



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Tanque Verde Unified School District

AUGUST • 2003



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

August 27, 2003

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Tanque Verde Unified School District

Denise Ryan, Superintendent
Tanque Verde Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Tanque Verde Unified School District* conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on August 28, 2003.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of Tanque Verde Unified School District pursuant to Arizona Revised Statutes (A.R.S.) §41-1279.03.A.9. This performance audit examines six aspects of the District's operations: administration, food service, student transportation, plant operation and maintenance, expenditure of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 5 through 8)

The District's administrative costs are slightly lower than other similar districts within the State. This lower administrative cost is largely the result of the District having fewer administrative staff and paying a smaller portion of employee health insurance costs than comparable districts. The District has a ratio of 77 students for each administrative position, while comparable districts averaged 55 students per administrative position.

The Appendix includes a detailed listing of the District's administrative positions, duties, salaries, and benefits.

Food service (see pages 9 through 11)

The District's \$2 cost per meal is 29 cents less than the average for comparable districts. However, because meal prices do not cover costs, the food service program has been operating at a loss that the District has covered using a large Food Service Fund cash balance accumulated in prior years. Under current conditions, the remaining cash balance will be depleted in fiscal year 2004; therefore, the District will need to analyze its projected costs and revenues and calculate the meal prices needed to return the program to break-even status.

Student transportation (see pages 13 through 15)

The District's student transportation function appeared to be generally operating efficiently and effectively. The District's transportation costs were reasonable, and it effectively managed its bus routes. However, the District should take steps to ensure it accurately reports student riders for state aid purposes by including only the eligible students who are actually transported.

Plant operation and maintenance (see pages 17 through 18)

The District spent only 9.4 percent of its current dollars on plant operation and maintenance while, on average, Arizona districts spent 11.8 percent. This lower cost resulted from the District spending less per square foot and having significantly less building space per student than comparable districts. One reason Tanque Verde has less building space and, therefore, lower plant costs is that it does not currently have a high school. The District paid tuition and transported its high school students to a neighboring district. The District is currently planning to build a new high school, which is planned to open in August 2004. High school plant operation and maintenance costs are significantly higher than elementary schools, therefore, the District will likely spend a larger percentage of its dollars for plant operation and maintenance when the high school campus opens. As these costs increase, the District's percentage of each dollar spent in the classroom may decrease.

Proposition 301 monies (see pages 19 through 20)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent its Proposition 301 monies entirely on salaries and benefits as allowed by statute and in accordance with the District's developed plan.

Classroom dollars (see page 21 through 22)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom and to analyze school district administrative costs. Therefore, auditors reviewed the District's recording of classroom and administrative expenditures to determine their accuracy. Although a

few errors were noted, the District generally reports classroom and administrative expenditures accurately. The District's corrected classroom dollar percentage for fiscal year 2002 was 60.7 percent, higher than the state-wide average of 58.2 percent. The District's corrected administrative percentage was 12.2 percent, higher than the state average of 10.2 percent, but similar to the comparable districts' average.

Administrative positions (see pages a-i through a-iii)

As required by Laws 2002, 2nd Regular Session, Chapter 330, Section 54, this report also contains detailed information about the District's administrative positions, including their duties, salaries, and benefits.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of Tanque Verde Unified School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines six aspects of the District's operations: administration, food service, student transportation, plant operation and maintenance, expenditure of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

The Tanque Verde Unified School District is located in the Tanque Verde Valley on the northeast edge of Tucson. The District has two elementary schools serving students in kindergarten through 6th grade, and one junior high school serving students in 7th through 9th grades. During fiscal year 2002, approximately 1,450 students attended Tanque Verde Unified School District. In addition, the District paid tuition and transported approximately 500 of its students to a neighboring district's high school.

The District's elementary campuses opened in 1981 and 1996; the junior high campus opened in 1975. The District is preparing to begin constructing its own high school and anticipates that the new campus will open for the 2004-2005 school year.

A five-member board governs the District, and a superintendent manages it. In fiscal year 2002, the junior high and one elementary school each had a principal and an assistant principal, while the other elementary school had a principal. The District had 106 certified teachers, 29 instructional aides, 8 other certified employees, and 66 classified employees, such as administrative staff, custodians, and bus drivers.

District programs

According to the District, it has received nine Golden Bell Awards from the Arizona School Boards Association for program excellence in such areas as science, reading, and mathematics. The District receives broad-based community support as evidenced by over 100 parent

The District offers:

- Spanish classes
- Art classes
- Music/Chorus
- Science lab
- Computer lab
- Title I reading
- Gifted education
- Counseling services
- Peer leadership
- Student council
- After-school programs
- On-site special education

volunteers. Further, the District has incorporated technology into each school's curriculum, and each school site has computers and computer labs. The District offers a wide range of instructional and extracurricular activities.

All three of Tanque Verde's schools were labeled as "improving" under the Arizona LEARNS program, which means that school performance surpassed expectations through 2002.

The District has earned approximately \$100,000 per year by renting unused office space and conference rooms at the district office to several outside organizations.

District challenges

Between fiscal years 2000 and 2002, the District experienced an 8 percent decline in enrollment, which directly impacts the District's state funding. The District believes the declining enrollment is linked to usual cyclical trends in the District's enrollment and the high cost of housing in the area leaving families with school-aged children less able to afford to live in the District.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's March 2002 report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on four main aspects of school district operations: administration, food service, student transportation, and plant operation and maintenance. Plant operation and maintenance has not been addressed in the Office of the Auditor General's three previous school district audits, but is included in this audit based on the findings of the Office's 2003 *Classroom Dollars* report. That special study found that Arizona school districts' expenditures for plant operation and maintenance are higher than the national average. Further, due to the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, as required by Laws 2002, Chapter 330, Section 54, auditors also assessed the accuracy of district-reported administrative costs and reported detailed information about district and school administrative personnel duties, salaries, and related costs.

In conducting this audit, auditors used a variety of methods, including examining various records such as available fiscal year 2002 summary accounting data for all districts and Tanque Verde Unified School District's fiscal year 2002 detailed accounting data, contracts, board minutes, and other documents; reviewing district

policies and procedures; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the accuracy of the District's administrative costs, auditors evaluated management controls relating to expenditure processing and tested the accuracy of fiscal year 2002 expenditures that could affect the District's administrative or instructional expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared these costs to similar districts'.
- To assess whether the District's food service program was managed appropriately and functioned efficiently, auditors reviewed fiscal year 2002 food service revenues and expenditures, including labor and food costs; observed meals being prepared and served to students; evaluated purchasing procedures; and compared costs to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated transportation costs, driver files, bus maintenance and safety records, and bus routing.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated plant operation and maintenance costs, and district building space and compared these costs and capacities to similar districts'.
- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how it distributed performance pay.
- To assess the accuracy of the District's classroom and administrative expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.

The audit was conducted in accordance with government auditing standards.

Following are the main conclusions related to the audit objectives:

- **Administration**—The District employs fewer administrative staff than comparable districts, and its costs are slightly lower as well.
- **Food service**—The district food service program has been operating efficiently with a cost per meal that is 29 cents less than comparable districts'. However,

the District needs to examine its meal pricing and enhance the program with additional financial management.

- **Student transportation**—The District should ensure eligible, transported students are accurately reported for funding purposes.
- **Plant operation and maintenance**—The District's plant operation and maintenance costs are lower than comparable districts', but the opening of a high school within the District will likely add to these costs and reduce the percentage of dollars spent in the classroom.
- **Proposition 301 monies**—The District complied with statute and followed its plan when spending its Classroom Site Fund monies.
- **Classroom dollars**—The District generally reports its classroom and administrative costs accurately. The District spends more of every dollar in the classroom than most districts.

The Auditor General and her staff express their appreciation to the Tanque Verde Unified School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

The Tanque Verde Unified School District's administrative costs per pupil and number of administrative staff per pupil were slightly lower than comparable districts'. The District has attracted and retained dedicated employees.

As required by Laws 2002, 2nd Regular Session, Chapter 330, Section 54, the Appendix presents a detailed listing of the District's administrative positions, along with the duties, salaries, and benefits.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs such as salaries, benefits, supplies, and purchased services were considered.¹

Administrative costs are monies spent for the following items and activities:

- General administrative expenses associated with governing boards and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlays (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool to grade 12 education.

On average, the District's administrative costs per pupil were slightly lower than comparable districts'

The District's administrative costs were slightly below the comparable districts' average. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected districts that had a similar number of schools and students as Tanque Verde Unified School District to serve as comparable districts.

As illustrated in Table 1, the District's fiscal year 2002 administrative costs were lower than comparable districts' average by \$6 per pupil. Further, when the District opens its high school, its number of attending students will increase, which the Auditor General's November 2002 report, *Factors Affecting School District's Administrative Costs*, identified as a factor associated with lower per-pupil administrative costs. Table 1 uses fiscal year 2002 cost information because it is the most recent year for which all comparable districts' cost data was available.

Table 1 Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2002
(Unaudited)

District Name	Total Administrative Cost ¹	Number of Students	Administrative Cost Per Pupil
Camp Verde USD	\$ 777,518	1,376	\$565
Benson USD	718,594	1,224	587
Queen Creek USD	1,117,917	1,695	659
Tanque Verde USD²	1,036,560	1,453	713
Wickenburg USD	1,028,747	1,403	733
Florence USD	1,371,241	1,596	859
Holbrook USD	1,681,571	1,849	909
Average of the comparable districts	\$1,115,931	1,524	\$719

¹ To help ensure consistency among the districts, auditors excluded telephone charges from administrative costs.

² Excludes Tanque Verde's high school students attending other districts.

Source: Auditor General staff analysis of district-reported fiscal year 2002 accounting data and average daily membership counts obtained from the Arizona Department of Education.

As shown in Tables 2 and 3 (see page 7), this slightly lower administrative cost is largely the result of the District having more students per administrative staff (i.e.,

fewer administrative staff), and having lower employee benefit costs than the comparable districts. In fiscal year 2002, the District had 77 students per administrative staff, more than the comparable districts' average of 55. Additionally, the District's administrative benefits and supply costs were each about one-third lower than the comparable districts' average. Of particular significance, while the comparable districts' average benefit costs were the equivalent of 21 percent of salaries, Tanque Verde's costs were the equivalent of 14 percent of salaries. In large part, these savings were due to the District paying a smaller portion of employee health insurance costs than the comparable districts. For example, Tanque Verde only pays about 50 percent of employee health insurance premiums for individual coverage, while all of the comparable districts pay 100 percent of this coverage. The District's purchased services included several one-time or periodic costs such as a legal settlement and costs associated with an override election.

Table 2 District Staffing Level Comparison
Fiscal Year 2002
(Unaudited)

District Name	Number of	
	Administrative Staff ¹	Students Per Administrative Staff
Tanque Verde USD	18.8	77.1
Wickenburg USD	21.6	65.0
Camp Verde USD	25.3	54.5
Benson USD	22.6	54.2
Queen Creek USD	32.1	52.9
Holbrook USD	35.1	52.7
Florence USD	30.8	51.9
Average of the comparable districts	27.9	55.2

¹ The number of administrative staff shown is based on a "full-time equivalent" calculation. For example, an employee working half-time as an administrator would be counted as a 0.5 full-time equivalent.

Source: Auditor General staff analysis of the districts' average daily membership counts, district records, and the School District Employee Report 30-3, as of April 4, 2002.

Table 3 Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2002
(Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Camp Verde USD	\$390	\$119	\$ 30	\$26	\$565
Benson USD	431	76	53	27	587
Queen Creek USD	496	86	35	42	659
Tanque Verde USD	510	70	111	22	713
Wickenburg USD	555	108	43	27	733
Florence USD	590	128	109	32	859
Holbrook USD	636	117	116	40	909
Average of the comparable districts	\$516	\$106	\$ 64	\$32	\$719

Source: Auditor General staff analysis of district-reported fiscal year 2002 accounting data and average daily membership information obtained from the Arizona Department of Education.

The District has attracted and retained dedicated employees

Auditors interviewed nearly all of the District's nonteaching employees and found that these employees generally believed they could make more money working for other districts, but did not seek employment elsewhere because of three main factors. First, these employees believed the District has created a friendly environment that many compared to a family. Second, they believed the students are respectful and willing to learn. Finally, they believed they have highly involved parents who volunteer frequently and participate in parent/teacher conferences and their parent-teacher association. Overall, Tanque Verde's more than 200 employees averaged 8 years of service, while the comparable districts averaged 6 years.

CHAPTER 2

Food service

The District's program has been running efficiently with a cost per meal that is 29 cents lower than comparable districts' average. However, for the past several years, the program has operated at a loss. The District was able to cover the losses using a large Food Service Fund cash balance accumulated in prior years. Under current conditions, this remaining cash balance will be depleted in fiscal year 2004; therefore, the District will need to increase meal prices to return the program to break-even status. Also, the food service program could benefit from increased oversight by the District's financial staff.

Background

The District's food service program is managed by three cafeteria managers, each with 5 to 15 years experience working in the program. Several years ago, when the District's food service director left, the cafeteria managers suggested that the District not hire a replacement. Instead, the managers volunteered to split up the tasks and manage the food service program as a team. For over 6 years, the managers have saved the program money by eliminating the director position. In fiscal year 2002, the 3 full-time managers and 11 part-time food service workers operated the District's three cafeterias.

The cafeterias, which operate from August through May, serve primarily heat-and-serve, pre-packaged food items. The District has a very low participation rate in the National School Lunch Program/School Breakfast Program due to the low eligibility rate for district students' families.

Food service facts for Fiscal Year 2002

Average cost per meal*	\$2.00
Number of meals served:	
Breakfast	28,823
Lunch and a la carte	<u>178,524</u>
Total	<u>207,347</u>
Kitchens/Cafeterias	3
Full-time managers	3
Part-time staff	11
Total revenues	\$344,585
Total noncapital expenditures	\$385,601
Total equipment purchases	\$ 14,917
Percentage of students eligible for free and reduced-price lunches	5%

*Based on lunch-equivalent meals.

The District's cost per meal is lower than the average of comparable districts

The District served approximately 192,935 lunch-equivalent meals during fiscal year 2002, at an average cost per meal of \$2.00.¹ As shown in Table 4, this cost per meal

is 29 cents (nearly 13 percent) lower than comparable districts' average. The low cost per meal results primarily from significantly lower salary and benefit costs and slightly lower food and supply costs than the comparable districts' average. As noted in Chapter 1 (see pages 5 through 8), the District only pays half of employee health insurance benefits. Additionally, the District makes an extra effort to obtain the best price when purchasing food. For instance, although it is a member of a purchasing cooperative, the District often sought and obtained its own quotes and was able to purchase food items at a better price than the cooperative. For example, the

Table 4 Comparison of Costs Per Meal
Fiscal Year 2002
(Unaudited)

District Name	Meals Provided Under Free/Reduced-Price Program	Salaries and Benefits	Food and Supplies	Other	Cost Per Meal
Camp Verde USD	41%	\$0.85	\$0.95	\$0.04	\$1.84
Florence USD	45%	0.90	1.02	0.02	1.94
Tanque Verde USD	5%	0.92	0.94	0.14	2.00
Queen Creek USD	56%	1.14	0.92	0.01	2.07
Holbrook USD	63%	0.98	1.25	0.04	2.27
Wickenburg USD	38%	1.28	1.04	0.34	2.66
Benson USD	35%	1.84	1.03	0.08	2.95
Average of the comparable districts		\$1.16	\$1.04	\$0.09	\$2.29

Source: Auditor General staff analysis of district-reported fiscal year 2002 accounting data and free/reduced-price program participation obtained from the Arizona Department of Education.

District purchased milk at prices that averaged 22 percent less than what was offered through its cooperative.

The District will need to increase meal prices

For fiscal years 2002 and 2003, food service program expenditures exceeded revenues by almost \$56,000 and \$15,000, respectively. The program's positive cash balance existing from prior years has been used to cover these losses, but at the current rate of loss will be depleted by the end of fiscal year 2004. For the program to return to break-even status, meal prices will need to be increased.

The District currently charges students considerably less than the actual cost of a meal. While its cost per meal is \$2.00, the District currently charges only \$1.35 for elementary lunches and \$1.50 for junior high lunches. These meal prices are about 4 to 8 percent lower than the comparable districts' average of \$1.41 and \$1.63,

¹ Breakfasts are counted as one-half of a lunch to determine a lunch equivalent.

respectively. However, because the District has a much lower participation rate in the National School Lunch/Breakfast Programs than these other districts, it must rely more heavily on meal prices to cover its costs. The District receives 84 percent of its food service revenues from daily sales and just 16 percent from federal reimbursements. Therefore, to break even, the District will likely have to charge higher prices than the comparable districts' average. For example, another school district with a similarly low participation rate had meal prices that were from 17 to 30 percent greater than Tanque Verde's. An analysis of projected costs and other sources of revenues, such as federal reimbursements, would help the District develop a new meal price structure to return the program to break-even status.

Additional financial management oversight needed

The food service program could benefit from increased management oversight by the District's financial staff. While the three cafeteria managers have managed daily operations, they have not conducted financial analyses to provide for the long-term financial health of the program. District management can assist the cafeteria managers in monitoring the financial status of the food service program by preparing a more detailed food service budget that, at a minimum, separates labor and food costs and allows the District to compare actual revenues and expenditures to budgeted amounts; and by calculating performance measures such as cost per meal and meals per labor hour.

Recommendations

1. The District should analyze its costs and revenues to calculate the meal prices needed to return the program to break-even status.
2. The District should increase financial management oversight activities, such as preparing detailed food service budgets, comparing budgeted and actual revenues and expenditures monthly, and calculating performance measures, including cost per meal and meals per labor hour.

CHAPTER 3

Student transportation

The District's student transportation program appears to be generally operating efficiently and effectively. Auditors determined that the District's transportation costs are reasonable and that it effectively managed its bus routes. However, to ensure that it receives the appropriate amount of state transportation funding, the District should take steps to ensure that it accurately reports student riders.

Background

The District transported students to and from its three schools and transported its high school students to schools outside the District. A transportation director, 14 bus drivers, and 1 mechanic staffed the District's transportation program. During fiscal year 2002, the District transported 978 students approximately 163,000 miles. In addition to its 20 regular bus routes, the District operated 10 routes specifically to transport its special-needs students.

The District's student transportation program is generally efficient and effective, but needs some improvements

Overall, the District's student transportation program is generally efficient and effective. Specifically:

- **Routes are efficient**—On average, district regular education routes lasted approximately 30 minutes and resulted in busses being filled to 84 percent of capacity. The routes have not changed significantly in the past few years, although the District has made some adjustments to make the routes more

Transportation facts for Fiscal Year 2002

Riders	978
Bus drivers	14
Mechanic	1
Regular routes	20
Special-needs routes	10
Average daily route miles	928
Total route miles	163,384
Total noncapital expenditures	\$407,892

efficient. Each school year, the District uses the same routes as the prior year, then makes modifications as necessary, some of which are based on requests from parents or community members.

- Costs are reasonable**—During fiscal year 2002, the District’s student transportation costs appeared reasonable given the number of route miles driven and students transported. The District’s costs were compared to other districts with a similar number of schools, students, route miles, and riders. As illustrated in Table 5, the District’s costs per mile and per rider were near the average of the comparable districts. Fiscal year 2002 data was used for this comparison because it was the most recent fiscal year for which data was available for all of the comparable districts.

Table 5 Students Transported, Route Mileage, and Costs
Fiscal Year 2002
(Unaudited)

District Name	Regular Riders	Special-Needs Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
Florence USD	1,081	24	218,933	\$500,930	\$453	\$2.29
Show Low USD	1,384	17	226,568	526,431	376	2.32
Tanque Verde USD	964	14	163,384	407,892	417	2.50
Queen Creek USD	1,173	24	248,676	639,689	534	2.57
Higley USD	2,250	38	128,036	401,965	176	3.14
Blue Ridge USD	1,621	31	170,401	608,440	368	3.57
Average of the comparable districts	1,502	27	198,523	\$535,491	\$381	\$2.78

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2002 Tran55-1 Reports, and district-reported fiscal year 2002 accounting data.

- Route miles are properly tracked**—The District appropriately accounted for its route mileage. A district’s current year transportation funding is based on the number of route miles driven the previous school year. Therefore, it is important that districts develop a mechanism for accurately reporting these miles to the Arizona Department of Education. The District tracked its route miles by requiring its bus drivers to record on a log the beginning and ending odometer readings every time they drove a bus route. From these logs, the District’s transportation director calculated the average daily mileage for the first 100 days of the school year. This average was then used to estimate the district’s total yearly route mileage. Auditors reviewed the District’s route mileage logs and verified that the District’s reported route mileage was accurately based on the drivers’ logs.

- **Drivers are appropriately trained and screened**—The District keeps well-organized driver files and monitors them to ensure that all drivers are receiving the required training and annual and random drug screenings.
- **Staff are dedicated**—While other districts have indicated that it is necessary to offer full-time positions to attract and retain bus drivers, Tanque Verde employs part-time bus drivers. One bus driver is full-time, but also serves as an office assistant. Although the District does not offer its drivers full-time employment, its bus drivers have been with the District an average of 12 years. District management attributes the drivers' dedication and prolonged service to the well-behaved students and the family-oriented atmosphere.

However, the District can make changes to further improve the program. Specifically:

- **The District did not accurately report the number of students transported**—To receive state aid, each school district must report to the Arizona Department of Education the number of eligible students transported in the first 100 days of school.¹ This number of transported eligible students and route miles are used to calculate the District's state funding in the following fiscal year. The District, however, reported all of its 1,934 eligible riders, whether transported or not, rather than the 978 eligible riders actually transported. This may have resulted in the District receiving approximately \$31,000 more in transportation funding than it should have. Auditors used the corrected count for analysis, as shown in Table 5 (see page 14).

Recommendation

The District should accurately determine its number of transported eligible students for state aid purposes by including only the eligible students who are actually transported.

¹ Arizona Revised Statutes §15-922.

CHAPTER 4

Plant operation and maintenance

As reported in the Auditor General's 2003 Classroom Dollars report, Arizona districts spent 11.8 percent of their current dollars on plant operation and maintenance while the national average was 9.7 percent. Tanque Verde spends 9.4 percent—a percentage that is likely to rise as it adds a high school campus.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, grounds-keeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

The District's plant operation and maintenance costs were lower than comparable districts'

As shown in Table 6 (see page 18), the District's plant operation and maintenance costs, both in total and per student, were lower than all the comparable districts. This lower cost resulted from the District spending less per square foot and having significantly less building space per student than the comparable districts' average.

The District spent about the same for maintenance supplies as the comparable districts, but spent significantly less on salaries and benefits. Per square foot, the District spent about 25 percent less on salaries and about 47 percent less on benefits than the comparable districts.

Because Tanque Verde does not currently have a high school, it has fewer square feet per student and therefore, lower plant costs. Currently, the District pays tuition to other districts to provide instruction to approximately 500 high school students.

As presented in Table 6 (see page 18), our analysis shows that, on average, the State's high school districts spend 35 percent more per student on plant operation and maintenance than the State's elementary school districts spend. This is likely due to high schools incurring costs for maintaining specialized facilities such as football fields, swimming pools, chemistry laboratories, and vocational education facilities.

Table 6 Plant Costs and Square Footage Comparison
Fiscal Year 2002
(Unaudited)

District Name	Total Plant Costs	Plant Costs Per Student	Plant Costs Per Square Foot	Square Footage Per Student
Tanque Verde USD ¹	\$ 798,081	\$ 549	\$3.78	146
Florence USD	1,026,564	643	3.38	190
Benson USD	966,662	790	5.21	152
Camp Verde USD	1,086,510	790	4.45	177
Queen Creek USD	1,413,047	833	6.03	138
Wickenburg USD	1,256,480	896	4.38	205
Holbrook USD	1,702,837	921	5.55	166
Average of the comparable districts	\$1,242,017	\$ 812	\$4.83	171
State-wide average of elementary school districts²		\$ 761		
State-wide average of high school districts		\$1,029		

1 Excludes Tanque Verde's high school students attending other districts.

2 Excludes elementary districts with an average daily membership of fewer than 100.

Source: Auditor General staff analysis of district-reported fiscal year 2002 accounting data, average daily membership counts obtained from the Arizona Department of Education, and square footage information obtained from the School Facilities Board.

The District is currently planning to build a new high school which is planned to open in August 2004. Because high school plant operation and maintenance costs are significantly higher than elementary schools', the District's plant costs as a percentage of total expenditures will likely increase when the high school campus opens. As a result, the District's percentage of each dollar spent in the classroom may decrease.

CHAPTER 5

Proposition 301 monies

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District spent its portion of the monies in accordance with statute and in keeping with the plan it developed. The District decided to spend all of its Proposition 301 monies on teachers' salaries and benefits.¹

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational programs such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund. These monies may only be spent in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

District's Proposition 301 plan

The District received \$474,962 of Proposition 301 monies in fiscal year 2002. Under the District's plan, all classroom teachers were eligible to receive pay from these monies. The District's plan called for using the money as follows:

Base Pay Increases—The District's base pay increases were built into the salary schedule at the beginning of the year, and were also written into each eligible employee's contract. Base pay increases were paid to employees throughout the

¹ For fiscal year 2003, the District expanded its eligible employees to include counselors and librarians.

year in their regular paychecks. The District allocated \$870 in salaries and benefits for each full-time eligible employee.

Performance Pay—As with base pay increases, any employee on the certified salary schedule was eligible for performance pay. The District chose to give performance pay monies to the certified teachers participating in and achieving their goals for the Career Ladder program. Approximately 95 percent of the teachers participated in this program.

District teachers and administrators developed a “mini-plan” component for those teachers not opting for the Career Ladder program. Each employee could earn up to \$1,663 in salaries and benefits if specified performance measures according to their Career Ladder or mini-plan goals were met. The participants were required to document their plans, including the expected and actual student outcomes. Students were then assessed at various times throughout the year to determine whether the expected outcomes were achieved. Eligible employees that met the requirements were paid one-half of the performance pay at the end of each semester. Approximately 96 percent of the participants received the entire amount of performance pay.

Menu Options—The District chose to use its menu options money entirely for teachers’ salaries and benefits. Similar to the base pay increase, the menu option increases were built into the salary schedule at the beginning of the year and were paid to employees throughout the year. The District allocated \$1,438 in salaries and benefits for each full-time eligible employee.

The District complied with law and followed its adopted plan

Table 7 Proposition 301 Monies Paid Per Employee
Fiscal Year 2002
(Unaudited)

Category	Budgeted	Actual
Base Pay	\$ 917	\$ 870
Performance Pay	1,834	1,663
Menu Options	1,834	1,438
Total	\$4,585	\$3,963

Source: Auditor General staff analysis of the District’s fiscal year 2002 Performance Pay Plan, accounting records, and other supporting documentation.

As allowed, all of the District’s Classroom Site Fund expenditures were made for teachers’ salaries and benefits. As shown in Table 7, each full-time eligible employee meeting all performance requirements received salaries and benefits totaling \$3,963 in fiscal year 2002. The District budgeted the full amount that it was estimated to receive. However, the District’s Proposition 301 plan allocated slightly lower amounts to each employee due to the uncertainty of the first year Proposition 301 revenues. Unexpended Proposition 301 monies remain in the Classroom Site Fund to be spent in future years.

CHAPTER 6

Classroom dollars

A.R.S. §41-1279.03.A.9 requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Additionally, Laws 2002, 2nd Regular Session, Chapter 330, Section 54, requires the Auditor General to analyze school district administrative costs. Because of these requirements, auditors reviewed the District's recording of classroom and administrative expenditures to determine their accuracy.

The District accurately reports classroom and administrative expenditures

Generally, the District records expenditures in accordance with the school district Uniform Chart of Accounts, thereby accurately reporting its classroom and administrative costs. However, auditors noted a few errors that would have affected the District's classroom dollar percentage in fiscal year 2002. Correcting these errors decreased the District's fiscal year 2002 classroom dollars percentage by approximately 0.9 percent and increased its administrative percentage by approximately 0.4 percent. The District's corrected classroom dollar percentage was 60.7 percent, which is higher than the state-wide average of 58.2 percent.

The District's corrected administrative percentage was 12.2 percent, higher than the state average of 10.2 percent, but only slightly higher than the comparable districts' average of 11.8 percent. In our November 2002 special study, Factors Affecting School Districts' Administrative Costs, we found that district size was the primary factor that determined a district's administrative costs. Smaller districts, such as Tanque Verde USD, have fewer students over which to spread fixed administrative costs, and do not have the economies of scale that benefit larger districts. Further, Tanque Verde's total spending per student is about \$230 less than the comparable districts' average. This means each dollar the district spends on administration

represents a slightly larger proportion of its total spending than the same dollar would in the other districts.

The District spends more of every dollar in the classroom

Primarily because of the District's below-average plant operation and maintenance costs (see Chapter 4, pages 17 through 18), it has more money available to spend in the classroom. In fiscal year 2002, the District spent 60.7 percent of every dollar in the classroom, while that year's state average was 58.2 percent. This 2.5 percent difference represents approximately \$212,000 of additional money that the District spends in the classroom.

APPENDIX

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Appendix Administrative Positions, Duties, Salaries, and Benefits
 Fiscal Year 2002
 (Unaudited)

Position	FTE	Duties	Salary	Benefits
District Administration				
Superintendent	1	Administered school board policies and provided leadership to the school district	\$ 84,500	\$ 8,195
Associate Superintendent/ Business Services	1	Directed business office functions and managed District's finances	64,500	6,540
Administrative Secretary I	1	Participated in grant application process, managed grants, maintained special education database, supported special education staff, and served as school board secretary	35,895	4,172
Network Technology Specialist	1	Maintained and supported the District's computer network	35,350	3,503
Human Resources Director	1	Managed personnel records, recruiting, employee contracts and benefit programs, and updated district personnel policies	35,000	3,549
CDP Lead Teacher	0.5	Reviewed and approved Career Ladder plans and evaluated teacher progress with plans	28,747	2,472
Payroll Clerk/Account Manager	1	Processed the District's payroll and performed bank reconciliations	28,320	2,947
Secretary I/Receptionist	1	Assisted district office visitors, maintained substitute teacher database, processed certificates of residency, and performed other general administrative responsibilities	19,871	2,547
Accounting Clerk II	1	Processed accounts payable and provided guidance to staff regarding purchasing	15,737	2,024
Grant Writer	0.5	Researched and wrote grant applications	12,994	1,939
Secretary I/Curriculum	0.5	Supported Administrative Secretary I and special education staff	6,836	617
Accounting Clerk I	0.5	Handled mail and filing and assisted Business Office staff	6,248	534
School Administration				
Principal	3	Planned, organized, directed, and evaluated school staff and resources	59,846 58,565 56,588	6,469 5,939 5,738
Assistant Principal	2	Handled student discipline, assisted principal in dealing with students, parents, and administrators, and assisted with teacher training and evaluations	45,000 40,945	4,518 4,452
School Secretary	3	Assisted students, parents, and staff, and performed general secretarial tasks	25,928 21,305 18,162	2,584 2,163 1,432
Clerical Aid	0.5 0.34	Assisted with secretarial tasks	4,900 2,385	546 182
		Health insurance payments not separately identified by employee		26,487
TOTAL	<u>18.84</u>		<u>\$707,622</u>	<u>\$99,549</u>

Source: Auditor General staff analysis of the District's fiscal year 2002 employee contracts, job descriptions, and accounting data.

DISTRICT RESPONSE

August 11, 2003

Office of the Auditor General
Debra K. Davenport
2910 N. 44th Street, Suite 410
Phoenix, AZ 95018

Dear Ms. Davenport,

It has been a pleasure for the Tanque Verde Unified School District to host the Performance Audit Team from your office. Their presence was that of utmost professionalism. The District looked forward to the recommendations of the Auditor General's team. Implementation of policy and procedural changes as suggested in the report will help us become a more efficient organization and provide the best education for the students we serve. Pursuant to the Auditor General's findings and recommendations, the Tanque Verde Unified School District submits the attached District Response for your review.

Sincerely,

Denise Ryan
Superintendent

AUDITOR GENERAL FINDING 1

Food Service Recommendation 1

The District should analyze its costs and revenues to calculate the meal prices needed to return the program to break-even status.

District Response: The finding of the Auditor General is agreed to and the recommendation will be implemented.

The information provided by the Performance Audit Team comparing our breakfast and lunch prices with similar size districts, and those with similar “Free and Reduced” lunch populations, was invaluable. The District was already contemplating an increase in lunch prices to alleviate the deficient spending we have seen over the past few years. The comparison table allowed the administrative team to recommend a reasonable increase to the Governing Board. At the June 10, 2003 Board meeting, an increase of fifteen cents was added to the \$1.35 elementary lunch and to the \$1.50 junior high lunch.

Lunch prices in the Tanque Verde School District have not been increased in over fifteen years. Five percent of our students qualify for Free and Reduced lunches. Increasing lunches by fifteen cents will have an impact on the financial balance of the program. This change will be monitored throughout the year to determine if the increase was sufficient to comply with the Auditor General’s recommendation.

AUDITOR GENERAL FINDING 2

Food Service Recommendation 2

The District should increase financial management oversight activities, such as preparing detailed food service budgets, comparing budgeted and actual revenues and expenditures monthly, and calculating performance measures, including cost per meal and meals per labor hour.

District Response: The finding of the Auditor General is agreed to and the recommendation will be implemented.

Many of the reports requested in this recommendation are currently available through the District's Business Office. The Assistant Superintendent for Finance will set up monthly meetings with the three Food Service Directors to share the detailed budgets and compare their budgeted amounts to expenditures. Additional detail will be added to the food service accounting procedures to accommodate the performance measures of cost per meal and meals per labor hour. The impact of increasing school lunch prices on the cash balance at the elementary and junior high sites will be included in this monthly review.

AUDITOR GENERAL FINDING 3

Transportation Recommendation

The District should accurately determine its number of transported eligible students for state aid purposes by including only those eligible students who are actually transported.

District Response: The finding of the Auditor General is agreed to and the recommendation will be implemented.

The Director of Transportation also found this error when she was calculating route miles this year for the 2003-2004 budget. After consulting with other directors, the Tanque Verde District methodology was changed to accurately reflect transported students versus total student enrollment. This change will be reflected in this year's budget and implemented in future years.