

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Subject

Wilson Elementary School District is located in central Phoenix north of Sky Harbor Airport. It has one kindergarten through 3rd-grade primary school and one 4th- through 8th-grade elementary school, and serves about 1,350 students.

Our Conclusion

Wilson has high administration, student transportation, food, and plant operation and maintenance costs. As a result, though desegregation monies funded one-quarter of its total instructional expenditures, Wilson spent only 55.6 percent of its dollars in the classroom compared to the state average of 58.2 percent. Also, after correcting for accounting and other errors, Wilson exceeded its general budget limit by almost \$300,000, which will trigger a reduction in state aid.



2003

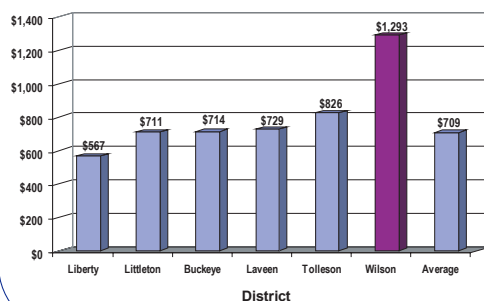
December 2003

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.

High administrative costs—Wilson's administrative costs for FY 2002 were 82 percent higher than comparable districts'.

Per-Pupil Administrative Costs
Fiscal Year 2002



Wilson had higher-than-average costs in every administrative cost category.



Why are costs high?—Wilson has a similar number of administrators as comparable districts. It has higher administrative costs because of its salaries, legal fees, subsidies of a charter school, poor procurement practices, and questionable expenditures. For example, the District:

- On average, paid its principals \$15,800, and its assistant principals \$5,300 more per year than comparable districts
- Paid attorneys' fees of \$237,000
- Gave the superintendent various benefits, including personal use of a district car and expense account
- Subsidized the operations of a charter school, and loaned it \$40,000 in computer equipment. These subsidies violate the state constitution's prohibition against gifts
- Purchased over \$900,000 in goods and services without using a competitive process
- Paid for alcoholic drinks, a parking ticket, food for a homeowners' meeting, and \$2,600 in finance charges on credit cards

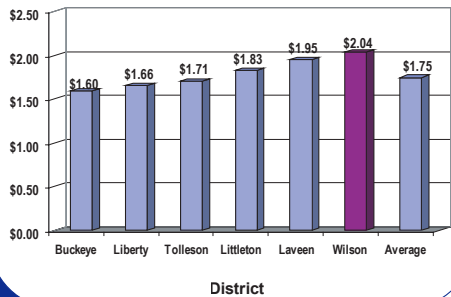
Recommendations

The District should:

- Evaluate its administrative costs, including salaries and benefits
- Make adjustments to the superintendent's contract at renewal
- Discontinue subsidies to the charter school
- Follow state procurement rules

Food Service

Cost per Meal
Fiscal Year 2002



The food service program is currently self-supporting. However, its cost per meal exceeded the comparable districts' average by about 30 cents. This is due to high food costs.

Although the District's labor costs were 21

percent lower per meal than those of comparable districts, its food costs were 53 percent higher. The District was purchasing food without obtaining competitive bids.

The District has since joined a purchasing cooperative to reduce costs. For example, it now pays up to 40 percent less for cereal. Improved purchasing, along with better inventory management, should lower food costs.

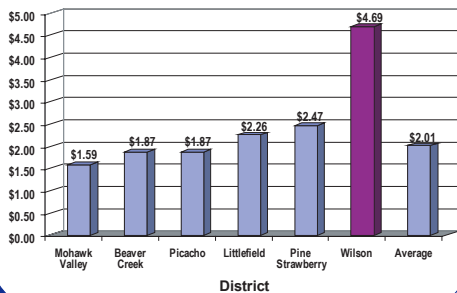
Recommendations

The District should:

- Follow state procurement rules
- Manage its food inventory

Student Transportation

Per-Mile Costs
Fiscal Year 2002



The District's cost per mile was more than twice those of comparable districts.

Costly contract—The District paid \$21,000 more for its transportation contract than it received in state transportation aid. The District did not have evidence that it competitively bid the contract. The District also did not determine whether the routes it contracted for were efficient. For

example, it appears that Wilson may need only three buses, not four.

District overcharged by vendor—

The vendor overcharged the District \$60,800 in FY 2002 and 2003. The vendor billed the District for five buses but only provided four. The vendor also may have improperly charged the District for some field trips.

Future cost increases—The District recently re-bid its contract using inaccurate information. In the coming year it will pay even higher rates for transportation.

Recommendations

The District should:

- Identify ways to reduce its transportation contract costs
- Recover the \$60,000 overpayment and review the accuracy of every billing
- Review the efficiency of bus routes

Plant Operation and Maintenance

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

Percentage of Current Dollars Spent on Plant Operation and Maintenance

Arizona average	11.8%
National average	9.7%
Wilson ESD	12.4%

The District's plant costs are 38 percent higher per square foot than comparable

districts, which can be attributed to higher utility and labor costs.

Excessive utilities—The District has high electricity, water and sewer, and waste disposal costs. For example, its electricity costs per square foot are 88 percent higher than comparable districts'. In addition, it appears the District paid for an estimated \$28,000 of a charter school's utilities.

Higher labor costs—The District has a similar number of custodial and maintenance workers as comparable districts, but pays them more. Starting wages for workers at Wilson were \$11 per hour, while comparable districts ranged from \$8 to \$10 per hour.

Recommendations

The District should:

- Seek reimbursement from the charter school for all of its utilities costs
- Develop a district energy conservation program
- Evaluate salary levels for custodial and maintenance jobs

Proposition 301 Monies

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

The District chose to use all of its Proposition 301 monies for teacher pay

increases. However, it did not clearly establish how it would determine performance pay. Further, the Board never formally approved the performance pay part of the plan.

Proposition 301 Monies Paid Per Employee
Fiscal Year 2002

Category	Budgeted	Actual
Base Pay	\$ 979	\$ 828
Performance Pay	1,957	1,658
Menu Options	1,957	1,670
Total	\$4,893	\$4,165

Recommendations

The District should:

- Obtain Governing Board approval of all plan components
- Clarify the plan's performance pay portion

Classroom Dollars

TO OBTAIN MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
www.auditorgen.state.az.us

Contact person for
this report:
Natalie Coombs

After correcting for errors, the District's classroom dollar percentage for FY 2002 was 55.6 percent compared to the state average of 58.2 percent.

Unallowable expenditures—The District improperly used capital monies to pay more than \$340,000 in salaries and benefits. Examples of what a district may use capital money for include land and buildings, bond payments, furniture,

vehicles, computers, and books. In addition, the District used more money from the lease of a building than allowable for maintenance and operation purposes. The District also did not consistently classify costs according to the Uniform Chart of Accounts.

After adjusting for these errors, the District exceeded its general budget limit by more than \$295,000, which will require the State to reduce the District's future state aid.

Recommendations

The District should:

- Follow statutes governing the appropriate uses for its money
- File a corrected Annual Financial Report with the Arizona Department of Education

Desegregation

Wilson is one of 19 districts spending additional monies to address desegregation issues. The District's desegregation goal, established through a 1988 administrative agreement with the U.S. Department of Education, is to develop fluent English speakers.

Desegregation monies are not subject to state laws governing revenue control and capital outlay revenue limits. This permits a district to receive more revenue through local property taxes and state aid.

Desegregation monies boosted classroom dollars—The District's desegregation expenditures accounted for \$1,230, or 16 percent of the District's total expenditures per pupil. The District spent nearly 97 percent of those monies on instruction.

However, about \$63,000, or 4 percent, of the monies were spent on items not clearly related to its desegregation goal, such as a lease for a photocopier.