



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

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Performance Audit

# Yuma Elementary School District

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MARCH • 2005



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**Debra K. Davenport**  
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
**AUDITOR GENERAL**

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

March 28, 2005

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board  
Yuma Elementary School District

Mr. Tom Rushin, Superintendent  
Yuma Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Yuma Elementary 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 March 29, 2005.

Sincerely,

Debbie Davenport  
Auditor General

DD/lgg

Enclosure

# SUMMARY

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The Office of the Auditor General has conducted a performance audit of the Yuma Elementary School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines six aspects of the District's operations: administrative costs, 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 audit also examines how the District's participation in intergovernmental agreements (IGAs) with other Yuma area education agencies affects its administrative and transportation costs.

In fiscal year 2004, the Yuma Elementary School District had 17 schools and served 9,854 students in pre-kindergarten through 8th grade.

## Administration (see pages 7 through 12)

The District spent 10.5 percent of its current dollars on administration, which was higher than the state average of 9.5 percent. In addition, primarily because it spent 123 percent more on purchased services, the District's per-pupil administrative costs were about 11 percent higher than the comparison districts' average. The main reason for higher purchased service costs related to the District's payments for computer services received through an IGA. Included were services such as maintenance of network infrastructure and desktop computer hardware and software and a single point of contact for all technology-related issues. During fiscal year 2004, the District spent over \$819,000 for the computer-related services, or about \$83 per student, while the comparable districts spent an average of \$56 per student.

Although the District's total administrative costs were high, its related salary and benefit costs were 12 percent lower than the comparable districts' average. While the District employed more administrative positions than the comparable districts averaged, it paid lower salaries for some of these positions. The results of a recent salary survey conducted by a consulting firm showed that many District positions were paid below the prevailing market rate. Therefore, the district plans to seek monies for salary increases through a fiscal year 2006 budget override request. Finally, the District also made improper use of the sole source designation, ♦

improperly designating an education consultant as a sole source based on district preference. Since fiscal year 2001, the District has paid this particular vendor over \$360,000. While the District has decreased the number of vendors designated as sole sources, it still continues to improperly use this designation.

## Food service (see pages 13 through 15)

The District's food service program is self-supporting, and its cost-per-meal of \$1.89 is slightly lower than the comparable districts' average. The program's low salary and benefit costs, which were 7 percent lower than the comparable districts averaged, helped to maintain this self-supporting status. However, district officials plan to seek additional monies through a budget override election, including the salaries of its food service employees. In contrast, the District's food and supply costs were 6 percent higher than the comparable districts', mainly because the vendor it relies on for the majority of its food and supply items charges the District additional shipping costs. For example, while the comparable districts paid an average of 16 cents for a half-pint of milk from this vendor, the District paid about 22 cents for the same product. The District should monitor and seek to lower its food and supply costs to help ensure that the program can remain self-sufficient

## Student transportation (see pages 17 through 26)

The District's student transportation costs were significantly higher than the comparable districts' due to the management of its transportation program intergovernmental agreement (IGA). Through the IGA, the District operates a combined student transportation program for the Yuma Union High School District and provides some services for other Yuma-area participants, such as other school districts, Arizona Western College, and Northern Arizona University's Yuma Campus. Despite the sharing of resources through the IGA, the District's cost per mile was 43 percent higher than the comparable districts' average, and its cost per rider was 17 percent higher.

Because the District's transportation operations are combined with Yuma Union High School District's operations, auditors also compared the total student transportation costs to those of school districts driving a similar number of miles and transporting a similar number of students as the combined program. Based on this comparison, the program's costs were more than double the average costs for these comparison districts. Some of the causes for the higher costs include:

- High supply costs that were more than twice the comparable districts'—possibly due to poor controls over its parts inventory and fuel cards.

- Higher salary and benefit costs—even though bus driver pay rates were lower, because the District employed more transportation staff, its total salary and benefit costs were higher than the comparable districts averaged.
- Low bus capacity utilization—during fiscal year 2004, the District’s total riders averaged 67 percent of bus capacity, with one route averaging as few riders as 5 percent of its capacity. School districts generally operate at 75 percent or higher bus capacity.

The District also appears to have paid more than its share of the combined program’s costs. For example:

- The program’s total costs were consistently higher than the amounts budgeted in fiscal years 2001 through 2003. During these 3 years, the District, which serves as the fiscal agent for the IGA, took sole financial responsibility for the \$925,000 that was overspent.
- The District did not appropriately allocate among the participants all IGA-related costs. After deducting reimbursements from participants for services such as activity trips, rental cars, and vehicle repair and maintenance, the remaining \$6 million of costs for fiscal year 2004 were divided equally between the Yuma Elementary and Yuma Union High school districts, regardless of the proportion of services used.
- The District also had not analyzed the IGA billing rates to ensure that they cover costs. The District appears to have paid all of the overhead associated with the transportation program.

## Plant operation and maintenance (see pages 27 through 30)

In fiscal year 2004, the District spent approximately 9.9 percent of its current dollars on plant operation and maintenance, which is lower than the state-wide average. The District’s per-pupil and per-square-foot costs were below both the comparable districts’ average and those of large-sized elementary school districts throughout the State. The District’s lower-than-average salary and benefit, repair and maintenance, and water costs are factors contributing to its low plant costs. However, the District’s low plant costs do not reflect the costs for computer installation and repair which are required by the uniform chart of accounts for school districts to be reflected as plant operation and maintenance costs. Because the District purchases its computer-related services through an IGA and does not determine the portion that should be accounted for as plant costs, it instead classifies all of its computer-related costs as

administration. Moreover, although its overall plant costs appear low, the District has higher telephone costs, primarily because it is simultaneously paying for a data transmission service that it no longer uses, in addition to its current upgraded service.

## Proposition 301 monies (see pages 31 through 33)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District's fiscal year 2004 Proposition 301 expenditures were for purposes authorized under statute. On average, employees received total increases of approximately \$4,900 each, including base pay increases of \$966, performance pay of \$2,020, and menu option pay of \$1,919. However, its Proposition 301 plan did not address how the District would use the base pay and menu options monies.

## Classroom dollars (see pages 35 through 37)

Statute requires the Auditor General to determine the percentage of every dollar that 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. The District did not consistently classify its fiscal year 2004 administrative and instructional expenditures in accordance with the Uniform Chart of Accounts for school districts, and as a result, its financial reports did not accurately reflect its costs. For example, salaries and benefits for several administrative employees were incorrectly classified as student support services. In addition, salaries and benefits for several instruction support employees were incorrectly classified as instruction costs even though these positions do not perform classroom duties. Adjusting for these and other errors decreased the District's instructional expenditures by about \$344,000 and increased its administrative expenditures by approximately \$232,700. The District's corrected classroom dollar percentage for fiscal year 2004 was 56 percent, which is almost 3 percentage points lower than the state average of 58.6 percent. The District's corrected administrative cost percentage was 10.5 percent, which is greater than both the 9.5 percent state average and the 8.9 percent comparable districts' average.

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# INTRODUCTION & BACKGROUND

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The Office of the Auditor General has conducted a performance audit of the Yuma Elementary School District pursuant to A.R.S. §41-1279.03.A.9. This performance audit examines six aspects of the District's operations: administrative costs, 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 Yuma Elementary School District, located in Yuma, served 9,854 students in pre-kindergarten through 8th grade in fiscal year 2004. The District's 17 schools consisted of 13 elementary, 1 middle, and 3 junior high schools.

A five-member board governs the District, and a superintendent, an associate superintendent, and several directors manage it. In fiscal year 2004, the district employed 17 principals and 6 assistant principals. In addition, the District reported having 567 teachers, 136 aides, and 436 other staff, including administrative, food service, and plant operation and maintenance staff.

## District programs and achievements

The District offers a wide range of instructional programs (see text box). The District also provides the Discovery Club, a before- and after-school program designed to let children experience new and different areas of interest. The Discovery Club offers a wide range of learning areas including arts and crafts, science, team sports, reading, recreation, music, and drama.

The District receives federal monies, such as Title I and Title I migrant, that allow it to implement different supplemental programs to meet the needs of students and parents. Some of those programs include Higher Order Thinking Skills, Harvest Migrants Student Club, and English as a Second Language and GED instruction for parents.

### The District offers:

- Gifted classes
- On-site special education
- Reading programs
- Dual language instruction
- Writing programs
- Advanced English/math placement
- Fine arts program
- Band/orchestra
- Physical education
- Counseling services
- Exceptional Students Preschool
- Migrant Even Start Program

Yuma Elementary reported that it offers many ways for the community to be involved with the District. For example, the Community Focus Group is a luncheon attended by the superintendent and other district staff that gives interested community members a chance to tour the schools and ask questions or offer suggestions. The District has also partnered with local businesses and organizations to offer programs and services, such as Reading Is Freedom, the Western Arizona Council of Governments Head Start program, and the Arizona Parent Educational Resource Center.

For the 2003-2004 school year, 12 of the District's 17 schools that are under the Arizona LEARNS program were labeled as "performing." Four schools were labeled as "underperforming." With only 82 students, the James D. Price Elementary School is considered a small school and is not labeled.

The District is one of four partners receiving and providing services through a series of intergovernmental agreements (IGAs), with the primary services being student transportation and computer-related services. The other three partners are the Yuma Union High School District, Arizona Western College, and Northern Arizona University's Yuma Campus. Different partners assume the fiscal responsibility for the several IGAs. As fiscal agent for the transportation IGA, Yuma Elementary employs all the transportation employees and is responsible for receiving and recording all transportation income and paying the related expenses. Similarly, the Yuma Union High School District serves as fiscal agent for the computer services IGA, while Arizona Western College serves as fiscal agent for a smaller IGA governing waste water treatment. While some transportation and computer IGA services are billed directly to participants as incurred, the Yuma Elementary and Yuma Union High school districts, as the major service recipients, pay the costs remaining after reimbursements are deducted. Together, these two school districts pay over 95 percent of the IGAs' operating costs.

A Board, composed of a representative from each of the four partners, oversees the Yuma Educational Consortium that implements the daily operations for the IGAs. A chief executive officer manages the consortium along with a transportation director for the student transportation program and a technology director for the computer services operation. Chapter 1 of this report describes how the District's participation in the computer services IGA affects its administrative costs, while Chapter 3 discusses how its management of the transportation IGA affects its transportation costs.

## Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual reports, *Arizona Public School Districts' Dollars Spent in the*

*Classroom* (Classroom Dollars report), this audit focused on four operational areas: administration, food service, student transportation, and plant operation and maintenance. Further, because of 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. Finally, 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 2004 summary accounting data for all districts and the Yuma Elementary School District's fiscal year 2004 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2004 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 2004 food service revenues and expenditures, including labor and food costs; observed meals being prepared and served to students; evaluated functions such as meal production, purchasing, and inventory control; and compared costs to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus routing. Auditors also reviewed fiscal year 2004 transportation costs and compared these costs to similar districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2004 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 fiscal year 2004 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 performance pay was being distributed.

- To assess the accuracy of the District's classroom dollars 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's participation in a computer services IGA contributed to its purchased services being two times higher than the comparable districts averaged. However, based on the uniform chart of accounts, the portion of its purchased service costs related to computer installation and repair should be recorded as plant operation and maintenance costs rather than administration. While correcting its accounting would lower its administration costs, the District was unable to identify the appropriate adjustment amount.
- **Food service**—The District's food service program is self-supporting because it has lower-than-average salary and benefit costs. However, to remain self-supporting, the District should look for ways to lower its food and supply costs, which were slightly higher than the comparable districts' average.
- **Student transportation**—The District's student transportation costs per mile were 43 percent higher than the comparable districts' due to the high costs of its transportation IGA. These included higher costs related to salaries, benefits, and transportation supplies, low bus capacity utilization, and high bus driver turnover. Further, the District paid a disproportionate share of the costs of the transportation program provided under the IGA. Finally, the District and its partners need to clarify the role and authority of the Yuma Educational Consortium that manages the day-to-day operations of the IGA.
- **Plant operation and maintenance**—The District's plant operation and maintenance costs were 9 percent lower than those of the comparable districts averaged, primarily because it paid lower salaries and had low water costs.
- **Proposition 301 monies**—During fiscal year 2004, the District complied with statute when spending Classroom Site Fund monies. However, the District's Proposition 301 plan did not address how the District would use its base pay and menu option monies.
- **Classroom dollars**—The District did not accurately report its administrative and classroom expenditures. The District's adjusted administrative costs percentage

of 10.5 percent was 1 percentage point higher than the state average of 9.5 percent. Further, its adjusted classroom dollar percentage for fiscal year 2004 is 56 percent, which is 2.6 percentage points lower than the state average of 58.6 percent.

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





# CHAPTER 1

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## Administration

The District spent 10.5 percent of its current dollars on administration, which was higher than the state average of 9.5 percent. In addition, its per-pupil administrative costs were about 11 percent higher than the comparison districts averaged. These higher costs are primarily related to expenditures for computer services purchased through an intergovernmental agreement (IGA). In addition, the District improperly designated an educational consultant as a sole source vendor based on district preference. While the District has decreased the number of vendors designated as sole source, it still continues to improperly use the designation.

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<sup>1</sup> administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.

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

- General administrative expenses are associated with the governing board's 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.

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

## Administrative costs per pupil were higher than those of comparable districts

The District's per-pupil administrative costs were higher than 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/or students as Yuma Elementary School District. The following tables use fiscal year 2004 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 2004  
(Unaudited)**

District Name	Total Administrative Cost	Number of Students	Administrative Cost Per Pupil
Roosevelt ESD	\$8,134,572	10,955	\$743
<b>Yuma ESD</b>	<b>6,142,753</b>	<b>9,854</b>	<b>623</b>
Glendale ESD	7,403,377	12,450	595
Isaac ESD	4,478,465	7,907	566
Pendergast ESD	4,869,695	9,530	511
Alhambra ESD	5,493,250	13,780	399
<b>Average of the comparable districts</b>	<b>\$6,075,872</b>	<b>10,924</b>	<b>\$563</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

As illustrated in Table 1, the District's administrative costs per pupil were \$60 (or 11 percent) higher than the comparison group's average of \$563.

When administrative costs are further divided into categories, the District's higher costs were evident mainly in purchased services and supplies. As shown in Table 2, the District spent \$70 more per pupil on purchased services, or almost two-and-a-half times as much as the comparable districts averaged. Further, the District spent 23 percent more per pupil on supplies and 5 percent more for benefits than the comparable districts' average. By contrast, its salaries were \$17, or 4 percent, less per pupil.

**Table 2 Comparison of Per-Pupil Administrative Costs by Category  
Fiscal Year 2004  
(Unaudited)**

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Roosevelt ESD	\$527	\$118	\$81	\$17	\$743
<b>Yuma ESD</b>	<b>388</b>	<b>92</b>	<b>123</b>	<b>20</b>	<b>623</b>
Glendale ESD	425	114	43	13	595
Isaac ESD	392	81	67	26	566
Pendergast ESD	369	82	49	11	511
Alhambra ESD	316	46	25	12	399
<b>Average of the comparable districts</b>	<b>\$406</b>	<b>\$88</b>	<b>\$53</b>	<b>\$16</b>	<b>\$563</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

District salaries are lower than the comparable districts’—The District’s salary costs are below the average of the comparable districts’ even though it has more administrative employees than those districts. As shown in Table 3, the District had almost 11 more administrative staff than the comparable districts averaged, and each staff served about 14 fewer students. The District’s salary costs are lower because the District pays lower salaries than the comparable districts averaged for certain administrative positions. For example, the District pays its elementary school principals an average of \$66,800, while the comparable districts paid an average of \$79,700 for this position.

To determine if its salaries were appropriate, the District contracted with a consulting firm to perform a salary survey. The survey compared its salaries to those of 11 public school districts in the State, including 5 in Yuma County, as well as salaries at the City of Yuma and Yuma County. The survey encompassed positions throughout the District, including administration, food service, plant operation and maintenance, and transportation. Of the 23 administrative positions surveyed, only 4 were being paid close to or over the prevailing market rate determined by the consultants. The remaining 19 positions were paid below the prevailing market rate, by amounts ranging from 1 percent to 29 percent.

According to district officials, the District attempted to obtain additional monies from taxpayers to pay for salary increases through a fiscal year 2004 budget override request. While the override request failed, the District indicated that it plans to seek voters’ approval for additional monies to fund salary increases again in fiscal year 2006.

Computer IGA costs contribute to higher per-pupil administration—The District’s purchased services costs were almost double the comparable districts’ average. Purchased services consist of professional, technical, property, and other services that are not performed by district employees. During fiscal year 2004, the District spent over \$819,000 for computer services provided through an

**Table 3 District Staffing Level Comparison  
Fiscal Year 2004  
(Unaudited)**

District Name	Number of	
	Administrative Staff <sup>1</sup>	Students Per Administrative Staff
Alhambra ESD	133.6	103.2
Pendergast ESD	114.5	83.2
Glendale ESD	166.9	74.6
Isaac ESD	112.3	70.4
<b>Yuma ESD</b>	<b>150.9</b>	<b>65.3</b>
Roosevelt ESD	170.4	64.3
<b>Average of the comparable districts</b>	<b>139.5</b>	<b>79.1</b>

<sup>1</sup> The number of administrative staff positions is based on full-time equivalents (FTE). For example, an employee working half-time in an administrative capacity would be counted as a 0.5 FTE.

Source: Auditor General staff analysis of the District’s average daily membership counts, district records, and the fiscal year 2004 School District Employee Report from the Arizona Department of Education.

intergovernmental agreement (IGA), which represented about \$83 of the District's \$123 per-pupil purchased services.

Since 1991, the District has participated in a series of IGAs with the Yuma Union High School District, Arizona Western College, and Northern Arizona University's Yuma campus. The computer services IGA was established as a cost-efficiency tool to allow these partners to share and access information on a mainframe computer through an integrated network connecting the partners' schools and campuses. Through this IGA, the District received assistance with software and hardware evaluation, design of a Wide Area Network, servicing of network infrastructure and desktop computer hardware and software, and a single point of contact for all technology-related issues. The Yuma Union High School District acts as fiscal agent for the computer services IGA, which operates as the Yuma Educational Consortium. Annually, the consortium's board approves an operating budget including the amount for computer services. Yuma Elementary and Yuma Union High school districts each contribute half of this amount, paid in semiannual installments. The other partners are billed individually for the services they receive as part of this IGA.

The District's computer service costs are particularly high because the District pays all costs associated with the Yuma Educational Consortium's central office. In fiscal year 2004, these costs totaled approximately \$109,000, or \$11 per student, and included the chief executive officer's salary, benefits, and office supplies as well as the costs of a part-time temporary employee. While it should pay a portion of these costs, as the office oversees the various IGA services for all partners, the District should not be solely responsible for paying all of the associated costs. If the District had not paid all of the central office costs, its computer service costs would have been \$72 per student. While this represents a significant savings, the District's computer-related costs would still be 29 percent above the comparable districts' average of \$56 per student.

A second factor causing the District's higher computer services costs is because they include expenditures that should be recorded as plant operation and maintenance. According to the uniform chart of accounts for school districts, a district's expenditures for computer installation and repair should be classified as plant operation and maintenance costs, while other computer-related activities, such as storing or retrieving data, system analysis, and programming, are properly classified as administration. However, because it does not obtain sufficiently detailed information on computer services it purchases through the IGA, the District does not properly classify the plant-related portion of these expenditures (see Chapter 4 related to plant costs).

A third issue related to the computer services IGA is how usage is determined. Although the IGA states that the participants pay based on their actual percentage of usage, the billings do not specify the District's usage or what portion it is of total usage. Further, the IGA does not define how usage is to be determined. Instead, throughout the fiscal year, participants are billed for certain costs that are directly attributable to each participant, such as professional services provided by consultants. After deducting these amounts, the elementary and high school districts each pay half of the remaining costs, regardless of the proportion of services used by each district. Since fiscal year 2001, the District's portion of the computer services IGA costs have fluctuated from approximately \$588,000 to \$966,000.

To ensure that the IGA's costs are equitably allocated, the District and its IGA partners should consider relevant factors, such as the volume of transactions processed and the number of computers at each district, and specify the basis for allocating costs. In addition, the District should ensure that all associated costs, such as the central office, are accounted for and appropriately shared among the partners. Further the District should evaluate the IGA services and costs to determine if this is the most cost-effective method for obtaining computer-related services.

## Sole source designation incorrectly used for costly instruction support contract

The District improperly designated certain vendors as sole sources. In fiscal year 2001, the District began contracting with an education consultant to train the District's teachers to help students increase their writing proficiency. The District determined that the amount it would spend for these training services would be below the statutory threshold for issuing a request for proposals. Therefore, the District went through the oral quotation process and contacted three potential vendors. However, only the vendor that the District eventually contracted with provided a quotation. Eventually, the District spent about \$38,000 for services from this vendor during fiscal year 2001. Because this amount exceeded the threshold for issuing a request for proposals, the District retroactively designated this vendor as a sole source for fiscal year 2001, and continued to do so during the following 4 fiscal years, based only on its previous use of this trainer. However, according to the State's administrative code governing school district procurement, school districts may purchase an item or service as a sole source, without competition, only when there is no other reasonable source. While this particular consultant has developed a specific method for teaching writing skills, many other writing consultants using similar principles are available within the State or in nearby states, such as California.

In addition, the District's contract with this particular consultant restricts the benefit to the District. Specifically, the contract prohibits the District's literacy coordinators and

other employees who have already been trained by the consultant from training new teachers at the District. This increases the District's dependency on the consultant until the District chooses to adopt another literacy training program. Further, the prohibition is particularly costly as the District has a high teacher turnover rate, so its teachers on the whole are relatively new. For example, prior to the beginning of the 2005 school year, the District had to fill at least 100 out of a total of approximately 560 teaching positions. From fiscal years 2001 through 2004, the District had paid this particular consultant a total of approximately \$361,000 and had entered into a new contract for fiscal year 2005 with expected costs of about \$64,000. In addition, the District has also paid approximately \$22,400 over the same period to rent an apartment for the consultant to live in while providing training for district teachers.

Since fiscal year 2002, the District has designated as many as 14 vendors a year as sole sources. Although it began reducing this number in fiscal year 2004, the District continues to make improper use of the sole source designation. For example, this particular consultant was still improperly designated as a sole source in fiscal year 2005.

## Recommendations

1. The District should obtain detailed computer service billings so that it can appropriately classify the expenditures as administrative or plant operation and maintenance costs.
2. The District and its IGA partners should determine the factors that constitute usage to provide an equitable basis for allocating costs. Further, the partners should ensure that all associated costs, such as the CEO's office, are accounted for and appropriately allocated.
3. The District should evaluate its participation in the computer services IGA and determine if this is the most cost-effective method for obtaining its computer-related services.
4. The District should ensure that it follows competitive purchasing rules, including those related to sole source designations, when purchasing goods or services.

# CHAPTER 2

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## Food service

The District's food service program is self-supporting, with its cost per meal slightly lower than the comparable districts'. The District's low salary and benefit costs help to maintain the program's self-supporting status. However, the District should examine ways to decrease its higher-than-average food and supply costs. This will be particularly important for the program to remain self-supporting, as the District is considering raising its pay rates to be more competitive with surrounding districts'.

## Background

During fiscal year 2004, the District operated cafeterias at 14 of its 17 schools from August through June for the regular school year. One school has a central kitchen that prepared meals for its students and 2 other district schools. The District generated approximately \$4.1 million in revenues and spent approximately \$3.9 million on its food service operations. Seventy-eight percent of the District's total revenue came from federal reimbursements, and the remaining 22 percent came primarily from daily sales. Included in these sales is over \$89,600 that the District generated by preparing meals for two Yuma-area private schools. During fiscal year 2004, the District prepared about 42,000 meals for the two schools, charging between \$2 and \$2.50 for each meal, and spent a total of about \$80,000 to prepare them.

Approximately 69 percent of the District's students were eligible to receive free or reduced-price meals through the National School Breakfast and Lunch programs. The District also offered an after-school snack program at many of its schools.

In fiscal year 2004, there were a total of 55 part-time and 39 full-time employees, including a director, a child nutrition coordinator, and cafeteria managers, at each of the District's 14 kitchens.

### Food Service Facts for Fiscal Year 2004

Average cost per meal *	\$	1.89
Number of meals served:		
Breakfast		348,977
Lunch and a la carte		1,695,821
Snacks		16,155
Total		2,060,953
Schools served		17
Kitchens/cafeterias		14
Full-time employees		39
Part-time employees		55
Total revenues	\$	4,135,907
Total noncapital expenditures	\$	3,903,856
Equipment purchases	\$	12,473
Percentage of students eligible for free and reduced-price lunches		69%

\*Based on lunch-equivalent meals.



## The District's costs are slightly below the comparable districts'

With total revenues approximately \$220,000 higher than expenditures in fiscal year 2004, the District's food service program is operating on a self-supporting basis. The District's program also produces meals for a slightly lower cost than the average of the comparable districts. As shown in Table 4, the District's \$1.89 cost per meal was about 2 percent below the average cost per meal for the comparable districts. The District's per-meal cost was also lower than the federal lunch reimbursement rate of \$2.21 per meal, which provides the majority of its food service revenues.

**Table 4 Comparison of Cost Per Meal  
Fiscal Year 2004  
(Unaudited)**

<b>District Name</b>	<b>Salaries and Benefits</b>	<b>Food and Supplies</b>	<b>Other</b>	<b>Cost Per Meal</b>
Alhambra ESD	\$1.11	\$0.95	\$0.02	\$2.08
Roosevelt ESD	0.91	1.02	0.02	1.95
Glendale ESD	0.85	0.92	0.13	1.90
<b>Yuma ESD</b>	<b>0.86</b>	<b>1.00</b>	<b>0.03</b>	<b>1.89</b>
Isaac ESD	0.93	0.89	0.05	1.87
Pendergast ESD	0.83	0.94	0.06	1.82
<b>Average of the comparable districts</b>	<b>\$0.92</b>	<b>\$0.94</b>	<b>\$0.06</b>	<b>\$1.92</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and data provided by individual school districts.

The District has been able to keep costs down primarily through lower salary and benefit costs compared to the peer districts. As shown in Table 4, the District's \$0.86 per meal salary and benefit costs were about 7 percent lower than the comparable districts' average. These savings are due, in part, to the District having lower salaries than the comparison districts'. For example, the District's cafeteria assistants' pay starts at \$6.97 per hour, while the comparable districts' average starting pay for similar positions was \$8.49 per hour.

As noted in Chapter 1, the District recently hired a consulting firm to conduct a salary survey of various positions throughout the District. Based on survey results, the District's cafeteria assistants' average hourly wage rate of \$7.66 was about 13 percent, or \$1.09 per hour, below the prevailing wage rate of the surveyed districts. According to district officials, the District plans to increase food service program salaries to bring them more in line with the surrounding area school districts.

## Improvements are needed to remain self-supporting

Although the District's food service program is currently able to cover its costs, the District's food and supply costs were higher than those of the comparable districts'. As shown in Table 4, (See page 14) the District's food and supply costs of \$1 per meal were 6 percent higher than the comparable districts' average. The District's higher food costs are attributed to additional shipping costs that the District pays for certain products because of its location. Specifically, the District pays about 39 percent more for its milk products than comparable districts because the vendor adds a shipping cost to the cost of each half-pint of milk. For example, the comparison districts, which are all served by the same vendor, paid an average of 16 cents for each half-pint of milk purchased, while the District paid about 22 cents for the same product. Additional shipping charges were applied to all of the broad range of products the District purchased from this vendor. In fiscal year 2004, the District's purchases from this vendor accounted for 63 percent of the program's total food and supply costs.

The District should take steps to monitor its food and supply costs and identify ways to lower these costs so that its food service program can remain self-supporting. For example, the District could consider purchasing equivalent products from its other two food service vendors that do not include additional charges for shipping. Further, the District could decrease the amount of more expensive, prepackaged items it purchases. The District estimates that at least 50 percent of its fiscal year 2004 total food costs went toward prepackaged foods, such as pizzas, burritos, and lasagnas. Identifying ways to lower its food and supply costs will be particularly important if the District increases food service employee salaries to bring them in line with those of surrounding school districts.

## Recommendation

The District should monitor its food and supply costs and identify ways to lower them, such as purchasing items from vendors that do not add shipping charges and purchasing less expensive meal ingredients instead of prepackaged foods, to ensure that the program will continue to be self-supporting.

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# CHAPTER 3

## Student Transportation

The District's student transportation costs were significantly higher than the comparable districts, primarily due to costs associated with its transportation services intergovernmental agreement (IGA). Through the IGA, the District operates a combined transportation program with the Yuma Union High School District and provides transportation services for other participants as well. Despite this sharing of resources, the District's per-mile cost was 43 percent higher and its per-rider cost was 17 percent higher than the comparable districts averaged. These higher costs are attributable to high supply costs and higher staffing levels. Further, the District appears to have been paying a disproportionate share of the costs of the combined program. Finally, the District needs to work with the consortium, which carries out the day-to-day operations of the IGA, to improve the efficiency of the transportation program's operations and needs to clarify the consortium's role and authority

### Background

Since 1991, the District's student transportation program has been operated through an intergovernmental agreement (IGA). Partners, including Yuma Elementary School District, Yuma Union High School District, Arizona Western College, and Northern Arizona University's Yuma campus, formed the IGA with the intent "to promote the efficient and maximal use of available educational resources through the pooling and sharing of common and complementary resources of each institution." The Yuma Educational Consortium carries out the day-to-day operations for the transportation IGA, with a governing board comprised of a representative of each partner organization. A District employee serves as the consortium's chief executive officer, while a transportation director manages the student transportation operations, and a technology director manages the separate computer services operation.

### Transportation Facts for Fiscal Year 2004

	Yuma ESD	Transportation IGA
Riders	3,515	7,271
Bus drivers		129
Bus aides		25
Mechanic		23
Regular routes	273	474
Special-needs routes	91	139
Average daily route miles	5,359	12,954
Total route miles	953,942	2,305,830
Total noncapital expenditures	\$2,919,938	\$6,838,594

Yuma Elementary owns the transportation service facility that houses the transportation operation. Through the IGA, the partners share the costs for transportation personnel; related equipment, such as repair machinery; supplies, such as oil, fuel, and vehicle parts; and utilities. Additionally, each partner contributes vehicles, but retains ownership of them. The transportation IGA provides a full range of related services, including bus routing, the operation of regular and special education routes, field and activity trips, vehicle repair and maintenance, and fleet vehicle rental. During fiscal year 2004, the transportation IGA costs totaled over \$6.8 million.

In addition to the four partner organizations, the transportation program also provides services to other entities in the Yuma area, such as other public school districts and private schools.

During fiscal year 2004, through the IGA, the District transported about one-third of its students, driving approximately 954,000 miles. In addition to 273 regular bus routes, the District operated 91 routes specifically for its special needs students. The transportation program was staffed with a transportation director, trainers, mechanics, dispatchers, bus drivers, bus aides, and administrative personnel who perform duties such as answering phones, data entry, billing, and accounts payable.

## The District's student transportation program has higher-than-average costs

The District's transportation costs were the highest among a group of districts that drove a similar number of miles and transported a similar number of students. While the number of miles driven and riders transported have not increased significantly, the District's transportation costs have risen by 37 percent since fiscal year 2001.

**Per-mile and per-rider transportation costs high**—Yuma Elementary's transportation costs were the highest when compared to 5 districts that drove a similar number of miles and transported a similar number of students. As shown in Table 5 (see page 19), the District's cost per rider was \$118, or 17 percent higher, than the comparable districts' average and its cost per mile was 43 percent higher.

**Costs of combined operations are high**—Due to the combined operation of the District's transportation IGA, auditors also analyzed its total costs by major expenditure categories to identify where the costs may be higher. For comparison, auditors selected a group of districts with a similar number of riders and miles as the combined transportation IGA for Yuma Elementary and Yuma Union High school districts. As shown in Table 6 (see page 19), when the transportation IGA costs are analyzed by category, the higher costs per rider are evident in all categories except

**Table 5** Students Transported, Route Mileage, and Costs  
Fiscal Year 2004  
(Unaudited)

District Name	Regular Riders	Special Needs Riders	Total Route Miles	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
<b>Yuma ESD</b>	<b>3,363</b>	<b>152</b>	<b>953,942</b>	<b>\$2,919,938</b>	<b>831</b>	<b>\$3.06</b>
Cave Creek USD	1,965	95	681,708	1,568,881	762	2.30
Humboldt USD	2,821	83	842,042	1,854,703	639	2.20
Chinle USD	3,540	47	1,218,015	2,634,591	734	2.16
Tuba City USD	1,741	75	650,684	1,377,307	758	2.12
Casa Grande USD	2,288	167	856,608	1,651,723	673	1.93
<b>Average of the comparable districts</b>	<b>2,471</b>	<b>93</b>	<b>849,811</b>	<b>\$1,817,441</b>	<b>713</b>	<b>\$2.14</b>

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2004 district mileage reports, and district-reported fiscal year 2004 accounting data.

for purchased services. Although the District's bus driver pay rates were, on average, lower than the comparable districts', the IGA had higher salary and benefit costs since the transportation program employed more than three times the number of transportation employees than the comparable districts' averaged.

The IGA supplies and other costs were more than double the comparable districts' average. During fiscal year 2004, the IGA's transportation supply costs totaled over \$1.4 million, or \$197 per rider. Included in these costs were numerous purchases of standard vehicle parts, such as spark plugs, air conditioner parts and motors, gaskets, belts, and hoses. With an average of \$755,000, or \$84 per rider, the comparable districts spent about half as much on transportation supplies. Further, not having appropriate controls over the vehicle parts inventory and fuel cards, as discussed in more detail on pages 23 and 24, likely contributes to its high supply costs.

**Table 6** Comparison of Per-Rider Transportation Costs by Category  
Fiscal Year 2004  
(Unaudited)

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
<b>Transportation IGA</b>	<b>\$534</b>	<b>\$179</b>	<b>\$30</b>	<b>\$197</b>	<b>\$940</b>
Peoria USD	511	137	49	106	803
Washington ESD	501	172	55	75	803
Flagstaff USD	313	115	1	80	509
Marana USD	299	76	25	81	481
Paradise Valley USD	272	77	32	79	460
<b>Average of the comparable districts</b>	<b>\$379</b>	<b>\$116</b>	<b>\$33</b>	<b>\$84</b>	<b>\$611</b>

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2004 district mileage reports, and district-reported fiscal year 2004 accounting data.

A 37 percent cost increase over 4 years—As shown in Table 7, the District's student transportation costs have risen by almost \$800,000, or 37 percent, since fiscal year 2001, while its route miles have increased by only 8 percent and the number of transported students has decreased slightly. Further, the District's cost per rider has increased by almost 40 percent since fiscal year 2001.

**Table 7** Transportation IGA Costs, Route Mileage, Students Transported  
Fiscal Years 2001 Through 2004  
(Unaudited)

Yuma ESD	Fiscal Year			
	2001	2002	2003	2004
Transportation IGA costs	\$2,127,866	\$2,617,667	\$2,719,203	\$2,919,938
Route miles driven	879,536	888,410	911,789	953,942
Number of students transported	3,553	3,520	3,673	3,515
Cost per rider	\$599	\$744	\$760	\$831

Source: Auditor General staff analysis of district-provided accounting data and Arizona Department of Education district mileage reports for fiscal years 2001 through 2004.

## Poor management practices are costly

The student transportation program has several poor management practices, such as overspending its budget, inequitable allocation of student transportation costs, inadequate cost accounting for services, and low capacity utilization rates for buses. In addition, the District's high bus driver turnover results in high training costs.

**Transportation IGA budget consistently overspent**—Annually, the governing board for the consortium, which carries out the day-to-day operations of the transportation IGA, approves a program operating budget. Yuma Elementary and Yuma Union High school districts each contribute half of this amount, paid in semiannual installments. However, the transportation IGA's costs have consistently been higher than planned, and the District has subsidized these added costs.

Yuma Elementary serves as fiscal agent for the transportation IGA, receiving and recording transportation-related income and paying all related expenses. However, the transportation IGA does not specify how overspending will be prevented, or funded if it occurs. The IGA's revenues were less than its expenditures in 4 of the last 5 fiscal years, and Yuma Elementary transferred additional amounts into the IGA Fund to subsidize the deficits. As shown in Table 8, the District paid for IGA deficits totaling approximately \$925,500 from fiscal year 2001 through fiscal year 2003. A separate Auditor General's report, *Compliance Review, Yuma Elementary School District, Year Ended June 30, 2003*, identified this problem, and the elementary and

union high school districts have been working to resolve how the transportation IGA overexpenditures should be shared.

**Table 8** Transportation Budget and Actual Amounts and Additional Payments<sup>1</sup>  
Fiscal Year 2004  
(Unaudited)

Yuma ESD	Fiscal Year			
	2001	2002	2003	2004
Budgeted District Expenditures	\$2,127,856	\$2,417,667	\$2,665,824	\$2,665,824
Actual District Expenditures	2,127,866	2,617,667	2,719,203	2,919,938
Additional subsidy for transportation IGA deficits	327,524	99,994	498,000	N/A

<sup>1</sup> Unbudgeted expenditures include amounts for Yuma Elementary and Yuma Union High School District.

Source: Auditor General staff analysis of budget reports and annual financial reports provided by the Arizona Department of Education and district-provided accounting data.

In fiscal year 2004, the transportation IGA costs remained within budget, and the District did not make additional payments into the fund. According to the District, in fiscal year 2005, the Yuma Elementary and Yuma Union High school districts have drafted, but not finalized, an agreement that requires each district to pay a proportionate share of any deficits in the transportation IGA fund. However, the draft agreement has not been modified to specify how future overspending would be prevented. Further, a monthly monitoring procedure should be in place to ensure the transportation IGA expenditures remain within the approved amounts unless the districts' Governing Boards have approved in advance any additional costs.

### Transportation costs not properly allocated to participants—

Throughout the fiscal year, the consortium bills the 4 partners and other participants for certain types of services, such as activity trips, rental cars, vehicle repair and maintenance, and charter bus services. During fiscal year 2004, these billings totaled approximately \$888,000. After revenues such as these are deducted, the elementary school district and the high school district each pay half of the remaining costs, regardless of the proportion of services used by each district. In fiscal year 2004, these costs totaled over \$6 million. While a similar number of students were transported for each district, the high school district students were transported 42 percent more miles than elementary school students.

The districts should determine a more equitable method for dividing the costs between the elementary district and the high school district. Some factors for consideration in developing a new allocation model include the number of miles driven for each district and the value of the resources, such as vehicles and buildings, that each district contributes toward the IGA. For example, the allocation model could take into account the fact that Yuma Elementary owns the transportation facilities and contributes 67 buses, while Yuma Union High contributes 76 buses.



The District has not analyzed billing rates to ensure related costs are recovered—Although the transportation IGA has established labor and mileage billing rates (see text box) for certain services, the District has not performed any analyses to determine whether the rates are appropriate to reimburse the associated costs. For example, the District has not accumulated overhead costs, such as the consortium’s central office expenditures, facility depreciation, and other costs that are incurred in providing services, but are not directly charged. Without including these costs, the District cannot ensure that the billing rates adequately compensate for service costs so that the remaining costs are actually attributable to student transportation. The issue of potentially inadequate billing rates was also identified in the Auditor General’s compliance review for fiscal year 2003.

**Consortium Rates for Labor and Mileage  
Fiscal Year 2004  
(Unaudited)**

Labor rates for repairs and other shop services:

Partner	\$30.00/hour
Non-Partner	\$45.00/hour

Mileage rates for charter services:

Partner	\$0.75/mile
Non-Partner	\$0.85/mile

Labor rates for charter services, driver standby time

Partner	\$18.00/hour
Non-Partner	\$18.00/hour

Source: Auditor General staff analysis of consortium’s rates for labor and mileage.

**Low bus capacity utilization contributed to high transportation costs**—A school district with efficient bus routing will typically have enough riders to fill 75 percent of bus capacity, or more. However, during fiscal year 2004, the District’s bus capacity utilization rate averaged only 67 percent overall, with individual route capacities ranging from 5 percent to 123 percent. The District’s current routes were first established many years ago. Prior to the start of each new school year, transportation employees use student address information to add new bus stops, but the routes have not been analyzed for their efficiency and whether they need to be entirely restructured.

Capacity on certain routes is limited due to the remoteness of the areas served. For example, the District uses a sport utility vehicle to transport 8 students living on a small island on the Colorado River. However, there are other routes with as few as 3 students for which the District uses 72- or 84-passenger buses instead of smaller vehicles. According to a transportation official, the District plans to purchase routing software to help it improve and maximize capacity utilization rates.

**High bus driver turnover raises the District’s transportation costs**—At an estimated cost of about \$2,000 each, the District provides training for its new drivers to obtain their Commercial Driver’s Licenses. After the training, the drivers often leave for other higher-paying employment. During fiscal year 2004, the District experienced a 14 percent turnover rate in bus driver positions. According to the District, bus driver turnover is high because driver salary rates are low. For example, its bus drivers earn an average of \$9.49 per hour, while the comparable districts’ bus drivers earn, on average, \$11.79 per hour. Further, the other school districts located within the Yuma area pay bus drivers an average of \$11.58 per hour. Thus, bus drivers often leave for higher pay rates once the required training has been completed. To alleviate this problem, beginning in fiscal year 2005, the District’s Governing Board approved a \$10.32 per hour rate for new bus drivers and also

requires them to remain in its employ for at least 1 year or reimburse the costs of training.

## Other management issues decrease the transportation program's efficiency and effectiveness

In addition to the problems cited above, other management practices further impact the program's ability to be efficient and effective. Specifically:

- **District does not properly monitor billings**—The District does not have a process in place to ensure that all billable services are being appropriately billed to and paid by the participants. Instead, the consortium, which manages the day-to-day operation of the transportation program, is responsible for billing participants for services such as vehicle repairs and charter services. The District records the related revenues based on the payments it receives. However, the District does not conduct any reviews or reconciliations to ensure that all services provided were appropriately billed to the participants and that it has received all payments for any billings that were sent. Therefore, the District cannot ensure that it has collected and deposited all of the revenues that were owed, and the elementary and high school districts' student transportation costs could be higher as a result.
- **Inventory not properly secured**—The vehicle parts inventory is not properly secured, leaving it susceptible to fraud or abuse. The consortium maintains an extensive parts inventory that is stored in an unsecured, unmonitored area on open shelving so that mechanics have easy access as they work on vehicles. These standard vehicle parts include items such as spark plugs, air conditioner parts, oil, radiator caps, heater parts and motors, bulbs, gaskets, belts, and hoses. In addition to unsecured storage, the consortium did not maintain perpetual inventory records or perform periodic inventory counts. Because inventory records are not maintained, it is not feasible to determine the actual value of the parts inventory. However, as mentioned previously, during fiscal year 2004, the expenditures for transportation supplies were more than twice the average of the comparison districts'. In fiscal year 2004, the District spent approximately \$771,000 on transportation supplies, excluding the cost of fuel. A substantial portion of these expenditures were for the types of items that were kept in the parts inventory.

Rather than preparing inventory records, employees at the consortium indicated they use repair and maintenance work order forms to track inventory. However, to determine what needs to be reordered, the inventory clerk scans the inventory shelves. These informal procedures do not monitor whether the number and

types of parts being used are reasonable for the age and condition of the school buses and fleet vehicles. They also expose the parts inventory to risk of loss or theft. Beginning in fiscal year 2005, the parts inventory was placed in a caged area which is locked at night, but is still openly accessible during the day. According to a transportation official, they are researching and plan to implement inventory tracking software.

- **Insufficient security over fuel card usage**—Every vehicle is assigned a fuel card that allows drivers to obtain fuel from the District’s fuel vendor within the Yuma area or at the bus yard. The intended security measures require vehicle drivers, when fueling, to enter the vehicle number and the odometer reading or license plate number depending on whether fuel is obtained at District facilities or the fuel vendor’s facilities. However, auditors’ review of a fuel card report found that drivers were often entering odometer readings that could not have been correct. Requiring these numbers to be entered at the fuel pumps was a measure taken to help ensure that only program vehicles were being fueled using the fuel cards. However, the intended control is being circumvented. Some fuel card systems offer security measures that could help limit use of the fuel cards to authorized vehicles only and allow vehicles’ fuel usage to be more accurately tracked. For example, security measures could include data entry controls to enforce a valid odometer reading for the particular vehicle or an accurate license plate number to be entered before fuel could be dispensed. Further, while on-site, auditors observed additional fuel cards that were stored on an open shelving unit in an unsecured area. This practice further exposes the District to the expense of unauthorized use of its fuel cards.
- **Route mileage not properly tracked and reported**—Although responsible for tracking and reporting the elementary and union high school districts’ route mileage to the Arizona Department of Education (ADE), the consortium did not ensure that this was accurately done. School districts are required to report route mileage and ridership information to ADE for use in determining their state transportation funding. When district officials learned that route mileage was incorrectly reported, the District, in conjunction with the other partners, placed several key consortium employees, including the chief executive officer, business manager, and shop supervisor, on home assignment while the matter was investigated. Using detailed manual bus logs, computer services employees recompiled the elementary and high school districts’ fiscal year 2004 route mileage. As a result, the District found that its mileage had been overstated by approximately 124,000 miles. The District submitted a corrected route mileage report to the Arizona Department of Education. However, due to the way state transportation aid is calculated, this error did not significantly affect the District’s state transportation funding.

## District inappropriately allows program to act as an independent entity

Although the District and its other partners allow the Yuma Educational Consortium to conduct various IGA business activities as though it is a separate legal entity, it does not appear to have that authority. The partners' IGAs did not create a separate legal entity and did not delegate any specific authority, such as the power to execute contracts, to the consortium. Therefore, the consortium, its chief executive officer, and its board do not appear to have the authority to act without specific approval of the school districts', community college's, and university's governing boards. Instead, based on the IGA, the consortium's board appears to have only an advisory function.

The consortium's chief executive officer, who is an employee of Yuma Elementary School District, entered into agreements with non-government entities, such as private schools, without the district governing boards' approval. Further, he signed a bulk fuel contract without specific delegated authority and without following required school district procurement procedures.

- In fiscal year 2004, the consortium had agreements with three private schools to provide transportation services, such as repair and maintenance of vehicles owned by the private schools, transportation and safety-related trainings, and use of the districts' school buses for field trips. However there are three problems with these agreements:
  1. The chief executive officer did not have legal authority to enter into agreements on the District's behalf.
  2. The agreements appear to be cooperative purchasing agreements, which are not the appropriate legal documents, as they are intended for making cooperative purchases rather than providing intergovernmental services.
  3. Only public agencies can enter into intergovernmental agreements. Therefore, the private schools and charter school cannot legally participate in district services through an IGA.
- Although he lacked proper authority, this same district employee entered into a contract with a fuel vendor. In a review of fiscal year 2004 transportation IGA contracts, the District's purchasing manager noted that the consortium had not properly procured a bulk fuel contract which had been signed by its chief executive officer. In fact, the purchasing manager noted, this employee apparently did not perform any competitive procurement activities. Through this contract, the transportation IGA incurred costs of more than \$111,000 for fueling equipment and service, maintenance, and parts for the equipment in fiscal year

2004. Further, this contract was first signed in July 2000, so the consortium had been improperly spending for 4 years.

Since about fiscal year 2003, the district employee serving as the consortium's chief executive officer has been working to get approval from the consortium's board to convert it to private, nonprofit status. While the consortium board has been considering this transition, it may not have the authority to take such action. Instead, any legal action appears to require approval from the governing boards that originally established the consortium through their IGAs.

## RECOMMENDATIONS

The District should:

1. Work with the high school district to determine a more equitable method for allocating the student transportation IGA's costs between the two districts.
2. Conduct analyses of the transportation IGA's costs to ensure that the labor and mileage billing rates are appropriate and that all costs are recovered.
3. Redesign and regularly review its bus routes for increased efficiency.
4. Establish a review process to ensure that all services provided through the transportation IGA are appropriately billed and the revenues are collected and deposited.
5. Ensure proper security of the vehicle parts inventory, including implementing a periodic or perpetual inventory system.
6. Consider increasing the security of its fuel cards to require entry of accurate odometer readings and vehicle and license plate numbers.
7. Ensure accurate mileage reporting to the Arizona Department of Education.
8. Clarify the Yuma Educational Consortium's role and authority, and discontinue any agreements the District does not have the authority to enter into, such as its transportation service agreements with the private schools and contracts that were not competitively procured.

# CHAPTER 4

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## Plant operation and maintenance

In the Auditor General's 2004 *Classroom Dollars* report, auditors found that, on average, Arizona districts spent 11.7 percent of their current dollars on plant operation and maintenance, while the national average was 9.7 percent. In fiscal year 2004, the District spent approximately 9.9 percent of its current dollars on plant operation and maintenance. The District's cost per square foot was also lower than the comparison districts averaged. This was largely due to the District's lower-than-average salary and purchased service costs, including repair and maintenance and water.

### The District's plant costs were lower than comparable districts' average

As shown in Table 9 (see page 28), the District's fiscal year 2004 plant costs of \$5.72 per square foot were approximately 8 percent lower than the comparable districts' average and about 5 percent lower than the state-wide average for large-sized elementary school districts. The District's \$593 per-student cost was also lower than the average for the comparison districts and the state-wide average for large<sup>1</sup> elementary school districts.

#### What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

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

<sup>1</sup> Large-sized elementary districts are those with 5,001 to 19,999 students.

Table 9 Plant Costs and Square Footage Comparison  
Fiscal Year 2004  
(Unaudited)

District	Plant Costs				
	Total	Per Student	Per Square Foot	Square Footage Per Student	Total Gross Square Footage
Roosevelt ESD	\$9,165,116	\$837	\$7.42	113	1,235,939
Isaac ESD	5,985,627	757	6.74	112	888,592
Pendergast ESD	6,074,627	637	6.57	97	924,017
<b>Yuma ESD</b>	<b>5,846,035</b>	<b>593</b>	<b>5.72</b>	<b>104</b>	<b>1,021,822</b>
Glendale ESD	7,039,537	565	5.41	104	1,300,712
Alhambra ESD	7,210,429	523	4.88	107	1,476,975
<b>Average of the comparable districts</b>	<b>\$7,095,067</b>	<b>\$664</b>	<b>\$6.20</b>	<b>107</b>	<b>1,165,247</b>
<b>State-wide average of large elementary school districts</b>		<b>\$678</b>	<b>\$5.99</b>		

Source: Auditor General staff analysis of fiscal year 2004 accounting data, average daily membership information obtained from the Arizona Department of Education, square footage information obtained from the Arizona School Facilities Board, and discussions with individual districts.

Lower salaries contribute to lower plant costs—Salaries and benefits account for about 46 percent of the District’s plant costs. As Table 10 shows, the District’s salary and benefit costs of \$2.64 per square foot were approximately 10 percent less than the comparable districts’ average. The District’s plant-related salary ranges were lower than the comparison districts’. For example, the starting hourly rate for the District’s custodians was \$7.24, while the average for the comparable districts’ was \$10.26. Further, the District’s starting hourly rate for maintenance workers was \$10.48, while the comparable districts averaged \$12.09.

Table 10 Comparison of Per-Square Foot Plant Costs by Category  
Fiscal Year 2004  
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Roosevelt ESD	\$3.65	\$1.90	\$1.87	\$7.42
Isaac ESD	3.18	2.04	1.52	6.74
Pendergast ESD	3.06	1.93	1.59	6.57
<b>Yuma ESD</b>	<b>2.64</b>	<b>1.24</b>	<b>1.84</b>	<b>5.72</b>
Glendale ESD	2.80	0.93	1.68	5.41
Alhambra ESD	2.04	1.26	1.58	4.88
<b>Average of the comparable districts</b>	<b>\$2.95</b>	<b>\$1.61</b>	<b>\$1.65</b>	<b>\$6.20</b>

Source: Auditor General staff analysis of fiscal year 2004 accounting data, square footage information obtained from the Arizona School Facilities Board, and discussions with individual districts.

The District had low repair and maintenance costs—As shown in Table 11, (See Page 29), the District’s per-square foot repair and maintenance costs were 76 percent less than the comparable districts’ costs averaged. According to the District, its maintenance employees have sufficient technical expertise to perform the majority of its repair and maintenance work in-house. For

example, the District employs three staff who perform preventative maintenance tasks related to heating and cooling systems. In addition, the District also employs staff who perform plumbing and electrical-related repairs and maintenance. The comparable districts, on the other hand, tended to contract out for repair and maintenance services for heating and cooling units.

The District had lower water costs than the comparison districts—As shown in Table 12, the District’s per-pupil water costs were lower than all those of the comparison districts, and 47 percent lower than their averages. The District is able to keep its water costs low for two reasons. First, six of its schools use well water, which results in little or no cost to the District. Second, the District’s schools are located in two irrigation districts and are able to obtain water for irrigating its fields through these districts at little cost.

The District omitted certain computer costs from its plant costs—Because it obtains computer installation and repair services through an intergovernmental agreement (IGA), the District does not directly

**Table 11 Comparison of Per-Square Foot Repair and Maintenance Costs Fiscal Year 2004 (Unaudited)**

District Name	Repair and Maintenance Costs	Per Square Foot
Pendergast ESD	\$409,100	\$0.49
Isaac ESD	263,478	0.32
Alhambra ESD	384,579	0.26
Roosevelt ESD	262,907	0.21
Glendale ESD	220,436	0.17
Yuma ESD	73,330	0.07
<b>Average of the comparable districts</b>	<b>\$308,100</b>	<b>\$0.29</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and square footage information from the Arizona School Facilities Board.

employ computer technicians who are typically a part of a district’s plant costs (see Chapter 1 for more information on the consortium). However, the District classifies all its computer IGA-related costs as administrative expenses and does not separate other components, such as plant costs. In addition, the District was not able to estimate these costs; therefore, its total plant costs could not be adjusted to correctly reflect computer-related costs. In contrast, the comparison districts employed an average of five computer technicians and had other plant-related computer costs, averaging approximately

**Table 12 Comparison of Per-Pupil Water Costs Fiscal Year 2004 (Unaudited)**

District Name	Water Costs	Per Pupil
Roosevelt ESD	\$298,498	\$27.25
Glendale ESD	275,798	22.15
Alhambra ESD	286,327	20.78
Pendergast ESD	192,197	20.17
Isaac ESD	103,380	13.07
Yuma ESD	108,877	11.05
<b>Average of the comparable districts</b>	<b>\$231,240</b>	<b>\$20.68</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

\$249,000. If the District’s hardware-related computer costs were similar to those of the comparable districts, its per square foot and per-student plant costs would still be lower than the comparable districts’ average. As recommended in Chapter 1, the District should obtain sufficiently detailed billings to properly account for its computer-related costs.



The District had high telephone costs—Although the District’s overall plant costs are low, it spends more money on telecommunications costs than the comparable districts.

As shown in Table 13, the District spent about \$7 per pupil, or 19 percent more, on phone costs than the comparable districts’ average in fiscal year 2004. According to the District, it has high telephone costs because it is paying for a data transmission service that is no longer being used. Specifically, in fiscal year 2000, the District entered into a 7-year agreement with its telecommunications service provider for data transmission service. However, three years later, the District upgraded to a service that includes T-1 lines. Since its original agreement with the service provider was still in effect, the District has been paying for both the replaced service and the upgraded service. The District is currently attempting to end the 7-year agreement to eliminate the additional costs.

**Table 13 Comparison of Per-Pupil Telephone Costs  
Fiscal Year 2004  
(Unaudited)**

District Name	Telephone Costs	Per Pupil
Roosevelt ESD	\$667,014	\$60.89
<b>Yuma ESD</b>	<b>423,925</b>	<b>43.02</b>
Alhambra ESD	526,561	38.21
Glendale ESD	399,887	32.12
Isaac ESD	203,381	25.72
Pendergast ESD	233,054	24.45
<b>Average of the comparable districts</b>	<b>\$405,979</b>	<b>\$36.28</b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

## Recommendation

The District should continue to pursue termination of its agreement with its telephone vendor to eliminate the costs of the telephone system it no longer uses. Further, in the future, the District should perform cost-benefit analyses considering all pertinent costs, such as existing contracts, when evaluating major purchases.

# CHAPTER 5

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## Proposition 301 monies

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. While it spent its Proposition 301 monies according to statute, the District did not develop formal written plans for spending base pay and menu options monies.

### 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 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 be spent only 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

A Proposition 301 committee representing all schools and departments developed the District's Performance Pay Plan, which was approved by the Governing Board. Under the District's plan, its certified teachers, librarians, counselors, and speech therapists were eligible to receive monies. This plan, however, spelled out only how the District would spend its performance pay monies and did not describe how base pay and menu option monies were to be spent. However, according to district officials, the District used the same eligibility requirements for the performance pay plan to determine which positions were eligible under the base pay and menu options provisions.

Monies were spent for purposes authorized by law—Although its plan covered only one of the three areas, the District’s eventual expenditures in all three areas were consistent with the purposes authorized under the statute. In all, the District received \$2,569,240 in fiscal year 2004 and spent it in the following ways:

**Base Pay**—Base pay increases were included in the salary schedule, with eligible employees receiving an average of \$966 each. Employees in job share or part-time status received a proportionate amount based on their work hours.

**Performance Pay**—Each eligible employee earned an average of \$2,020 in additional performance pay and related benefits. The District’s performance pay plan consisted of the following four components:

- **Position Eligibility**—To receive Proposition 301 performance pay, the district employee had to be in an eligible position as described in the District’s plan. These positions included classroom teacher, librarian, speech therapist, and counselor.
- **Days of Training**—Eligible employees received 40 percent of available performance pay for the completion of 16.5 hours of professional development training.
- **Site Development of a Building Level Action Plan**—Eligible employees received another 40 percent of available performance pay for their site’s implementation of the District’s Literacy for All Students Plan.
- **Student Growth**—Another 20 percent of available performance dollars was based on the district-wide achievement of at least one of the following three goals: students achieving average growth on the Yuma District Achievement Level Test; students meeting the standard on a district writing assessment; or teachers achieving a specific standard based on supervisors’ observations of their classroom performance.

According to district officials, the district-wide student growth performance and site implementation requirements were met. However, some eligible individuals did not achieve the training requirement.

**Menu Options**—Statute allows school districts to choose among six different options for allocating the menu options monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

The District chose to use approximately \$1,021,000 in menu monies for class-size reduction and teacher compensation increases. To accomplish this, the District spent about \$357,000 to hire a total of 8 teachers for 5 of its schools, and paid stipends of \$1,144 each to most of the 532 eligible teachers, librarians, counselors, and a speech therapist.

Table 14 Proposition 301 Monies Paid Per Employee  
Fiscal Year 2004  
(Unaudited)

Category	Budgeted	Actual
Base Pay	\$995	\$966
Performance Pay	2,145	2,020
Menu Options	1,975	1,919
<b>Total</b>	<b><u>\$5,115</u></b>	<b><u>\$4,905</u></b>

Source: Auditor General staff analysis of district-reported fiscal year 2004 accounting data and average daily membership information obtained from the Arizona Department of Education.

## Recommendation

The District should ensure that its Proposition 301 plan addresses how it intends to spend base pay and menu options monies. Further, the plan should specify which of the six allowable options it is addressing with its menu options monies.

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# CHAPTER 6

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## 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, 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 did not accurately report administrative and other costs

The District did not consistently classify its fiscal year 2004 expenditures in accordance with the Uniform Chart of Accounts for school districts and, as a result, its financial reports did not accurately reflect its costs, including both instructional and nonclassroom expenditures. For example:

- Salaries for several administrative employees totaling approximately \$257,000 were incorrectly classified as student support services. For example, the District classified several grant- and research-related technicians' salaries as student support services rather than administration.
- Salaries totaling approximately \$273,000 for several employees, such as the District and site literacy coordinators and teacher trainers, were classified as instruction expenditures, although these positions do not work directly with students in the classroom. Instead, these positions should have been classified as student support or instructional support services based on the nature of their duties.
- While it did not affect its classroom dollar or administrative cost percentages, the District incorrectly classified approximately \$452,000 as student support services. For example, these costs included over \$164,000 paid for consultants

instructing teachers on methods to improve student achievement, which should have been classified as instructional support expenditures. Further, an additional \$287,000, including salary and benefit costs for positions such as teacher trainers, has incorrectly classified as student support services, but should have been classified as instructional support services.

Adjusting for these and other errors decreased the District's instructional expenditures by approximately \$320,000 and increased its administrative expenditures by approximately \$232,700. This in turn lowered the District's classroom dollar percentage from 56.6 percent to 56 percent and increased its administrative cost percentage from 10.1 percent to 10.5 percent. The District's revised fiscal year 2004 classroom dollar percentage of 56 percent is almost 4 percentage points lower than the comparable districts' average (see Table 15 below), and almost 3 percentage points below the state average of 58.6 percent for the same year.

Further, the District's corrected administrative costs represented 10.5 percent of its total current expenditures. This is greater than both the state average of 9.5 percent and the comparable districts' average of 8.9 percent.

**Table 15 Comparison of Expenditure Percentage by Function  
Fiscal Year 2004  
(Unaudited)**

	<b>Yuma Elementary</b>	<b>Comparable Districts' Average</b>	<b>State Average</b>	<b>National Average 2001</b>
Total Per-Pupil Spending	<b>\$5,961</b>	\$6,220	\$6,355	\$7,376
Classroom dollars	<b>56.0%</b>	59.6%	58.6%	61.5%
<u>Nonclassroom dollars:</u>				
Administration	<b>10.5</b>	8.9	9.5	10.9
Plant operations	<b>9.9</b>	10.6	11.7	9.7
Food service	<b>6.6</b>	6.4	4.7	4.0
Transportation	<b>5.0</b>	2.5	4.0	4.1
Student support	<b>8.9</b>	6.3	7.0	5.0
Instruction support	<b>3.1</b>	5.7	4.3	4.6
Other	<b>0.0</b>	0.0	0.2	0.2

Source: Auditor General staff analysis of fiscal year 2004 District Annual Financial Reports, provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center for Education Statistics data from the *Digest of Education Statistics 2003*.

## The District spent a smaller proportion of every dollar in the classroom

The District had a fiscal year 2004 classroom dollar percentage that was 3 to 4 percentage points lower than both the comparable districts' and the state averages. As shown in Table 15 (see page 36), Yuma Elementary spent a higher percentage of its dollars than the state average and comparable districts in four of the seven nonclassroom areas. One area in which the District's expenditures are particularly high is student support services. Even after adjusting for the misclassification of approximately \$788,000 in student support services costs, the District's spending in this area exceeded the comparable districts' average by almost 3 percentage points and the state average by almost 2 percentage points. Costs in this area are high primarily due to expenditures for school resource officers, therapists, medical and dental services for migrant students, and other school supplies. While some of these nonclassroom costs may not be within the District's control, other costs, such as transportation (see Chapter 3), can likely be reduced to make more dollars available for the classroom.

## Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
2. The District should closely analyze its nonclassroom spending to determine if savings can be achieved and if some of those monies can be redirected to the classroom.





# APPENDIX

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Appendix

Administrative Positions, Duties, Salaries, and Benefits  
 Fiscal Year 2004  
 (Unaudited)

Position	FTE	Duties	Salary	Benefits
<b>District Administration</b>				
Superintendent	1	Administered school board policies and provided leadership to the school district.	\$114,961 <sup>a</sup>	\$13,611
Associate Superintendent, Teaching, Learning, and Research	1	Provided leadership in planning, managing, coordinating, and directing all aspects of the District's teaching, learning, and research activities.	86,295	11,482
Associate Superintendent, Special Projects	0.5	Provided leadership in planning, managing, coordinating, and directing all aspects of special district projects, including overseeing building construction, and acting as a liaison with the School Facilities Board.	41,394	3,167
Chief Financial Officer	1	Responsible for all financial operations including payroll, accounts payable, purchasing, accounting, budgeting, grant reporting, and fixed assets.	78,000	10,383
Consortium Director	1	Responsible for overseeing the transportation and technology consortium for the District.	76,098	10,083
Director of Administrative Services	1	Provided leadership to review, develop, and implement policies, regulations, procedures, and practices to improve and facilitate district office services.	74,747	9,941
Director of Exceptional Student Services	1	Provided standards-based educational programs for all students and ensured compliance with special and gifted education state and federal mandates.	65,650	8,440
Director of Purchasing/Warehouse	1	Managed the daily functions of the purchasing department and purchasing activities.	43,437	5,703
Director of Compensation/Benefits	1	Maintained accounting records, financial statements, and reports for processing payroll and all related deduction reports.	38,721	4,634
Technician— Personnel/Workman's Compensation	3	Handled personnel issues, including processing employee paperwork, and provided technical human resources assistance to department.  Range Salary           \$26,015           \$35,600 Benefits         \$ 3,291             \$ 5,515	92,149	13,245
Technician—Accounts Payable Bookkeeper	1	Maintained recordkeeping, financial statements, reports, details, and budget control of the accounting department.	30,364	4,054
Technician— Payroll/Bookkeeper	3	Ensured efficient operations of the Accounting Department, and reviewed all accounting funds and financial statements.  Range Salary           \$23,930           \$25,239 Benefits         \$ 6,958           \$ 7,101	73,619	10,994
Accounts Payable— Supervisor	1	Ensured efficient operations of the Accounting Department, and reviewed all accounting funds and financial statements.	34,999	4,115
Executive Administrative Assistant to the Superintendent	1	Performed a variety of clerical duties related to assigned functions for the superintendent and the governing board.	34,821	4,649

Appendix (continued)

Position	FTE	Duties	Salary	Benefits
<b>District Administration</b>				
Grants Manager	1	Obtained various grants for funding district programs, cooperatively administered grants with different district departments, and provided leadership and technical assistance in the preparation of grant applications.	33,266	4,401
Administrative Assistant to the Associate Superintendent	2	Ensured the efficient operation of the Associate Superintendent's Office.  Range Salary \$26,015 \$35,600 Benefits \$ 3,291 \$ 5,515	55,691	7,435
Administrative Secretary	6	Ensured efficient operation of the department office, and performed duties such as typing, filing, record posting, operating office machines, and answering telephones.  Range Salary \$10,687 \$35,584 Benefits \$ 1,427 \$ 4,750	146,687 <sup>b</sup>	19,644
Head Delivery/Warehouseman	1	Coordinated and assisted in the receiving and delivery of supplies, mail, and related items within the District.	29,532	3,943
Bookkeeper	1	Performed accounting/clerical work involved in the financial transactions of the District and assisted in the preparation of a variety of financial control records and reports.	22,724	2,942
Warehouse Worker	2	Sorted, loaded, and delivered materials, supplies, mail, and related items to district sites, and assisted in the warehouse.  Range Salary \$19,727 \$22,532 Benefits \$ 1,427 \$ 4,750	42,279	5,655
Clerical Aide	3.5	Assisted with a variety of duties, such as typing, recordkeeping, data entry, and other clerical duties.  Range Salary \$12,044 \$19,961 Benefits \$ 1,608 \$ 2,665	64,700	8,613
Receptionist	3	Handled incoming calls and performed various clerical duties.  Range Salary \$ 5,602 \$17,552 Benefits \$ 748 \$ 2,343	34,710	4,634
Director of Professional Development	0.25	Provided legateship in professional development design and implementation for administrators, teachers, and support staff to increase student achievement.	18,432	2,461
Grants Writer	1	Collaborated with site and district office staff to define program needs, develop ideas for grant proposals, research funding sources, and write applications for private and government grants.	33,542	4,696
Director—Alternative Education Programming	.5	Coordinated the development and implementation of educational programs for students in alternative settings. Provided leadership, strategic planning, and technical support to school sites, departments, and employees.	36,500	4,873

Appendix (continued)

Position	FTE	Duties	Salary	Benefits
<b>District Administration</b>				
Technician—Research and Data	5	Provided support by collecting, organizing, and analyzing data and generating reports for assessing program effectiveness and assistance for programmatic decision-making.  Range Salary \$17,265 \$28,778 Benefits \$ 2,969 \$ 4,180	121,134	17,874
Technician—Medicaid	1	Responsible for maintaining accounting records preparing financial statements and reports, and processing the details related to Medicaid.	24,376	3,254
Technician—Budget Grants	1	Responsible for maintaining accounting records, preparing financial statements and reports, and processing the details related to grants.	24,376	3,329
<b>School Administration</b>				
Elementary School Principal	13	Through leadership, supervision, and administrative skills, managed assigned school to promote each student's educational development and well-being.  Range Salary \$57,823 \$79,812 Benefits \$ 9,392 \$10,810	868,413 <sup>c</sup>	112,938
Middle School Principal	5	Through leadership, supervision, and administrative skills, managed assigned school to promote each student's educational development and well-being.  Range Salary \$71,755 \$80,969 Benefits \$ 9,392 \$10,810	377,686	45,868
Assistant Principal—Elementary	3	Supported and assisted the principal in the school's operation.  Range Salary \$57,635 \$63,524 Benefits \$ 7,694 \$ 8,480	181,025	24,167
Assistant Principal—Middle	3	Supported and assisted the principal in the school's operation.  Range Salary \$56,813 \$61,270 Benefits \$ 7,585 \$ 7,962	175,699	23,327
School Secretary	17	Assisted in the smooth and efficient operation of the school; welcomed and provided assistance and information to parents, students, visitors, volunteers, and staff; and provided additional clerical support as needed.  Range Salary \$16,900 \$30,836 Benefits \$ 2,290 \$ 4,110	387,837	52,243

Appendix (concluded)

Position	FTE	Duties	Salary	Benefits
<b>School Administration</b>				
Clerical Aide	20	Assisted with a variety of duties, such as typing, recordkeeping, data entry, and other clerical duties. Range Salary \$ 4,290 \$24,330 Benefits \$ 573 \$ 3,267	343,830	44,957
Other		Health insurance not separately identified by employee		<u>394,927</u>
<b>Totals</b>	<u>106.75</u>		<u>\$3,918,871</u>	<u>\$910,523</u>

- 
- a Includes a \$7,200 car allowance.
  - b Includes stipends to 1 secretary of \$2,069 for exemplary attendance and \$4,191 for service recognition.
  - c Includes 2 stipends of \$5,500 each for exemplary attendance, 2 stipends of \$8,800 and \$13,070 for service recognition, and 1 general stipend for \$5,000.

# DISTRICT RESPONSE





March 24, 2005

State of Arizona Office of the Auditor General  
Debbie Davenport, Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

Yuma Elementary School District One appreciates the Auditor General's complex task comparing the District with comparable school districts, especially considering the unique aspects of our transportation and technology department operations. The meeting on March 17, 2005, was a welcome opportunity to clarify the District's current status as to the recommendations offered by this performance audit. The following responses were covered with your team at that meeting and are provided here for reporting the status of the District in the departments audited.

The District agrees with each recommendation, and the following responses will address each recommendation by stating the status of the implementation of each of the recommendations.

#### CHAPTER 1 – Administration Recommendations and District Responses

1. The District should obtain detailed computer service billings so that it can appropriately classify the expenditures as administrative or plant operation and maintenance costs.  
*Response:* This recommendation has been implemented by analyzing the expenditures of the technology consortium services for 2004-2005. Implementation involved reclassifying the services for maintenance and repair of all computers, networking, and related activities as separate and apart from administrative activities related to help desk functions, financial system and student administration system software support, and management of the department.
2. The District and its IGA partners should determine the factors that constitute usage to provide an equitable basis for allocation costs. Further, the partners should ensure that all associated costs, such as the CEO's office, are accounted for and appropriately allocated.  
*Response:* This recommendation has been implemented by continuing to analyze the various devices used by each IGA partner. Implementation involved documenting the allocation of services based on number of desktop computers, IP phones, and other physical devices. The CEO office expenses are no longer charged through the technology department in 2004-

2005. All CEO purchase orders are through Yuma Elementary School District One for the K-20 office.

3. The District should evaluate its participation in the computer services IGA and determine if this is the most cost-effective method for obtaining its computer-related services.

*Response:* This evaluation has been implemented by quantifying all the services that would have to be duplicated in each of the school districts if there were separate technology departments. The District saves a significant amount through the IGA for computer services with the high school district.

4. The District should ensure that it follows competitive purchasing rules, including those related to sole source designations, when purchasing goods or services.

*Response:* A new Director of Procurement and Materials Management (effective March 23, 2005) will be providing services to the District. The District expects to implement this recommendation in 2004-2005 and beyond by reviewing all purchases, especially those involving cooperatives, consultants, and creating new procedures to more effectively ensure procurement of all goods and services.

Clarification and status of sole source procurement of literacy training consultant:

Although an RFP was used in 2004-2005 to procure the literacy consultant referred to in the performance audit, the auditor general's team still did not feel the consultant was procured competitively. Based on this final finding on the procurement, the District effectively cannot implement a correction in 2004-2005, but will implement the correction in 2005-2006 and beyond. In 2004-2005, although the procurement was not in compliance, the train-the-trainer model was implemented as follows:

Five main concepts for improvement in the literacy/writing program will be modeled and coached by the following district professional development coordinators:

<b>Grade Level</b>	<b>Employee</b>
Kindergarten	Gretchen Gross
First Grade	Dee Anderson
First Grade	Cynthia Leon
Second Grade	Alma Sandigo
Second Grade	Janna Perez
Third Grade	Carolyn Autry *
Fourth Grade	Nancy Hollenbeck *
Fifth Grade	Jamie Penny *
Sixth Grade	Melody Pinkston
Middle School (6-7-8 Grades)	Ed Richardson
Middle School (6-7-8 Grades)	Christy Wells *
Professional Development School	Abby Pemberton *

\*In addition, five professional development coordinators are being trained to instruct, model and coach teachers in the basic initial literacy program formerly taught by the vendor.

### Summary:

As noted, the District has a significant investment in the literacy/writing program. This particular vendor's product follows the No Child Left Behind standards for use, since it is a scientifically, research-based program, and the program has been approved as an NCLB intervention strategy, particularly for the over 3,000 English Language Learners in the District. In 2005-2006 the District will not need to use this vendor for basic training. District employees trained in 2004-2005 will instruct, model and coach teachers in this literacy program. The vendor may be used for refresher updates, but will not exceed procurement thresholds requiring bids or request for proposals.

### CHAPTER 2 – Food Service Recommendations and District Responses

The District should monitor its food and supply costs and identify ways to lower them, such as purchasing items from vendors that do not add shipping charges and purchasing less expensive meal ingredients, instead of prepackaged foods, to ensure that the program will continue to be self-supporting.

*Response:* It is the continued goal of the Child Nutrition Department to keep its self-supporting status. Shipping costs that are included by some vendors are higher given the location of Yuma in relation to other comparable school districts. With Yuma being one of the fastest growing areas in Arizona, the District expects that more vendors with more competitive pricing will be available in the future. The Child Nutrition Department will implement this recommendation by continuing to monitor its food and supply costs and seeking even more competitive purchases as well as review operations to lower costs.

### CHAPTER 3 – Student Transportation Recommendations and District Responses

1. The District should work with the high school district to determine a more equitable method for allocating the student transportation IGA's costs between the two districts.

*Response:* A formula to establish appropriate operational costs between the school districts was developed and implemented in November 2004. The formula developed is supported by actual school district transportation usage, based upon operational hours and miles, depreciation values, and common costs such as wages, benefits, utilities, common consumables, etc. Each district is responsible for their respective procurement of capital equipment and any non-route transportation usage.

2. The District should conduct analyses of the transportation IGA's costs to ensure that the labor and mileage billing rates are appropriate and that all costs are covered.

*Response:* A recent restructuring of the consortium administrative practices established monthly meetings of the school districts' financial officers and the respective department heads to regularly review financial and operational information. All cost analyses, revenues and expenditures, and operational information are presented and discussed to ensure that all entities have current and factual data. Financial and operational information developed within these regular meetings is presented to the Districts' administration and respective governing boards. In the area of higher labor/benefit costs, the past practice of benefiting all transportation staff and attempting to provide full time wages (37 or more weekly hours) is currently under review. A recommendation has been made to focus operations around part time staffing and eliminating excessive waste in the areas of

higher than average salaried supervisory positions and also to eliminate redundancy in those duties. It should also be noted that the consortium transportation operations are currently operating below the forecasted 2004/2005 budget. This is due to the restructuring of the consortium management and the system of checks and balances that have been implemented within the consortium financial meetings being the cornerstone of that improved operational efficiency.

3. The District should redesign and regularly review its bus routes for increased efficiency.

*Response:* Beginning on March 17, 2005, a new computer software transportation route program is being implemented. The program will be functional and fully operational by July 2005. This program provides electronic student address information, mapping and routing data, and school boundary information to ensure that efficient routes are developed and maintained. Targeting student passenger loads and route mileage on any school bus for efficient optimization will be possible.

4. The District should establish a review process to ensure that all services provided through the transportation IGA are appropriately billed and the revenues are collected and deposited.

*Response:* As a component of the consortium restructuring, all accounts payable and receivable occurring in the transportation operations are entered into the District's financial computer program (Visions Accounts Receivable module) and backup data immediately forwarded to the District to ensure that all financial accounting detail is provided and matches the billing rates and tracks revenue collected. The transportation department also has implemented more stringent methods of recording billing detail and requires supervisory review of related financial information to ensure that all relevant data is included and accounted for.

5. The District should ensure proper security of the vehicle parts inventory, including implementing a periodic or perpetual inventory system.

*Response:* The parts department office has been relocated to a central access point located in the inventory storage area. All parts inventories are now located behind locked access points and require a parts staff member to retrieve any needed item and also to permit inventory adjustments as parts are distributed. The parts access areas are now also monitored by the closed circuit security camera system. Additionally, a fleet management software program is currently being implemented. This software program ties parts replacements, repairs, inventories, and shop service hours into points of data that can be utilized for any operational detail. This improvement, along with the internal reassignments of service shop staff responsibilities, will provide better accountability by maintaining perpetual inventories and a verifiable history of service shop functions.

6. The District should consider increasing the security of its fuel cards to require entry of accurate odometer readings and vehicle and license plate numbers.

*Response:* The present fuel card system requires the vehicle driver to enter the card into the card reader and to key-in the vehicle's current odometer reading. The card reader identifies the card as assigned to a specific vehicle. As the current fuel procurement agreement is set to expire at the end of this fiscal year, a new fueling system requiring additional security features will be required in future agreements. Due to the extensive cost of upgrading the fuel security system any earlier, this would be very cost prohibitive and better suited to be implemented as a component of a new procurement agreement.

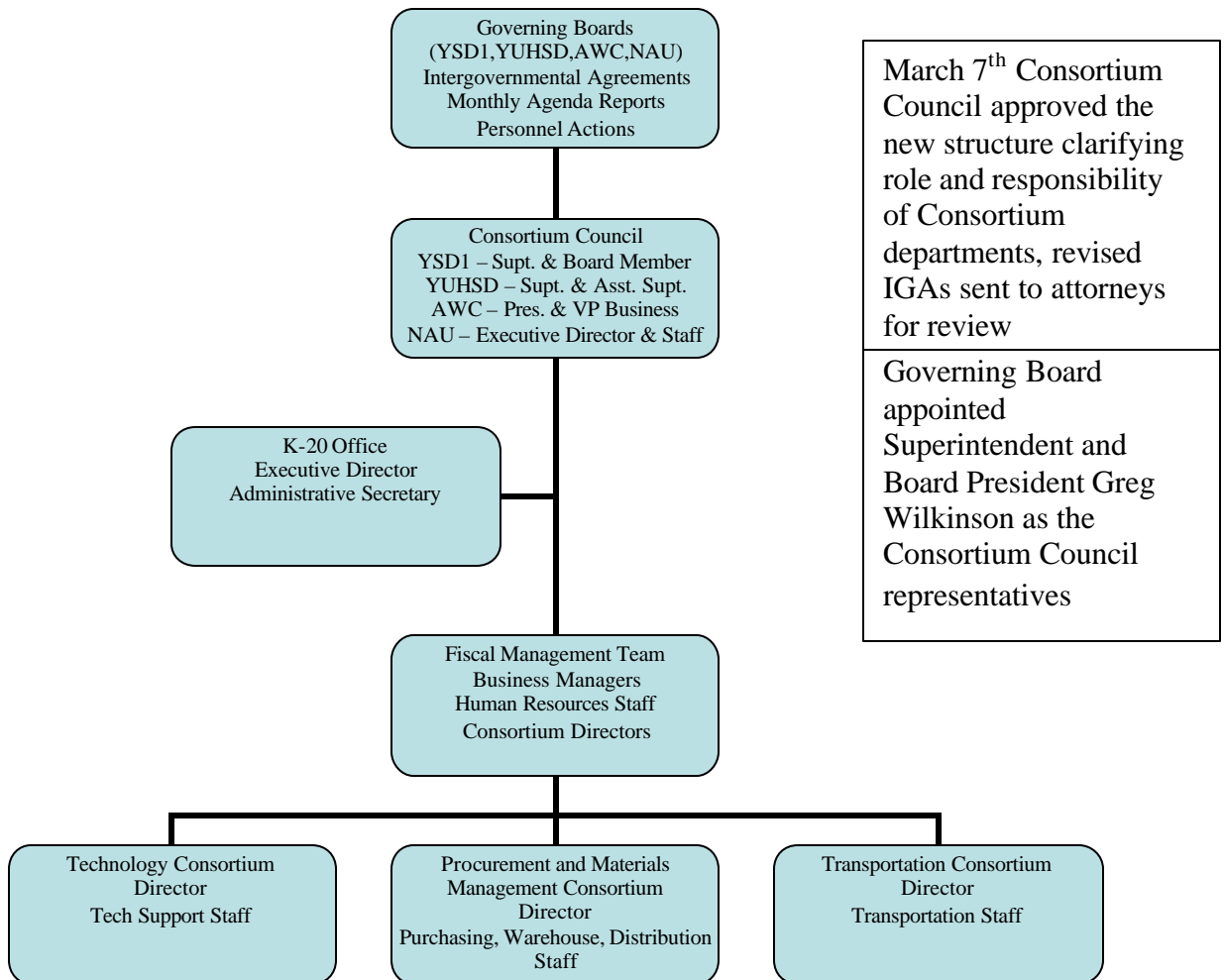
7. The District should ensure accurate mileage reporting to the Arizona Department of Education.

*Response:* In July 2004, a new mileage reporting spreadsheet was implemented that requires entries of 1) route miles, 2) student passenger information, and 3) hours and minutes spent on any given route segment. This new system of information was used for the 2004/2005 ADE 100 day report (Trans-55) and provided complete and correct information for the report. This was supported by an internal audit of the mileage information that entered data from driver log sheets into a spreadsheet for an entire fiscal year. Also a physical verification of vehicle odometer readings is now performed on a periodic basis.

8. The District should clarify the Yuma Educational Consortium’s role and authority, and discontinue any agreements the District does not have the authority to enter into, such as its transportation service agreements with the private schools and contracts that were not competitively procured.

*Response:* The following structure and procedure is currently in place as an interim procedure for Consortium Management.

**PROPOSED POLICY AND PROCEDURE FOR FISCAL MANAGEMENT OF THE  
YUMA EDUCATIONAL TECHNOLOGY, TRANSPORTATION, PROCUREMENT AND  
MATERIALS MANAGEMENT CONSORTIUMS**



The Fiscal Management Team will meet monthly, or more often as needed, to review the operations budget to include staffing, capital and general budget requirements.

The following will be presented to the Consortium Council for review and approval, then to member Governing Boards for monthly reporting and final action.

1. Approval of the Consortium Structure
  - a. Consortium Council
    - i. Original concept of an administrative committee would not require open meeting law, but meetings will be open to public
    - ii. Administrative committee would make recommendations to Governing Boards
    - iii. One vote per entity residing with the School District Superintendents, President of AWC, NAU Executive Director (may be designated to second member)
2. Intergovernmental Agreements
  - a. K-20 Master Agreement
  - b. Transportation IGA
  - c. Technology IGA
  - d. Procurement and Materials Management IGA
3. Budget for all agreements (2004/2005 and projected 2005/2006)
4. Any change to staffing (hiring, restructuring, termination)
  - a. Selection and hiring of Director of Procurement and Materials Management recommendation to Consortium Council then to Governing Board that serves as fiscal agent for action; information item to Governing Boards of other entities
  - b. Restructuring recommendations to Consortium Council for approval and recommendation to Governing Board that serves as fiscal agent for action; information item to Governing Boards of other entities
5. Monthly reports to the member Governing Boards

Responsibilities of the Fiscal Agency

- Compliance with Audit requirements
- Personnel Actions
- Salary and Employee Benefits (as applicable per Salary Schedules)
  - Workers Compensation
  - Leave Plan
  - Health Benefits
  - Retirement Benefits

Tentative Implementation Plan for 2004/2005

Action	Responsible Party	Projected Date
Revise Consortium Structure	Consortium Council	March 7, 2005
	Governing Boards	March Governing Board Meetings March 8 <sup>th</sup> District One voted to appoint Superintendent and Board President to the Consortium Council

Approval of Current IGAs	Consortium Council	March 7, 2005
	Attorneys of record for each entity	Month of March
Action	Responsible Party	Projected Date
	Governing Boards	April Governing Board Meetings (Separate or joint)
Selection and Hiring of Director of Procurement and Materials Management	YUHSD, YSD1, joint selection committee	February 28 <sup>th</sup> interviews conducted
	Consortium Council	March 7 <sup>th</sup> approved to recommend new hire to YUHSD
	Governing Boards	March 8 <sup>th</sup> YUHSD Governing Board meeting action taken March 8 <sup>th</sup> YSD1 Governing Board meeting introduction made during Consortium monthly report to board
Assessment of Procurement and Materials Management Consortium	New Director of Procurement and Materials Management & Fiscal Management Team	Month of March and April (new director start date of 3/23/2005)
05-06 Budgets	Fiscal Management Team	Prior to April Governing Board Meetings

**Summary:**

The administrative areas of the transportation consortium reporting and management procedures have been restructured to ensure that all areas of operations are reviewed and that all costs and issues are supported with full disclosure. The Director of Transportation now reports directly to school business managers at both school districts. The executive officer of the consortium has been reassigned from those duties, and the Transportation Director, through the District, now directly manages all transportation operations. Additionally, the complete review of operational practices outside of the consortium IGA members is underway, with additional operational changes anticipated to ensure complete compliance with all governmental requirements.

**CHAPTER 4 – Plant Operation and Maintenance  
Recommendations and District Responses**

The District should continue to pursue termination of its agreement with its telephone vendor to eliminate the costs of the telephone system it no longer uses. Further, in the future, the District should perform cost-benefit analyses considering all pertinent costs, such as existing contracts, when evaluating major purchases.



*Response:* The District has implemented this recommendation. A credit will be issued in from the vendor in 2004-2005 for unused service. Cost-benefit analyses have been completed and evaluated.

#### CHAPTER 5 – Proposition 301 Monies Recommendations and District Responses

The District should ensure that its Proposition 301 plan addresses how it intends to spend base pay and menu options monies. Further, the plan should specify which of the six allowable options it is addressing with its menu options monies.

*Response:* The current Proposition 301 Plan defines the various goals required to receive the performance pay. The District currently defines the amount of base pay and menu options pay in the certified salary placement schedule, but does not specifically identify the number of teachers paid from the menu options for class size reduction. The District will implement this recommendation by bringing a Proposition 301 Plan to the Governing Board that includes not only how the performance pay will be spent, but also how the District will be spending the base and menu option money.

#### CHAPTER 6 – Classroom Dollars Recommendations and District Responses

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

*Response:* The District is in the process of implementing this recommendation. A review of the Uniform Chart of Accounts and the current coding structure will be completed in 2004-2005. Assistance from the Auditor General's Accounting Division was offered and the District will direct specific questions to their office.

2. The District should closely analyze its non classroom spending to determine if savings can be achieved and if some of those monies can be redirected to the classroom.

*Response:* The District is in the process of implementing this recommendation. In conjunction with all the previous recommendations, it is expected that with implementation of the above recommendations, more dollars will be spent in the classroom through review of cost-benefit analyses, review of vendor contracts, and general improvements to the District's performance.

In conclusion, the District looks forward to meeting with your team in six months to further establish and document the improvements made by implementing the recommendations.

Sincerely,

Thomas D. Rushin  
Superintendent  
Yuma Elementary School District One