

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Subject

The Litchfield Elementary School District is located west of Phoenix and includes Litchfield Park and parts of Avondale, Glendale, Buckeye, and Goodyear. In FY 2005, the District served 6,739 students in pre-kindergarten through 8th grade.

### Our Conclusion

Litchfield's per-pupil administration and plant operation costs were similar to the average for comparable districts, but its food service cost per meal was lower. Although the District had to subsidize transportation due to its substantial growth, its per-mile costs were similar to the comparison districts'. The District spent its Proposition 301 monies appropriately. The District spent 57.2 percent of its money in the classroom, 1.2 points below the state average.



# 2006

August • 2006

## Administrative Costs

The Litchfield Elementary School District has 6 elementary schools for pre-kindergarten through 5th grade, 2 middle schools for 6th through 8th grades, and 1 middle school for kindergarten through 8th grades.

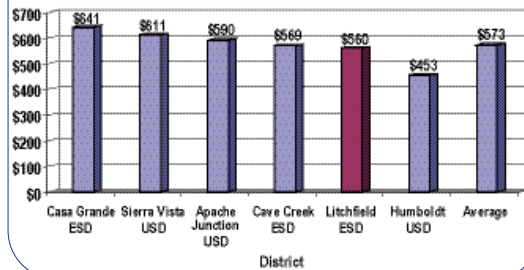
The District's \$560 per-pupil administrative costs for FY 2005 were similar to the comparable district average. Litchfield ESD also had a similar number of administrative positions as the comparable districts.



Litchfield Elementary School.

**The District inappropriately paid employee bonuses**—School districts may only pay the salaries specified in employees' contracts. Any increase in salaries during the year must be contracted for a definite amount and prior to the time that services are rendered and with clear criteria for performance-based increases. However, Litchfield ESD paid about \$327,000 in bonuses to district administrators, including the superintendent and principals, and to classified employees, including custodians, bus drivers, and clerical staff. Contracts with employees either did not exist, did not have a provision for a bonus, or failed to state the amount of or criteria for a potential bonus.

Per-Pupil Administrative Costs  
 Fiscal Year 2005



## Recommendations

The District should:

- Clearly identify any performance pay goals, the criteria for achieving the extra pay, and the potential amount.
- Seek counsel about the legality of these bonuses.

## Food Service

The District's food service program operated efficiently with a \$1.78 cost per meal, 35 cents lower than the comparable districts averaged.

Using food commodities and producing more meals contributed to lower costs—

The District used twice the federal food commodities as the comparison districts. It obtained these commodities at minimal cost. For example, the District received 40 pounds of ground beef, which would have cost about \$75, for just the \$3 shipping charge.

The District also served 36 percent more meals than the comparison districts, with each student, on average, eating 23 more school-prepared meals per year.

### Food Service Facts for Fiscal Year 2005

Average cost per meal	\$1.78
Total meals served:	1,056,170
Percentage of students eligible for free or reduced-price meals	27%
Number of cafeterias	9
Full-time equivalent employees	32.9

The District could improve financial safeguards—A vendor processes payments for student meal accounts and deposits them into the District's bank account. However, the District does not reconcile the deposited amount to the payment records. Also, the vendor contract makes the District liable if there is a dispute regarding a credit card payment. Additionally, the snack bar cashier records sales, takes inventory, and summarizes the cash for deposit without an independent review. The inventory and reconciliation should be done by another employee.

### Comparison of Cost per Meal Fiscal Year 2005

District Name	Cost Per Meal
Cave Creek USD	\$2.62
Sierra Vista USD	2.23
Apache Junction USD	2.12
Humboldt USD	1.89
Casa Grande ESD	1.81
Litchfield ESD	1.78
Average of the comparable districts	\$2.13

### Recommendations

The District should:

- Reconcile the online vendor's payment report to the bank deposits.
- Require the vendor to assume the liability for credit card payment disputes.
- Have another employee reconcile the snack bar inventory to sales and deposits.

## Student Transportation

During FY 2005, the District subsidized its transportation program by \$264,000 despite having efficient routes and average costs.

Student transportation costs per mile were similar to the comparison districts' average, while its cost per rider was about 13 percent lower. Litchfield ESD is a more compact district, covering 66 square miles, while the comparable districts averaged 287 square miles. Its buses

### Transportation Facts for Fiscal Year 2005

Riders	2,978
Drivers	37
Mechanic	3
Average daily route miles	3,498
Total annual route miles	657,381

operated at an efficient 80 percent of seat capacity.

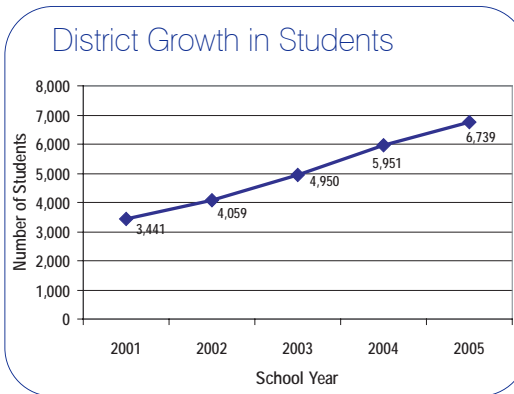
### Comparison of Per-Rider and Per-Mile Costs Fiscal Year 2005

District Name	Cost Per Rider	Cost Per Mile
Apache Junction USD	\$520	\$2.44
Litchfield ESD	553	2.50
Humboldt USD	599	2.54
Sierra Vista USD	627	2.63
Casa Grande ESD	655	2.21
Cave Creek USD	766	2.49
<b>Average of the comparable districts</b>	<b>\$633</b>	<b>\$2.46</b>

Due to the District's rapid growth, its buses drove 53,000 more miles in FY 2005 than in 2004. State transportation aid is based on the prior year's mileage, and these miles would have provided another \$110,000. Further, because of the District's compact area and efficient

routes, it drove about 141,000 fewer miles than the comparison districts. These miles would equate to another \$300,000 in funding.

The District has not established performance measures for its transportation program. Measures such as cost per mile, cost per rider, and driver productivity could help proactively identify operational issues that may need to be addressed.



## Recommendation

The District should develop performance measures to evaluate costs and efficiency.

## Plant Operation and Maintenance

Plant operation and maintenance costs include salaries, benefits, and other costs for heating/cooling, equipment repair, groundskeeping, and security.

The District's \$699 per pupil and \$5.87 per square foot plant costs were similar to the comparable districts' averages. At 119 square feet per student, the District's facilities were also similarly sized.

Although the District has nearly doubled its student enrollment since fiscal year 2001, its schools have not been overcrowded. Litchfield ESD opened 2 new schools in FY 2005 and 1 in FY 2006. One of the new schools was at only 67 percent of capacity in FY 2005, but increased to 87 percent of capacity in FY 2006.

### Plant Costs and Square Footage Comparison Fiscal Year 2005

District Name	Plant Costs	
	Per Student	Per Square Foot
Apache Junction USD	\$874	\$6.97
Sierra Vista USD	749	5.84
Litchfield ESD	699	5.87
Casa Grande ESD	693	6.06
Cave Creek USD	633	4.59
Humboldt USD	551	5.04
<b>Average of the comparable districts</b>	<b>\$700</b>	<b>\$5.70</b>
<b>State-wide average of large districts</b>	<b>\$702</b>	<b>\$5.80</b>

## Proposition 301 Monies

Proposition 301 increased the state-wide sales tax by 0.6 percent for 20 years beginning in FY 2001. It designates the money for teachers' base pay increases, performance pay, and certain menu options such as reducing classroom size, providing dropout prevention programs, and additional pay increases.

In FY 2005, the District received \$1,667,047 in Proposition 301 monies and distributed \$1,715,853, including

unexpended Proposition 301 money from prior years.

The base pay increases for full-time, eligible employee averaged about \$800 each. Further, full-time eligible employees averaged \$1,853 each in performance pay for meeting attendance, student academic growth, and career ladder goals. The District used its menu monies to pay for teacher development and AIMS intervention activities.

## Classroom Dollars

After adjusting for accounting errors, the District's FY 2005 classroom dollar percentage was 57.2, about the same as the comparable districts' average, but 1.2 points lower than the state average of 58.4 percent. The District's 10 percent administrative cost was also about the same as comparable districts' average, but 0.5 points higher than the state average of 9.5 percent.

However, Litchfield ESD's per-pupil spending was lower than the comparison districts', state, and national averages.

Litchfield ESD's lower-per-pupil expenditures relate to receiving less in

### Fiscal Year 2005 Per-Pupil Classroom Expenditures

Litchfield ESD	\$3,202
Comparable districts	3,371
State average	3,794
National average	4,934

federal and state program grants than comparable districts. For example, while Litchfield ESD spent only \$50 per student in federal Title I monies, the other districts averaged \$172. In addition, Litchfield ESD allocated more of its discretionary money to capital expenditures, such as classroom equipment, while the comparison districts primarily spent these monies for day-to-day operations.

### Recommendations

The District should:

- Classify transactions according to the Uniform Chart of Accounts.
- Try to gain more state and federal program monies for the classroom.
- Review noninstructional spending to determine if monies can be redirected to the classroom.

### TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



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