.6	49.3	31.0
Gilbert USD	192.2	119.5	38.9	33.8
Peoria USD	192.1	124.3	41.5	26.3
Chandler USD	163.7	124.0	22.4	17.3
Scottsdale USD	148.1	114.1	23.0	11.0
Paradise Valley USD ¹	n/a	n/a	n/a	n/a
Average of the comparable districts	174.0	120.5	31.4	22.1

¹ Auditor General staff determined that district-provided, detailed staffing information was not reliable as it did not reconcile to the District's primary accounting records.

Source: Auditor General staff analysis of the fiscal year 2005 *School District Employee Report* from the Arizona Department of Education and district-reported fiscal year 2005 accounting data.

The higher salary and benefit costs were due to the District's having more transportation employees, as shown in Table 8. Specifically, the District employed 48 percent more drivers and 57 percent more bus aides than the comparable districts averaged, with each driver and bus aide serving 31 and 37 percent fewer students, respectively. The District's higher numbers of employees may be, in part, a reflection of the inefficient routes and additional time spent in getting from the bus yards to the start of a bus route. Together, these findings suggest that the District should closely examine the transportation program for potential savings.

District reported inaccurate rider counts and did not retain records—

Funding for school district transportation programs is based on riders and route miles reported to the Arizona Department of Education, and districts are required to maintain the related records to document that they have reported this information accurately. In reporting its number of riders, the District used a method that greatly overstated ridership and threatens to reduce its state funding in future years. The District also did not uniformly maintain adequate documentation to substantiate the riders and route miles it reported.

- **Number of riders overstated**—District administrators stated that morning and afternoon rider counts were added together when reporting its number of riders. The Arizona Department of Education's *Instructions for Required Reports* states that "students may be counted only once." Typically, districts will either calculate an average of the morning and afternoon number of riders or will report the higher of the two counts for each day. Deer Valley USD's method results in overstating the number of riders. An accurate count of riders is needed to calculate the average miles per rider, which determines the District's state transportation funding rate. As the textbox shows, the rate of \$2.11 per mile is used if the miles per rider is either 0.5 mile or less, or greater than 1 mile, and \$1.71 if the mileage is between those amounts. For fiscal year 2005, Deer Valley USD averaged more than 1 mile per rider and was funded at the \$2.11 per mile rate. However, based on auditor estimates, if its number of miles and riders continues to increase at the current pace, combined with the method that overstates rider counts, the District could drop into the lower

Route Mileage Allowance

Approved Daily Route Miles per Eligible Student Transported	Fiscal Year 2005 State Support Level per Route Mile
0.5 or less	\$2.11
More than 0.5, through 1.0	1.71
More than 1.0	2.11

Source: Fiscal year 2005 Transportation Support Level Worksheet per A.R.S. §15-945, as amended by Laws 2004, Ch. 278, §4.

transportation rate. This would result in the District losing an estimated \$800,000 of transportation funding in fiscal year 2008, based on the most current (fiscal year 2007) mileage rates.

- **Adequate documentation not maintained**—The District did not maintain documentation supporting the number of riders and miles reported for one of its three transportation regions. Typically, district bus drivers maintain logs of their daily trips, recording information such as the number of riders and the odometer readings at the beginning and ending of each route they drive. Districts use these logs to calculate the number of riders transported and miles driven, and are required to maintain the records for 3 years after the related funding is received. In one of the three regions, this documentation was inadequate. Auditors determined that the reported miles were reasonable based on odometer readings. However, alternative documentation was not available to determine an accurate number of riders.

Performance measures were not established and monitored—The District's high costs emphasize the need for monitoring its transportation operations. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. However, the District has not established and monitored performance measures for the transportation program. Further, the District did not collect and maintain the data necessary to adequately monitor program operations. For example, the District only counted bus riders during a few days around the 100th day of school. Therefore, the District did not have the information showing that there were low ridership high school routes until more than halfway through the school year and did not make corresponding route adjustments to improve efficiency. Monitoring data on driver productivity and bus capacity utilization rates can help identify route segments with low ridership, segments that may be combined, or buses that are overcrowded. Without such data and performance measures, the District is unable to evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Recommendations

1. The District should evaluate alternative and/or additional bus storage facilities, and seek to identify other ways to minimize the number of miles driven and reduce its transportation program costs.
2. The District should perform rider counts throughout the year and evaluate and adjust routes to increase efficiency and reduce miles driven. Further, the District should maintain its records supporting the reported number of riders and miles as required by the *Records Retention and Disposition Schedule* for school districts.
3. The District should develop and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage.

CHAPTER 4

Plant operation and maintenance

In fiscal year 2005, Deer Valley USD spent 10.8 percent of its total current dollars on plant operations and maintenance costs, slightly less than the 11.3 percent average spent by comparison districts and the 11.4 percent spent by districts across the State. Most of the District's cost savings were attributable to lower purchased-service costs associated with repair and maintenance of buildings. In turn, these lower costs stem from the District's having newer buildings, following an extensive preventative maintenance program, and relying on staff with expertise to do much of the technical maintenance in-house.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

The District spent 10 percent less on average than comparable districts

As shown in Table 9, the District had lower per-pupil and per square foot costs than the comparable districts averaged. The District spent \$607 per pupil, 10 percent less than the \$671 average for the comparable districts. And its \$4.78 cost per square foot was 9 percent less than the comparable districts' average of \$5.28 per

Table 9: Plant Costs and Square Footage Comparison
Fiscal Year 2005
(Unaudited)

District Name	Plant Costs				
	Total	Per Student	Per Square Foot	Total Gross Square Footage	Square Footage Per Student
Scottsdale USD	\$20,442,550	\$808	\$5.23	3,906,071	154.4
Paradise Valley USD	22,690,236	674	4.79	4,736,565	140.7
Gilbert USD	23,212,309	661	5.51	4,213,313	119.9
Peoria USD	23,375,757	653	5.63	4,150,993	115.9
Deer Valley USD	19,453,811	607	4.78	4,070,177	127.1
Chandler USD	16,217,317	559	5.23	3,099,161	106.8
Average of the comparable districts	\$21,187,634	\$671	\$5.28	4,021,221	127.5

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and average daily membership information obtained from the Arizona Department of Education, and fiscal year 2005 gross square footage information obtained from the Arizona School Facilities Board.

Table 10: Comparison of Per Square Foot Costs by Category
 Fiscal Year 2005
 (Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Cost Per Square Foot
Peoria USD	\$2.56	\$1.44	\$1.63	\$5.63
Gilbert USD	2.96	1.01	1.54	5.51
Scottsdale USD	2.09	1.70	1.44	5.23
Chandler USD	2.62	1.03	1.58	5.23
Paradise Valley USD	1.68	1.59	1.52	4.79
Deer Valley USD	2.34	0.83	1.61	4.78
Average of the comparable districts	\$2.38	\$1.35	\$1.54	\$5.28

Source: Auditor General staff analysis of district-reported fiscal year 2005 accounting data and fiscal year 2005 gross square footage information obtained from the Arizona School Facilities Board.

square foot. These lower costs were not due to differences in square footage, as Deer Valley USD and the comparison group both averaged about 127 square feet per pupil.

The District's lower plant costs are primarily due to lower spending on purchased services, which include building repair and maintenance services. As seen in Table 10, the District's purchased service costs of 83 cents per square foot were 52 cents, or 39 percent, lower than the \$1.35 cost per square foot average of the comparable districts.

Several factors contribute to lower purchased service costs

The District's newer buildings, technically skilled staff, and preventative maintenance program contribute to its lower purchased service plant costs.

Newer buildings—Deer Valley USD's buildings appear to be less costly to repair and maintain than buildings at the comparable districts. The average age of the District's buildings is approximately 12 years, which is 5 years less than the 17-year average age of the comparable districts' buildings. According to the facility directors for Deer Valley USD and the comparable districts, repair and maintenance costs are significantly higher for older buildings, such as those over 15 years. Similarly, for school districts across Arizona, older building age is associated with higher per-pupil spending on plant operations and maintenance, as reported in the *Arizona Public School Districts' Dollars Spent in the Classroom Fiscal Year 2005* special study.

Building-Age Comparison

District Name	Average Building Age*
Deer Valley USD	12
Average of the comparable districts	17

* Weighted by building square footage

Source: Auditor General staff analysis of fiscal year 2005 gross square footage and year-built information obtained from the Arizona School Facilities Board.

Skilled technical staff—The District employs many staff who are trained to perform technically advanced repair work, such as chiller or air conditioner repair and replacement. According to district staff, the on-site expertise reduces the need for more costly contracted services. By contrast, according to their facility directors, most of the comparable districts typically paid contractors for advanced repairs.

Preventative maintenance program—Since 1999, Deer Valley USD has implemented a preventative maintenance program to help reduce repair and maintenance costs. To maintain buildings and avoid more complex, contracted repair costs, the District dedicates 19 staff to regular preventative maintenance reviews of district buildings, both during school hours and at night. The staff includes specialists in heating and air conditioning, plumbing, and electrical repair, and is required to possess basic repair skills in all maintenance areas. By contrast, according to their facility directors, most of the comparable districts dedicated only five district-level staff, on average, and used recommended schedules provided by the Arizona School Facilities Board as guidelines.

CHAPTER 5

Proposition 301 monies

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District's plan for spending its Proposition 301 monies did not identify the specific positions eligible to receive the monies or specify the amount of performance pay employees could receive. Additionally, the District did not maintain adequate documentation to support the propriety of its Proposition 301 expenditures, may have supplanted about \$1 million of expenditures that should have been paid from other monies, and spent about \$116,000 of menu monies for expenditures not allowed by law.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

During fiscal year 2005, the District received a total of \$8,751,818 in Proposition 301 monies and spent \$9,712,974. The additional monies were from interest earnings and unspent amounts from prior years. Unspent Proposition 301 monies remain in the District Classroom Site Fund for future years.

District's Proposition 301 plan incomplete

The District's Proposition 301 plan was formed by a team consisting of the superintendent, the director of human resources, a board member, three teachers, two principals, a parent, and a representative of the Arizona Education Association (AEA) not employed by Deer Valley USD. Although the plan noted that certified staff were eligible for Proposition 301 monies, it did not specifically identify which certified positions, such as teachers versus certified administrators, would be eligible. The District's plan also did not specify the amount of performance pay that each eligible employee meeting the specified performance criteria could receive.

Base Pay—While the plan did not specifically identify which positions were eligible, district officials stated that eligible employees included teachers, librarians, speech pathologists, audiologists, counselors, nurses, occupational and physical therapists, and Reserve Officers' Training Corps positions. Based on the District's fiscal year 2005 certified salary schedule, each eligible full-time employee received a base pay increase of \$826.

Performance Pay—Each eligible full-time employee meeting all performance requirements received \$1,862. The District's plan allowed employees to receive performance pay based on a professional goal and attendance.

- **Professional Goal**—Each eligible employee was required to develop a professional goal that would directly impact student achievement and participate in three of the five following activities: collaborative professional growth, committee work, professional development, student development, and certification. Employees were required to submit evidence of attaining their goals, such as student test scores and activity attendance dates. Employees meeting their goals received \$1,662 at fiscal year end. In fiscal year 2005, 1,798 eligible employees received the \$1,662.
- **Teacher Attendance**—Eligible employees having five or fewer absences during the year each received a \$200 stipend at fiscal year-end. In fiscal year 2005, 805 eligible employees received the \$200.

Menu Options—Statute allows school districts to choose among six different options for allocating the menu monies, including:

- AIMS intervention programs.
- Class-size reduction.
- Dropout prevention programs.

- Teacher compensation increases.
- Teacher development.
- Teacher liability insurance premiums.

In fiscal year 2005, the District primarily used its menu monies to increase eligible employee compensation. In addition, some menu monies were used for class size reduction, teacher training, dropout prevention, and tutoring for the AIMS test. Specifically,

- **Teacher compensation increases**—\$2,614,000, or about 65 percent, of menu monies was spent on salaries and related benefits for certified employees. This amount included \$131,000 given in \$1,000 stipends to employees who had reached their maximum levels on the salary schedule and \$178,000 spent on salaries for teachers who also coordinated special education programs at their schools.
- **Dropout prevention**—\$332,000 of menu monies were used to pay for a dropout prevention program serving 90 long-term suspended students.
- **Class-size reduction**—Over \$412,000 was spent on hiring eight additional teachers to reduce class sizes.
- **AIMS intervention**—About \$223,000 was spent to help students not meeting AIMS test proficiency.
- **Teacher development**—Almost \$200,000 was spent to train and mentor new teachers, including salaries for 2 trainers and stipends of \$500 to \$1,000 paid to 90 experienced teachers for mentoring new teachers. An additional \$81,500 was spent on other staff development activities.

Proposition 301 records were incomplete, and monies may have been supplanted

The District did not maintain adequate detail to support expenditures paid from its Proposition 301 monies. In particular, the lack of detailed accounting for salaries and benefits expenditures allocated to the Classroom Site Fund may have resulted in the fund paying costs that should have been paid from other monies.

Detailed accounting records not maintained—The District did not record detailed salary and benefit payments from Proposition 301 base pay and menu

monies in the specific funds designated for them. Instead, employee salaries and benefits were initially paid from the Maintenance and Operation (M&O) Fund and later a calculated lump-sum amount was charged to the Proposition 301 funds. Documentation was not available to show which employees actually received Proposition 301 monies and how much each was paid. Further, because the District did not maintain detailed records to document that the Proposition 301 lump sum amount was properly calculated, auditors could not determine whether the calculated amount equaled the total of payments of appropriate amounts to eligible employees.

District may have supplanted about \$1 million of Proposition 301 monies—The District budgeted \$1.5 million of Classroom Site Fund menu monies for additional teacher compensation. This amount was added to the “pool” of monies used in setting the District’s certified salary schedule. Employees were then paid during the year according to the salary schedule, and therefore, would have received a total of \$1.5 million of additional compensation for menu monies. During the year, salary payments were made using M&O Fund monies with the plan to transfer the Classroom Site Fund share of expenditures at year-end. However, at fiscal year end, the District transferred \$2.5 million of salary expenditures from the M&O Fund to the Classroom Site Fund rather than the \$1.5 million originally calculated. The District did not document the actual payments made to eligible employees from these menu monies or otherwise substantiate the higher amount being charged to the Classroom Site Fund. Therefore, it appears that the District used at least \$1 million of Classroom Site Fund monies to supplant, or pay for costs that would otherwise have been paid by M&O monies.

Performance pay documentation incomplete—District employees meeting certain professional goals and attendance requirements were eligible for performance pay. Employees were required to submit evidence of attaining their student achievement goals and record the dates they attended qualifying activities on a district-provided form and attach other documentation as needed to demonstrate meeting the requirements. Of the ten employee files reviewed, six had incomplete or missing documentation. For example:

- Two employee files did not include certificates of participation or other documentation of professional development courses attended.
- The schools could not provide any documentation for two employees selected for review.
- One employee’s documentation did not include achievement of his/her professional goal or any of the required activities.
- One employee’s documentation did not have the evaluator’s signature showing review of the documentation.

Without complete documentation, it is not clear whether the employees actually met the performance criteria set in the District's plan.

Some district expenditures did not comply with law

Arizona Revised Statutes §15-977 states that menu monies directed toward class size reduction, AIMS intervention, and dropout prevention may be spent only on instruction, excluding athletics. In fiscal year 2005, the District spent approximately \$116,000 of menu monies for these programs for noninstructional purposes. Of this amount, \$106,000 was spent on administration of the District's dropout prevention program, including salary and benefits for the program's principal and secretary, as well as printing and supplies costs for the program's front office. The remaining \$10,000 was spent on other noninstructional expenditures, such as cell phone usage, food, noninstructional supplies, and plant operation and maintenance-related salaries and benefits.

Recommendations

1. The District's Proposition 301 plan should specify which positions are eligible for the monies and the amount of performance pay each eligible employee can earn if performance criteria are met.
2. The District should ensure that accounting records are maintained in sufficient detail to demonstrate that Proposition 301 monies were spent in accordance with statute and the District's plan. Additionally, the District should determine the amount of Proposition 301 monies actually paid out to eligible employees and, from other monies, repay any supplanted amounts to the Classroom Site Fund's menu monies account.
3. The District should ensure that employees submit required documentation of meeting their goals and review and approve such documentation prior to awarding performance pay.
4. The District should ensure that Proposition 301 monies are spent only as statute authorizes.

CHAPTER 6

Classroom dollars

A.R.S. §41-1279.03(A)(9) requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Because of this requirement, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. After adjusting approximately \$4.6 million of the District's \$179 million in total current expenditures for coding errors, the District's classroom dollar percentage decreased from 61.9 percent to 60.2 percent. While this revised percentage remained above the state average, it was 1.6 percentage points below the comparable districts' average and 1.1 percentage points below the national average. Additionally, the District spent less per pupil than the comparable districts' and state averages, both in total and in the classroom.

The District did not accurately report its fiscal year 2005 costs

The District did not consistently classify its expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs, including both instructional and nonclassroom expenditures. For example:

- Approximately \$1,128,000 in salary costs for attendance clerks, registrars, nurses, counselors, and others were misclassified as instruction or administration. Instead, these positions should have been classified as student support services based on the nature of their duties.
- The District purchased professional services from retired employees and recorded all payments as instruction although nearly \$708,000 of the services were administrative in nature.

- Salary and benefit costs for the District's crossing guards were classified as administration although these costs are part of plant operations and maintenance. These errors totaled approximately \$353,500.
- The District paid over \$131,000 to 73 employees for their years of service and recorded these payments as instruction. Instead, the amounts should have been recorded as costs of the various functions related to the employees' duties, such as plant operations and maintenance or food service.

These and other coding errors totaled approximately \$4.6 million, and decreased the District's instructional expenditures by about \$2.8 million. As shown in Table 11 (see page 31), the District's corrected classroom dollars percentage of 60.2 percent is 1.6 percentage points below the comparable districts' average and 1.1 percentage points below the national average, but remains above the state average of 58.4 percent for the same year.

The District spent less per pupil than the comparable districts' and state averages

As shown in Table 11 (see page 31), Deer Valley USD spent \$5,608 per pupil, \$320 less than the comparable districts averaged and about \$900 less than the state average. The District spent fewer dollars per pupil for several reasons. First, the District received less funding through the school district budgeting process for several reasons, including not participating in the career ladder program, not receiving desegregation monies, not having a K-3 budget override, and not having as many English Language Learners or special needs students for whom a district receives additional funding. Second, the District received and spent less federal and state program monies than the comparable districts. Specifically, the District spent less federal Title I program monies, which are distributed based on the number of students living at or below the poverty level. Because Deer Valley USD's poverty rate was lower than the comparable districts' average, it received a smaller proportion of these monies. The District also received and spent less vocational education and early childhood state grant monies. Third, compared with similar districts, Deer Valley budgeted a higher proportion of its discretionary capital funding for capital rather than operating purposes.

Table 11: Comparison of Expenditure Percentages by Function
Fiscal Year 2005
(Unaudited)

Spending	Deer Valley USD		Comparable Districts' Average		State Average		National Average 2003 ¹	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total Per-Pupil		\$5,608		\$5,928		\$6,500		\$8,044
Classroom dollars	60.2%	\$3,374	61.8%	\$3,665	58.4%	\$3,794	61.3%	\$4,934
Nonclassroom dollars								
Administration	8.9	501	8.1	476	9.5	619	11.1	892
Plant operations	10.8	607	11.3	671	11.4	742	9.5	764
Food service	4.8	269	4.1	240	4.8	311	3.9	310
Transportation	4.9	272	3.5	208	4.1	266	4.0	325
Student support	7.0	391	6.6	393	7.0	460	5.2	415
Instructional support	3.1	175	4.5	267	4.6	297	4.8	385
Other	0.3	19	0.1	8	0.2	11	0.2	19

Source: Auditor General staff analysis of fiscal year 2005 Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-03 (NCES 2005-353R)*.

Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
2. The District should review its spending in noninstructional areas, such as transportation and food service, to determine if savings can be achieved and some of these monies can be redirected to the classroom.

DISTRICT RESPONSE



Deer Valley Unified School District No. 97

20402 N. 15th Avenue Phoenix, AZ 85027-3636 Phone (623) 445-5000 Fax (623) 445-5086 www.dvusd.org

December 15, 2006

Ms. Debbie Davenport
Auditor General
2910 North 44th Street
Suite 410
Phoenix, AZ 85018

Re: Response to Deer Valley Unified School District 2004-05 Performance Audit

Dear Ms. Davenport:

Attached are Deer Valley Unified School District's responses to the Performance Audit conducted by the Auditor General for fiscal year 2005. We are pleased that there were a minimal number of areas where a recommendation was needed. We are always looking for ways to improve efficiency in our departments so that additional funds will be available in the classroom. Therefore, we appreciate the suggestions from your staff. As a result, a number of your suggestions have already been initiated.

We appreciate the professional manner in which the audit was performed by your staff. If you have any further questions please contact Dale Splittberger.

Respectfully,

Bill Maas
Associate Superintendent of Fiscal Services

Superintendent
Dr. Virginia McElyea
Governing Board

Christy Agosta Ron Bayer Ted Carpenter Christina R. Eng Michael Gregoire

Administration

The District should evaluate whether it can reduce the number of administrative positions.

We agree with the recommendation. We will review each category of administrative positions to determine if reductions can be made.

Food Service

The District should establish and monitor additional food service operational benchmarks, such as salary, food, and supply costs per meal and cost per student for comparison to similar districts.

We agree with the recommendation. We will monitor expenses based on the cost per student method.

Student Transportation

The District should evaluate alternative and/or additional bus storage facilities, and seek to identify other ways to minimize the number of miles driven and reduce its transportation program costs.

We agree with the recommendation. We are currently in the process of developing a satellite transportation facility to accommodate areas of the district north of the Carefree Highway. Funds were approved in the most recent bond authorization.

The District should perform rider counts throughout the year and evaluate and adjust routes to increase efficiency and reduce miles driven. Further, the District should maintain its records supporting the reported number of riders and miles as required by the *Records Retention and Disposition Schedule* for school districts.

We agree with the recommendation. We will review our process for gathering data and the timeframe in which it is being collected and implement the necessary changes based on the review. We have implemented a central file document storage system that is under lock and key and will follow the *Records Retention and Disposition Schedule* for school districts.

The District should develop and monitor performance measures such as cost per mile, cost per rider, and bus capacity usage.

We agree with recommendation. We will develop and monitor an ongoing process that will measure our performance in the areas of (1) cost per mile, (2) cost per rider, and (3) bus capacity usage.

Plant Operation and Maintenance

No recommendations.

Proposition 301 Monies

The District's Proposition 301 plan should specify which positions are eligible for the monies and the amount of performance pay each eligible employee can earn if performance criteria are met.

We agree with the first part of the recommendation. The Performance Pay plan will specify an estimated amount and which positions are eligible to receive Proposition 301 monies.

The District should ensure that accounting records are maintained in sufficient detail to demonstrate that Proposition 301 monies were spent in accordance with statute and the District's plan. Additionally, the District should determine the amount of Proposition 301 monies actually paid out to eligible employees and, from other monies, repay any supplanted amounts to the Classroom Site Fund's menu monies account.

We agree with the recommendation in regards to the detail of the accounting records. The District will retain reports to show that Proposition 301 journal entries have been properly documented.

We agree that it may appear to a third party that supplanting occurred, however, the District did not supplant. The additional funds were used for class size reduction after the "similar level of effort" test per USFR Memo #194 was applied.

The District should ensure that employees submit required documentation of meeting their goals and review and approve such documentation prior to awarding performance pay.

We agree with the recommendation. The documentation will now be maintained at the District Office.

The District should ensure that Proposition 301 monies are spent only as Statute authorizes.

We agree with the recommendation. Only those expenditures from our alternative school, Crossroads, which are instruction in nature, will be charged to the Classroom Site Fund.

Classroom Dollars

The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

We agree with the recommendation and will use more care to ensure that are transactions are coded properly.

The District should review its spending in noninstructional areas, such as transportation and food service, to determine if savings can be achieved and some of these monies can be redirected to the classroom.

We agree with the recommendation.