



SANTA CRUZ VALLEY UNION HIGH SCHOOL DISTRICT #840

OFFICE OF THE SUPERINTENDENT

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April 23, 2012

Debra Davenport, CPA
Arizona Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Re: Response to Santa Cruz Valley Union High School District FY 2010 Performance Audit

Dear Ms. Davenport:

Santa Cruz Valley Union High School District respectfully submits our written response to the performance audit conducted by the Arizona Auditor General for FY 2010. The audit indicated 4 main findings plus 1 less significant area of concern.

On behalf of the District, I would like to thank the audit team for their professional and courteous manner in which they conducted the audit.

Sincerely,

Charie Wallace, Superintendent

Santa Cruz Valley Union High School District #840

Performance Audit Responses

Finding 1: High administrative costs due to declining student enrollment and costs to correct poor business practices

Recommendation:

1. If student enrollment continues to decline, the District should review its administrative staffing levels and determine if they can be modified to reflect the shrinking student population and produce cost savings.

Response: The District agrees with and has implemented the recommendation. The District has since reduced the business office administrative cost by \$111,000.00.

Beginning July 1, 2012, The District restructured the Business Office at a savings of over \$42,000. The new Business Manager was hired at a salary that is more in line with our peer districts. The Financial Supervisor position was eliminated and the new Business Manger has assumed those duties and responsibilities. The District removed the outsourcing of payroll and hired a part-time payroll clerk.

The District abolished the outside consulting group, lowering the administrative costs by an additional \$69,000, as they were no longer needed once the district became compliant with the Auditor General in June 2010. The State Board of Education released the 5% equalization assistance monies that were being withheld since 2006.

Recommendation:

2. To help ensure it receives the best price for goods and services, the District should follow School District Procurement Rules for purchases over the competitive sealed bid threshold.

Response: The District agrees with and has implemented the recommendation. The current District employees are aware of all the procurement rules and Request for Proposal procedures. This should not happen again.

Finding 2: Inefficient food service program loses money

Recommendation:

1. The District should evaluate its food service operations and determine if they can be modified to reduce staffing levels and produce cost savings.

Response: The District agrees with and has begun implementation on the recommendation.

The District agrees, in FY10 the food service program was running at a deficit. Our expenses were higher than our revenues. However, in FY11 our Food Service Director has made great strides and has begun to turn our food service program around. We are now reducing the food service deficit. For many years, the Food Service account operated with a deficit. In fact, from 2005 to 2006, the deficit increased over \$100,000. In 2008, under the direction of new administration, an experienced Food Service Director was hired. She had a proven track record of successfully managing a food service program in a neighboring school district and pulled that district out of a deficit. Her first month of employment, and thereafter, she has shown a monthly profit comparing food costs to revenue.

The snack bar or a la carte produces an average of \$200.00 per day which has helped to reduce the deficit. Number of meals has increased, even though the student population has decreased, due to student satisfaction. In 2011, the Universal Breakfast program, a division of the National School Lunch Program, was introduced. Santa Cruz was the first high school in the state to institute it. Breakfast participation has increased from an average 40 students per day to an average of 125 per day.

The District has committed to repay \$40,000 per year towards the debt. However, due to the small student population, the profits from the food service funds are not enough to overcome the hefty deficit. The District is assisting food service by contributing the difference in profit from the Maintenance and Operation budget following USFR guidelines. In fiscal year 2011, the District paid down the debt going from a deficit of \$305,747 to \$265,708. Fiscal year 2012, food service started showing a profit and the District will continue paying down the debt.

In FY 2012, the district decreased the food service personnel from 4.1 full-time equivalents (FTE) to 3.3 FTE.

2. To aid in evaluating the efficiency of its food service program, the District should develop and monitor performance measures such as cost per meal and meals per labor hour.

Response: The District agrees with and has begun implementation on the recommendation. The Food Service Director does a cost per meal and meals per labor hour in her board report to the Superintendent and Governing Board each month.

Finding 3: District reduced classroom spending and shifted monies to other operational areas

Recommendation: The District should look for ways to reduce nonclassroom spending, especially in administration and food service, to allow it to direct more of its monies back into the classroom.

Response: The District agrees with and has begun implementation on the recommendation. In fiscal year 2011, the District increased its Classroom Site Funds spending by \$47,801. The District also revised the 301 Plan to make goals more attainable while still keeping the integrity and intent of the law. The District is now utilizing solar power along with energy efficient equipment which should lower our plant operations costs. The school is still in school improvement which will require the continuation of teacher training. The District has no plans to decrease our instructional support services. As previously

stated in finding 1, the administrative costs have already been decreased. Currently, the District is evaluating the number of administrative positions and costs.

Finding 4: Agreement with neighboring district has improved transportation program oversight

Recommendation: The District should continue to oversee the IGA with the elementary school district that operates its transportation program to ensure that each district's responsibilities are carried out in the appropriate manner, including compliance with state requirements for preventative maintenance for buses and random drug and alcohol testing for bus drivers.

Response: The District appreciates the recognition of the improvement on our transportation program oversight. The District agrees with and has begun implementation on the recommendation. The Business Manager will amend the IGA to include the responsibility of the drug & alcohol testing as the responsibility on the neighboring district in order to comply with the *State's Minimum Standards for School Buses and School Bus Drivers*.

The District has an agreement with a vendor to do monthly maintenance on the District's bus fleet. The Transportation Director of the neighboring school includes necessary information pertaining to the maintenance in his monthly report to the Superintendent and Governing Board.

Other Findings: In addition to the four main findings presented in this report, auditors identified one other, less significant area of concern that requires district action.

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

Response: The District agrees with and has begun implementation on the recommendation. The new Business Manager is well versed with the Chart of Accounts and is the person who codes all purchase orders as well as all payroll positions.