

June 6, 2003

Ms. Debbie Davenport
Auditor General
Office of the Auditor General
2910 North 40th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Enclosed is the Murphy Elementary School District No. 21's response to the Auditor General's Performance Audit Report. The district appreciates the time, effort and assistance provided by the Office of the Auditor General. We would particularly like to point out the efforts of Ms. Anne Orrico, Audit Manager, and her team members assigned to the Murphy School District audit. They displayed a great deal of professionalism and kept communication open throughout the process.

Overall, the district is in general agreement with the report and will take immediate steps to implement the recommendations. However, there are a few areas the district would like to respond to that contributed to the findings.

The district will continue to strive for programs, services, financial reporting and procedures, etc., which are of the highest quality and in compliance with state and federal laws. The recommendations enclosed in the Audit Report can only assist us in attaining those goals.

Please do not hesitate to contact me if you have any questions or are in need of further clarification.

Cordially,

Robert I. Donofrio, Ed.D.
Superintendent

RID/pr

Murphy Elementary School District No. 21

Response to
Auditor General's Performance Audit Report
June 6, 2003

Chapter I—Administration: Administrative Costs

Recommendations:

1. The District should review its staffing levels to determine whether the number of administrative positions can be reduced.
2. The district should establish salary range for Administrative Assistants based on market surveys and other factors.

Response:

The district is in general agreement with those amounts charged against administration costs following the methodology used by the U.S. Department of Education's National Center for Education Statistics (NCES) definition for spending. However, the district would like to point out, as indicated in the report, that our costs were generated after an extensive audit and then compared against six unaudited districts. Perhaps comparison data will change significantly after those districts go through a similar audit.

Response Recommendation #1:

There are several factors which influence administrative costs and decisions districts make in staffing the district and its schools. Such factors as geographic location (inner city, urban, suburban, rural), number of external and federal programs, organizational structure of schools (K-8; K-6; K-3, etc), service years of staff in positions and size of district/schools.

The Murphy Elementary School District No. 21 and its schools are located in one of the most economically depressed areas in the state with approximately 95% of its students and families below the federal poverty level. The area has a very high crime rate; four prisons and a juvenile detention center are located within the district and one of its schools backs into a housing project. Therefore, the district has made decisions over the years to employ both a Principal and Assistant Principal at each of its four schools regardless of the size of the school. This decision was made due to the fact that all schools are pre-school through 8th grade, to maintain a safe and orderly campus, deal with various environmental factors in the area, deal with student discipline and management issues and to administer the numerous community based programs and services. Certainly, we believe that the employment of Assistant Principals at two schools of approximately 500 students and two schools under 900 students contributed to our high administrative cost.

Another factor contributing to our high administrative cost is the length of service of our Management Staff. The Superintendent has been in his position for 17 years (26 years in the district as an administrator), Assistant Superintendent for Administrative Services 16 years, and numerous other central office and school level administrators with fifteen plus years of service. Thus, this places many of those staff members towards the top of their respective salary schedules versus entry-level salaries. Additionally, the three highest paid secretaries called Administrative Assistants have a combined 82 years of experience in the district placing them at the maximum amount on the salary schedule and salaries reported for two of them included a stipend given for Governing Board Secretary responsibilities and an amount given to another for added responsibilities for coordinating the district-wide After School Sports Program.

One last factor contributing to our high administrative costs is the number of federal and external programs which the district administers that may not be offered in comparison districts. In some cases, the district has made decisions to hire additional program and secretarial staff rather than just assign these additional responsibilities to existing personnel who already have multi level responsibilities.

The district does not dispute the number of positions charged to administrative costs nor the number of administrators to comparison districts, but does somewhat question the comparison districts used. Fifty percent of the comparison districts have approximately 1000 students less than Murphy School District and at least 50% would be classified suburban districts.

While it is clear that the district has made decisions to fund certain positions based on need and amount of programs and services, it is equally important to note that every administrator has multi level responsibilities. For example, our Coordinator for Multicultural Services is responsible for English Language Learners Programs, Second Language Learners Programs, Migrant Education, Immigrant Education/Title III, Part of Title I-A and staff development training and data reporting in above areas. This same level of responsibilities holds true for all levels of administration.

The district is of the opinion that our administrative costs will be reduced significantly as these senior level staff retire or leave the district and are replaced with entry level or staff with far less experience. Nonetheless, given the factors noted above, the district will take a serious look at the audit recommendation to see where the district may reduce and/or combine administrative positions.

Chapter II—Food Service

Recommendations:

1. Make greater use of financial analysis in managing the Food Service Program.
2. Ensure staff are trained in and follow proper procurement procedures.
3. Improve its inventory management procedures
4. Comply with all health regulations

Response:

Overall, the district is in general agreement with the recommendations of the audit report to increase efficiency and effectiveness of its Food Service Department and operations. The district will take immediate steps to correct areas where the Food Service Department can improve its operations.

Response Recommendation #1:

However, the district would like to point out that approximately ten years ago the Food Service Department was not self-supporting and was approximately \$80,000 into Maintenance and Operations funds. It was at this time we decided to go into the catering business to increase revenues and subsequently feeding Charter Schools. At the time of making the decision to go into the catering business, we did conduct a financial analysis based on projections to determine cost effectiveness. Since this was ten years ago, the district could not produce those documents nor has it continued to do additional cost analysis because the Food Service Department became self-supporting within approximately a year and has been running in the black with a fund balance ever since. Additionally, the Food Service Department has purchased a significant amount of replacement kitchen and cafeteria equipment, purchased two additional trucks, increased workshops/training opportunities for Food Service employees and material and supplies, etc. Even with these increased operational costs and employing more personnel, we ended each year with a fiscal balance. If the district had not made these decisions to become self-supporting, many of these items might have had to be replaced at the district capital expense thus taking money away from the schools.

The district was under the impression that since it was looking at its revenues versus expenditures in the Food Services Department on a yearly basis, determining that it was doing all of the above, self-supporting and ending each year with a fiscal balance, that this was sufficient to determine worth of continuing the programs. However, we agree on an annual or semi-annual basis to do a more detailed cost projection to make use of financial analysis in managing the Food Service Programs.

Response Recommendation #2:

The Food Service Department bids a significant amount of items on an annual basis more so than any other department. The district believes that it is substantially in compliance with procurement requirements and somewhat questions the general tone that we were out of compliance. Of those items cited in the audit, we believe there were extenuating circumstances that would suggest that the District took a reasonable course of action. We acknowledge there is definite room for improvement and will therefore take steps to ensure that we are more meticulous in our bid language, our bid contract documents and be more efficient in the way we evaluate bids.

Response Recommendation #3:

In any performance audit, the district acknowledges there is always room for improvement. However, the district feels it does use industry standards for keeping track of monthly inventory, keeps track of what is ordered and what is used, can determine spoilage and has procedures for rotating its inventory by placing dated stickers to determine the oldest items are used first. The district needs to implement procedures to ensure that food items sent to the individual schools are properly accounted for. Measures also need to be taken that assess the quantity of food ordered against the quantity of food necessary to fill daily menus.

Response Recommendation #4:

The health and safety of our students are the most important things we do. Therefore, the one health violation noted in the report whereby unopened milk cartons are kept chilled and reused has ceased immediately. The district will issue a written directive prohibiting this practice and monitor the situation on a daily basis.

Chapter III—Student Transportation

Recommendations:

1. Properly record all transportation costs
2. Keep adequate route logs to track mileage for state funding

Response Recommendation #1:

The district made the corrections at the time of audit and will properly record all transportation costs.

Response Recommendation #2:

The district believes it is following industry standard allowed by the Arizona State Department of Education in calculating bus route miles and estimating the number of miles for maintenance and fuel purposes, which are then subtracted and not claimed. However, the district agrees to take individual odometer readings on a daily basis for non-reportable maintenance miles.

Chapter IV—Proposition 301 Monies

Response: None

Chapter V—Classroom Dollars

Recommendation:

1. The district should classify all transactions in accordance with the Uniform Chart of Accounts for School Districts

Response:

The district will classify all transactions based on actual job responsibilities in accordance with the Uniform Chart of Accounts for School Districts.