

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Subject

The Yuma Elementary School District is located in Yuma. In FY 2004, the District served 9,854 students in preschool through 8th grade.

Our Conclusion

The District has higher administrative and transportation costs related to intergovernmental agreements for computer and student transportation services. Its food service program was self-supporting because of lower salaries and benefits. Plant operation and maintenance costs were lower than for comparable districts. The District spent its Proposition 301 monies appropriately. The District spent 56 percent of its dollars in the classroom, 2.6 percent less than the state average of 58.6 percent.



2005

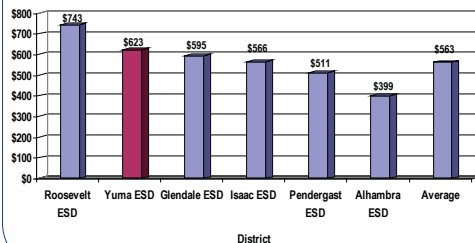
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Administrative Costs

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.

Yuma Elementary's per-pupil administrative costs for FY 2004 were 11 percent (\$60 per pupil) higher than the \$563 per-pupil average for comparable districts.

Per-Pupil Administrative Costs
 Fiscal Year 2004

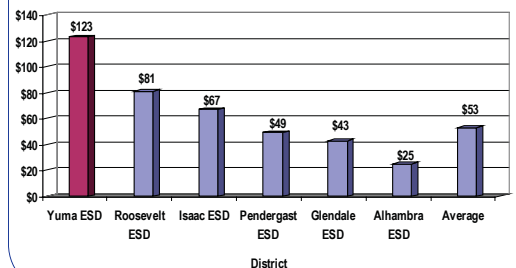


Higher costs for computer services—The District's higher administrative costs are due primarily to purchased services and supplies—especially purchases of computer services.

Most of the District's purchased services are computer services. The District purchases its computer services through an intergovernmental agreement (IGA) among itself, Yuma Union High School



Purchased Services
 Fiscal Year 2004



District, Arizona Western College, and Northern Arizona University's Yuma campus. Under this agreement, the four entities can receive computer services, such as assistance with software and hardware design. During 2004, the District spent over \$819,000 on these services.

However, the District's poor accounting practices for these purchased services increase its administrative costs. These practices include:

- Paying all, rather than a portion of, the salary, benefits, and office supplies for the employee administering the IGA. These costs should be allocated among the partners and total over \$109,000 per year.

- Including computer installation and repair costs as administrative costs rather than maintenance costs.
- Dividing certain costs of the computer operations with the high school district without basing the allocation on actual services provided.

Lower salary costs—The District’s salary and benefit costs are below the average for the comparable districts. Even though the District employs more administrative staff than the comparable

districts, it generally pays them less. For example:

- The District pays its principals an average of \$66,800, while the comparable districts averaged \$79,700.
- A district salary survey showed 80 percent of its administrative positions are paid below the prevailing market rate.

District officials plan to seek voter approval of a budget override to increase employees’ salaries throughout the District.

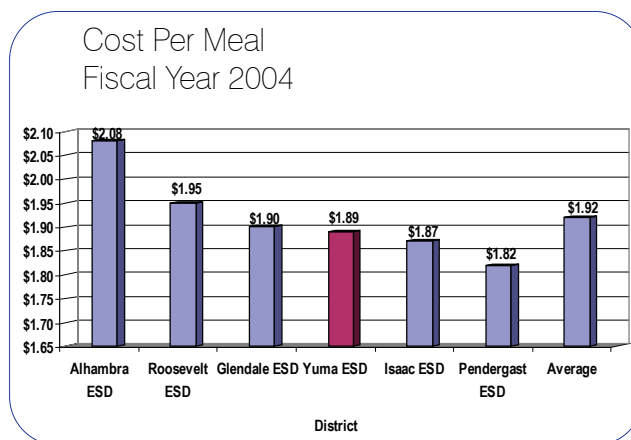
Recommendation

The District should:

- Obtain detailed billings so it can appropriately allocate IGA costs as administrative or plant maintenance.
- Work with its IGA partners to determine an equitable basis for allocating costs.
- Evaluate its participation in the computer IGA and determine if this is a cost-effective method of receiving its computing services.

Food Service

The food service program is self-supporting and its cost per meal was slightly lower than the average for comparable districts.



Lower salaries—Meal costs were below average primarily due to lower salary and benefit costs. For example, a cafeteria assistant’s pay starts at \$6.97 per hour, while the comparable districts’ average starting pay is \$8.49 per hour. However, as noted previously, the District hopes to increase its workers’ pay in the future.

Higher shipping and food costs—Although lower salaries currently keep its meal costs down, the District has higher shipping and food costs. Shipping costs result in the District paying about 39 percent more for its milk products. For example, because of shipping charges, it pays 22 cents for a half-pint of milk that costs the comparable districts 16 cents.

Recommendation

The District should:

- Monitor its food and supply costs and identify ways to lower them.

Student Transportation

The District operates, through an IGA, a combined transportation program with four partners, including the high school district. Under the IGA, each partner contributes vehicles that are used jointly, but retains title to the vehicles. The District owns the facility housing the transportation operation and is responsible for the personnel, repair, supplies, and utilities.

Higher-than-average costs

Despite sharing resources through the IGA, the District's costs are much higher than the average for comparable districts. The District's cost of \$831 per rider was 17 percent higher and its cost per mile was 43 percent higher than the comparable districts' averages.

There are several reasons why the District is incurring such high costs by participating in the IGA.

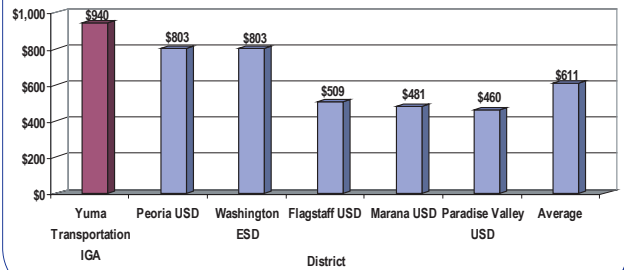
Services are not efficient—The transportation services provided through the IGA are not efficient compared to other districts. Salary and benefit costs are higher because there are 10 percent more employees than the average for comparable districts.

Further, there is low utilization of the buses. While school districts generally operate bus routes at 75 percent capacity or higher, the District's buses are only 67 percent full, on average. In addition, routes have not been analyzed for efficiency for several years, with some

routes using 72- or 84-passenger buses to transport just 3 students.

Assets were not protected—The District's supply costs were higher through the IGA than comparable districts' average costs. This may be related to poor controls over the parts inventory. Vehicle parts were stored in an unsecured and unmonitored area and proper inventory procedures had not been established. There was also insufficient security over the fuel cards that drivers use to refuel vehicles.

Comparison of Per-Rider Costs
Fiscal Year 2004



District paid disproportionate share of costs—Under the IGA, an annual budget is developed for the joint transportation operations and the partners are billed semi-annually. However, the expenditures have exceeded revenues by a total of \$925,000 from fiscal years 2001 through 2003. Rather than allocate these costs among the partners, the District paid the entire \$925,000.

In addition, the normal operating costs were not equitably allocated among the IGA partners. For example, the District and the high school district equally divided the majority of the IGA's costs; however, high school students are transported 42 percent more miles than elementary students.

Recommendations

The District should:

- Develop a more equitable division of transportation costs.
- Review routes for efficiency.
- Ensure the security of parts and fuel.

Plant Operation and Maintenance

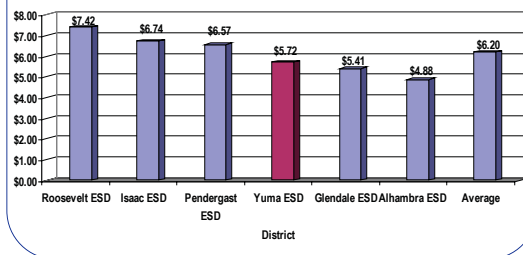
Plant operation and maintenance costs include salaries, benefits, and other costs for heating/cooling, equipment repair, groundskeeping, and security. The District's costs of \$5.72 per square foot were lower than the average for comparable districts and for all large

elementary school districts throughout the State.

Lower salary costs—The lower costs were due, in part, to lower salaries and benefits. Custodians start at \$7.24 per hour compared to \$10.26 average per hour starting pay for comparable districts. Maintenance workers start at \$10.48 per hour compared to \$12.09 per hour paid by comparable districts.

Lower repair and maintenance costs—Maintenance costs were 76 percent less than for comparable districts because district workers perform most of the repair and maintenance while other districts tend to contract for these services.

Plant Cost Per Square Feet
Fiscal Year 2004



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Proposition 301 Monies

Proposition 301 increased the state-wide sales tax by 0.6 percent to provide monies for teacher pay increases and certain options, such as reducing class sizes or providing dropout prevention programs.

The District spent its Proposition 301 monies appropriately. The average salary increase for eligible employees was \$4,905.

Classroom Dollars

The District did not consistently classify its FY 2004 expenditures correctly. For example, some administrative salaries and consulting services were reported as student support services expenditures. After adjustments, the District's administrative costs percentage was 10.5

percent, which was greater than the state average of 9.5 percent and the comparable districts' average of 8.9 percent. The District's classroom dollar percentage of 56 percent is 2.6 points lower than the state average of 58.6 percent.