



DYSART UNIFIED SCHOOL DISTRICT

SUPERINTENDENT'S OFFICE

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November 19, 2004

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

Re: Response to Performance Audit

Dear Ms. Davenport:

This letter is being written in response to the performance audit conducted by the Auditor General.

Within the context of having been described as the fastest growing school district in the Valley, the receipt of this performance audit is quite timely. The District has a highly motivated and new Administrative team dedicated to making the changes necessary to become a premier district within the next five years. This effort will require a team led by our Governing Board that works in partnership with our community. Changes must be made in order to embrace our growth and perform at a standard that reflects our responsibility as stewards of the future of our students and instills taxpayer confidence. Your report offers us a perspective that affords an opportunity to reflect on our operations and make the necessary changes to operate at higher levels of efficiency and productivity.

It is with this in mind that our response is offered.

Sincerely,

Dr. Mark Maksimowicz
Superintendent

**RESPONSE
TO AUDITOR GENERAL
PERFORMANCE AUDIT REPORT
November 19, 2004**

Introduction to Preliminary Response

By way of introduction to this response, a few preliminary comments are warranted. As noted in the Performance Audit, the District has been adding “...between 1,300 and 2,100 students in each of the past several years. Since fiscal year 2001, the District’s growth has been above 25% each year. District officials state that it is difficult to accommodate the quickly growing student population, both in terms of facilities and personnel.” (Performance Audit Report at page 2)

The rapidity of hyper growth and its impact on the District’s performance is worthy of further comment. This becomes clearer given the fact that a major focus of this report has been the percentage of dollars to the classroom. The report indicates that the District’s percentage is lower than that of comparable districts. The implication is that the District is not performing as well as other districts since our percentage of dollars to the classroom is lower than comparable districts. DUSD suggests that there are additional factors which are relevant to the evaluation of the District’s performance in this regard.

Of course, DUSD agrees that this is a critical factor and believes in the concept of moving dollars to the classroom. There is no question that DUSD will continue to monitor this and strive to increase the percentage of dollars to the classroom. However, to the extent that this percentage is used to be critical of the District’s performance, factors which mitigate this criticism must also be acknowledged.

These factors are related to the concept that may be best described by the term “economies of scale”. Related to this is the Auditor General comment in the Performance Report which states “*The District’s higher salary costs were due in part to its administrative structure. Although the District did not have more total administrative positions per pupil than the comparable districts, it had more higher-paying middle-management positions and fewer lower-paying administrative positions, such as clerical assistants.*” (Performance Audit Report at page 7-9) This comment is illustrative of the dilemma inherent in the economies of scale concept. DUSD needed a certain level of expertise to manage all of its responsibilities. DUSD opted to hire individuals with expertise on a middle management level fully expecting that they would have to perform their own clerical support. Therefore, they did not hire clerical support in order to obtain needed management expertise. With the demands on administration highlighted in more detail below as well as limited funds, this is not an unexpected outcome.

The Dysart Unified School District suggests that this factor has worked against our percentage calculation of dollars to the classroom. It is believed that at some point in time the scale will move to the other side as DUSD continues to grow. Thus, the percentage of dollars to the classroom will naturally increase.

In addition, there is another critical factor in this “economies of scale” exploration. It has to do with the administrative costs due to “volume of work”. The performance audit acknowledges an important factor when it writes that during fiscal year 2003 DUSD “...experienced a 27 percent growth in student population. To address the overcrowding that is resulting from its rapid growth, the District is adding three new schools with approximately 409,800 square feet in fiscal year 2004 and two more in fiscal year 2005 using state funding provided through the

School Facilities Board. In addition, the original high school campus is also being renovated to help equalize facilities across the District.” (Performance Audit at page 22)

The amount of administrative staff and time that must be dedicated to new construction is enormous. Not only did Dysart staff have to maintain the operations of the District, but it had to, in a sense, go into the construction business. DUSD had to learn how to build the best schools possible working with limited financial resources. It is offered that the time to locate and purchase property, work with architects and contractors as well as cities and utilities is a very time intensive effort across all levels of administration. It is simply not as big a drain on financial resources and administrative time in districts that are not experiencing this double digit growth. This factor should be given weight when considering the percentage of dollars to the classroom.

Building schools is only one arena where “hyper” growth is negatively impacting the administrative area. Adding two new schools requires a large effort to recruit, screen, select and train new staff. Adding 200 plus staff members a year has a very different impact on resources than in a district that may only be hiring 50 or less.

Another related example is the fact that the District hired a High School Principal one year before the new high school opened. This position was the Willow Canyon High School planning Principal. The purpose for this position was to have an individual on board to handle the myriad of decisions and activities involved in the creation of the District’s first new high school in 30 years, including community outreach, construction and staff recruitment. Hiring a principal is a common and sound education practice in Arizona and across the country.

Given these factors, the Dysart Unified School District believes that its performance has been more than satisfactory when viewed within this context. Evidence of this includes the fact that schools have been opened on time, staff have been hired and students have been transported to and from school.

The sustained the level of growth that DUSD is experiencing makes the district unique. Dysart is a district that has transitioned from a rural to suburban school district in less then five years. Therefore, while the comparable districts chosen can be instructive, it should be emphasized that they have not been experiencing a sustained period of double digit growth as has been the case in DUSD.

Below, you will find the District’s response to each Auditor General recommendation in the Performance Audit report by Chapter. The response lists the actual Auditor General Recommendation and is followed by the response of the Dysart Unified School District.

CHAPTER 1 - ADMINISTRATION

Auditor General Recommendation #1:

The District should evaluate its administrative structure to determine whether all of its mid-level administrative positions are necessary.

DUSD Response:

The District agrees with this recommendation. The District will implement this recommendation by evaluating its administrative structure with a view to balancing the need to move dollars to the classroom as well as have the necessary administrative expertise to handle the challenges presented by double digit hyper growth and increasing governmental requirements.

Auditor General Recommendation #2:

The District should improve its controls over the processing and safeguarding of cash and cash equivalents.

DUSD Response:

The District agrees with this recommendation. The District has engaged the services of an armored car company to pickup cash at all schools. This will ensure timely deposits and reduce the liability of collecting cash. In addition, the district has hired an audit firm to develop and implement a student activities manual to ensure complete understanding of the roles and responsibilities surrounding these funds.

Auditor General Recommendation #3:

The District should implement proper access controls over its accounting system.

DUSD Response:

The District agrees with this recommendation. The District has implemented security procedures with its current accounting system.

Auditor General Recommendation #4:

The District should thoroughly evaluate its user needs and minimum requirements prior to making major purchases, such as the purchase of new information systems. It should also ensure that all purchases are made in compliance with the school district procurement rules.

DUSD Response:

The District agrees with this recommendation. The District has implemented strict procurement guidelines and the procurement department monitors all purchases for compliance issues.

Auditor General Recommendation #5:

The District should maintain copies of all vendor contracts and monitor whether the contract terms are being met. Further, the District should monitor operational benchmarks, such as costs per output and needed service levels.

DUSD Response:

The District agrees with this recommendation. The District has obtained copies of all contracts or is in the process of negotiating new contracts with the identified vendors. In addition, the district is monitoring contracts as recommended.

Auditor General Recommendation #6:

The District should ensure that authorized benefits are paid in accordance with contract terms.

DUSD Response:

The District agrees that authorized benefits should be paid in accordance with contract terms. Given the concerns raised by the report, the District will review and modify the language in its contracts as needed so that it more closely reflects the practice with respect to providing these benefits

CHAPTER 2 – FOOD SERVICE

Auditor General Recommendation #1:

The District should monitor the vendor's operations by reviewing the number of meals served, daily sales, labor costs, and food purchases. The District should also establish and monitor operational benchmarks, such as labor cost per meal, food cost per meal and student participation rates.

DUSD Response:

The District agrees with this recommendation. The District has implemented new reporting requirements to better monitor the recommended areas.

Auditor General Recommendation #2:

The District should conduct a cost-benefit analysis to determine whether to operate or contract the food service program.

DUSD Response:

The District agrees with this recommendation in principle. Specifically, the District agrees with the concept of conducting a cost-benefit analysis of outsourcing a food service program. While the Performance Report does not provide a specific analysis model, it does identify eight (8) factors to be considered. These factors have been described as suggested areas of review. While the district intends to consider some of these factors, it does not believe all of these factors will be relevant to its cost-benefit analysis.. It should be noted that the district was following the best advice on outsourcing in 2001. It contacted other districts and the Arizona Department of Education to determine the best way to structure the contract.

Auditor General Recommendation #3:

If the District determines that outsourcing the program is beneficial, it should have a guaranteed profit or break-even clause added to the contract, or rebid the contract to obtain such a clause.

DUSD Response:

The District agrees with this recommendation. Again, while the District believes it has followed the best practices for the outsourcing this program as of 2001, the district will implement an improved contract which fulfills the recommendations.

CHAPTER 3 – STUDENT TRANSPORTATION

Auditor General Recommendation #1:

The District should add an addendum to the current contract to define what is included in the standard route rate, and explicitly state what driver time is allowable for billing purposes. Further, the District should limit the amount it pays for driver time that is not spent driving.

DUSD Response:

The District agrees with this recommendation. The District will implement this recommendation on future contracts.

Auditor General Recommendation #2:

The District should pursue actions to recover overpayments made to the vendor.

DUSD Response:

The District agrees with this recommendation. The District has obtained information from the Auditor General regarding the data it utilized to determine overpayments and has requested recovery of the overpayments from the vendor.

Auditor General Recommendation #3:

The District should continue reviewing vendor invoices to ensure that amounts billed are in accordance with contract terms and are accurate.

DUSD Response:

The District agrees with this recommendation. The district has implemented an invoice review process.

Auditor General Recommendation #4:

The District should periodically review driver files to ensure all driver requirements are met and in accordance with DPS's Minimum Standards.

DUSD Response:

The District agrees with this recommendation. The District has implemented periodic reviews of drivers' files.

Auditor General Recommendation #5:

To aid in evaluating the efficiency of its transportation program, the District should establish and monitor benchmarks such as cost per mile and cost per rider.

DUSD Response:

The District agrees with this recommendation. The District has implemented benchmarks to better monitor this program.

CHAPTER 4 – PLANT OPERATION AND MAINTENANCE

There are not any recommendations by the Auditor General in this area.

CHAPTER 5 – PROPOSITION 301 MONIES

Auditor General Recommendation #1

The District should ensure that adequate accounting records are maintained to demonstrate that Proposition 301 monies are spent in accordance with statute and the District's plan.

DUSD Response:

The District agrees with this recommendation. While the District believes it has spent Proposition 301 funding in accordance with state statute and the local plan, it has implemented an accounting system which will make it easier to demonstrate compliance with this recommendation.

Auditor General Recommendation #2

The District should not change any particular year's performance pay goal after the start of that year.

DUSD Response:

The District agrees with this recommendation. The District believes that to the extent that changes were made after the start of a particular year, these changes were justified and consistent with the requirements of state law. However, the District agrees with this recommendation and will review its plan to ensure that there would not be a need to change a particular year's performance pay goal after the start of a year. It should be pointed out that the Governing Board has the legal authority to make such changes when circumstances so warrant and may not waive that responsibility.

Auditor General Recommendation #3:

The District should establish meaningful performance measure by setting an expected level of student achievement that promotes sustained or improved performance.

DUSD Response:

The District agrees with this recommendation and believes that it has established meaningful performance measures as described. However, the District plans to convene a Pay for Performance committee to thoroughly review its plan in light of this recommendation.

CHAPTER 6 – CLASSROOM DOLLARS

Auditor General Recommendation #1

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

DUSD Response:

The District agrees with this recommendation. The District has implemented a process to comply with this recommendation and will continue to monitor it for effectiveness.

Auditor General Recommendation #2

The District should closely analyze its spending in noninstructional areas to determine whether some of those monies can be redirected to the classroom.

DUSD Response:

The District agrees with this recommendation. The DUSD leadership team is committed to looking closely at this area in light of the administrative needs to keep up with the pace of double digit growth as described in the comments by the District at the beginning of this report.