

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Subject

Dysart Unified School District, located west of Phoenix, is one of the fastest-growing districts in the State. In FY 2003, the District served 8,322 students in seven kindergarten through 8th grade elementary schools, one high school, and an alternative high school.

Our Conclusion

Dysart's administrative and transportation costs were much higher than the average for comparable districts. Its food service program was self-sufficient and the plant operation and maintenance costs were much lower than for comparable districts. Because the District's payroll records were incomplete, we could not verify whether the District spent Proposition 301 monies appropriately. Dysart spent 55.8 percent of its dollars in the classroom while the state average was 58.6 percent.



2004

November • 2004

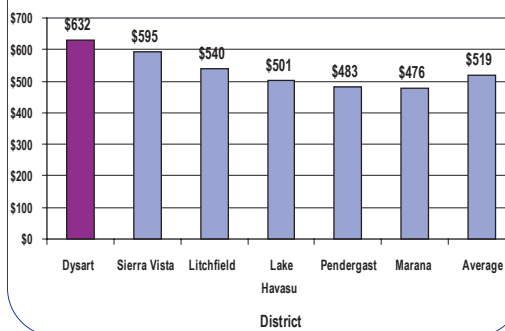
Administrative Costs

Administrative costs are those associated with directing and managing a school district's responsibilities. At the school level, these costs are primarily associated with the principal's office. At the district level, they are primarily associated with the governing board, superintendent's office, business office, and support services.

Dysart's per-pupil administrative costs for FY 2003 were much higher than the average for comparable districts.

The higher costs were due primarily to salaries and purchased services.

Administrative Costs Per Pupil
 Fiscal Year 2003



More middle-management positions—Dysart had more, higher-paying middle-management positions,



such as directors and assistant principals, then comparable school districts.

Expensive software—The District incurred high purchased service costs to implement new accounting software.

Inadequate oversight—The District needs to improve its oversight of its administrative operations. For example, Dysart:

- Had inadequate controls for processing accounting transactions and safeguarding cash. As a result, in April 2004 the District lost or had stolen \$9,640.
- Did not properly evaluate its business needs or follow the procurement rules in purchasing the new accounting system. The District spent over \$516,000 on a system that was used for just one year and then replaced at one-quarter of the cost.

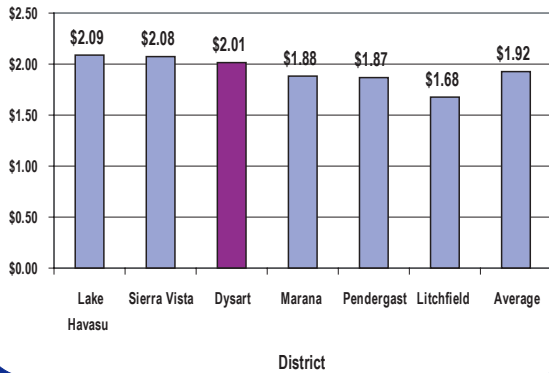
Recommendations

The District should:

- Evaluate its administrative structure to consider combining positions.
- Improve controls over cash and its accounting system.
- Evaluate business needs related to major purchases such as information systems, and follow the procurement rules in making such purchases.

Food Service

Cost Per Meal
Fiscal Year 2003



The food service program was self-supporting and its cost per meal fell in the middle of the range of meal costs for the comparable districts.

Need to monitor program—Although its food service program was self-sufficient, the District

did not monitor key measures such as labor and food costs per meal, meals per labor hour, and student participation rates.

Contract poorly structured—The food service contract guaranteed the vendor a profit and placed the burden of any losses solely on the District. Other districts require that the vendor generate profits for the district or operate a self-supporting program.

Recommendations

The District should:

- Establish and monitor key performance measures.
- At the first opportunity, amend or rebid the contract to include a guaranteed profit or break-even clause.

Student Transportation

Dysart spent \$679,000 more to transport its students than it received in transportation revenues. This occurred, despite efficient bus routes, due to the District's high rate of growth and its high transportation costs.

High growth—Dysart has grown by more than 25 percent each of the past 4 years.

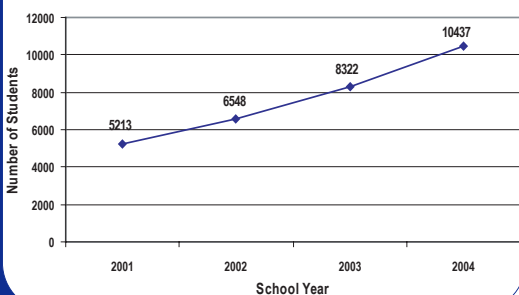
Because transportation funding is based on the prior year's ridership, revenues lag the current needs.

High operating costs—Regardless of its growth, the District had costs per rider and costs per mile that were

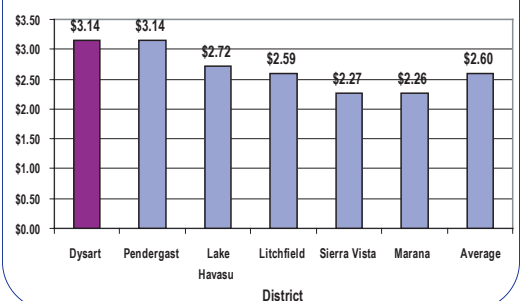
well above the average for comparable districts.

Charges for additional driver time—The primary cause of Dysart's high transportation costs was that it paid the vendor an average of 3.3 hours per route, per day, for driver excess time charges. We found that, on average, only

District Growth in
Attending Students



Transportation Costs Per Mile
Fiscal Year 2003



6 percent of the excess time, or 12 minutes, was spent transporting students, while over 3 hours was available for other tasks, such as inspecting the bus and preparing to drive the route. Drivers in

other districts typically spend 30 minutes on such tasks.

Overcharges—The vendor charged the District at the higher vendor-owned bus rate for several routes when a district-owned bus was used. This resulted in approximately \$28,000 of overcharges.

Recommendations

The District should:

- Modify its contract to limit nondriving time charges.
- Recover the overpayment and continue to review vendor invoices for accuracy.

Plant Operation and Maintenance

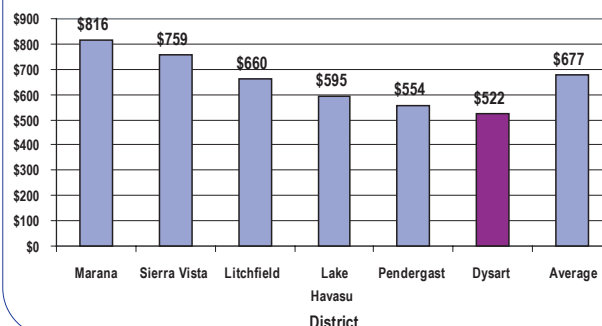
Plant operation and maintenance costs include salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

While Dysart's plant costs per square foot were similar to the average of comparable districts, its costs per student were 23 percent lower.

The lower costs were primarily due to the overcrowding from the District's rapid

growth. The District maintained only 91 square feet per student, 25 percent less than comparable districts'. The District added three schools in Fiscal Year 2004 and two more in Fiscal Year 2005.

Plant Costs Per Pupil
Fiscal Year 2003



Proposition 301 Monies

Proposition 301 monies are designated for base pay increases, performance pay, and certain menu options such as reducing classroom size, providing dropout prevention programs, and additional pay increases.

We had two concerns with the District's use of its Proposition 301 monies:

- We could not determine the average pay increase for teachers or verify that Proposition 301 monies were spent in accordance with statute and the District's plan because payroll records for 3 months were unavailable.
- Five months after the end of the school year, the District changed the student achievement performance pay goal to make it easier to attain.

Recommendations

The District should:

- Maintain accurate and complete accounting records.
- Not change any performance pay goal after the end of the year.

Classroom Dollars

The District did not accurately report its costs. The most significant errors included:

- Classifying \$670,000 in administrative salaries as instructional staff support.
- Recording over \$210,000 of mental health services as classroom instruction.

Adjusting for these and other errors decreased the District's classroom dollar percentage from 56.9 percent to 55.8 percent, which is below the state average of 58.6 percent.

Accounting adjustments also increased the District's administrative cost percentage from 9.2 percent to 11.2 percent, which is above the state average of 9.9 percent.

Recommendation

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

TO OBTAIN MORE INFORMATION

A copy of the full report
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(602) 553-0333



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