



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Sahuarita Unified School District

December • 2003



Debra K. Davenport
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

December 10, 2003

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Sahuarita Unified School District

Dr. Jay St. John, Superintendent
Sahuarita Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Sahuarita Unified School District* conducted pursuant to A.R.S. §41-1279.03.A.9. I am also transmitting with this report a copy of the Report Highlights 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 December 11, 2003.

Sincerely,

Debbie Davenport
Auditor General

Enclosures

SUMMARY

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

Administration (see pages 5 through 8)

The District's administrative costs per pupil are 17 percent lower than comparable districts'. This lower administrative cost is largely the result of the District having fewer administrative staff and spending less on administrative supplies and purchased services. The District has a ratio of 73 students for each administrative position, while comparable districts averaged 61 students per administrative position. Many of the Districts' administrative staff are experienced and perform multiple duties.

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

Food service (see pages 9 through 11)

The District's \$2.11 cost-per-meal is similar to the average of the comparable districts. However, the District's meal prices, which were lower than the comparable districts' average, were not adequate to cover its costs in fiscal year 2002, resulting in a loss of over \$56,000. The District should analyze its projected costs and revenues, and calculate the meal prices needed to return the program to break-even status.

Student transportation (see pages 13 through 16)

The District's student transportation program, which is operated by a private company (vendor), appeared to be generally operating efficiently and effectively. The District's transportation costs were higher than the state and national averages as a percentage of total current expenditures. However the costs were reasonable given the number of riders transported and miles driven. Additionally, its bus routes were effectively managed. However, the District did not adequately review the vendor's billings to ensure they were in accordance with the contract and, as a result, paid approximately \$200,000 in overcharges in fiscal years 2002 and 2003 combined. To avoid paying overcharges, the District should review billings more closely to determine whether charges are appropriate. Additionally, the District should take action to recover the over-billings and review prior year billings to identify any additional overcharges. Further, despite a 46 percent increase in rates between fiscal years 2002 and 2003, the District chose to renew its student transportation contract rather than rebidding the service or using its own employees.

Plant operation and maintenance (see pages 17 through 20)

The District spent 17.4 percent of its current dollars on plant operation and maintenance compared to a state average of 11.8 percent and a national average of 9.7 percent. This higher cost resulted primarily from the District having significantly more square footage per student than comparable districts, and to a lesser extent from the District's high electricity costs. The District operates and maintains 43 percent more square footage per student than the comparable districts, roughly twice the minimum square footage established by law. The District's electricity costs are 63 percent higher per square foot than comparable districts', with about half of the difference attributable to higher consumption. Therefore, the District should develop a district-wide energy conservation plan to reduce its electricity costs. However, the District does have lower costs for water and sewer services than comparable districts, and employs fewer maintenance staff and custodians per square foot.

Proposition 301 monies (see pages 21 through 23)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. Proposition 301 provided monies for base pay increases, performance pay, and a "menu" of options,

including additional teacher pay. The District spent its Proposition 301 monies entirely on salaries and benefits as allowed by statute and in accordance with the District's developed plan. In fiscal year 2002, 96 percent of eligible employees met all performance requirements and received, on average, \$4,035 of Proposition 301 monies in salaries and benefits.

Classroom dollars (see page 25)

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. Although auditors found a few errors, the District generally reports classroom and administrative expenditures accurately. The District's corrected classroom dollar percentage for fiscal year 2002 was 49.2 percent, significantly lower than the state-wide average of 58.2 percent. This lower classroom dollar percentage was largely the result of the District's substantially higher transportation and plant operation and maintenance costs. The District's corrected administrative percentage was 10.9 percent, slightly higher than the state average of 10.2 percent, but below the comparable districts' average of 13 percent.

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

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

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Fiscal Year 2002
(Unaudited)

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INTRODUCTION & BACKGROUND

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

The Sahuarita Unified School District's main campus is located on 135 acres in the town of Sahuarita, 15 miles south of Tucson. Here the District operates a primary school serving pre-kindergarten through 2nd grades, an intermediate elementary school serving students in 3rd through 5th grades, a middle school serving students in 6th through 8th grades, and a high school serving students in 9th through 12th grades. In Amado, approximately 18 miles southwest of Sahuarita, the District operates another elementary school (Sopori), serving students in kindergarten through 5th grades. During fiscal year 2002, approximately 1,977 students attended Sahuarita Unified School District.

The District, one of the oldest in the State, established in 1896, operates several schools at its the main campus. The primary school was built in 1959. The intermediate and Sopori elementary schools opened in 1971, and the current middle school, originally built in 1971 as the district high school, was renovated in 2000. The new high school, with its 37,000-square-foot gymnasium, 7-bay auto shop, and state-of-the-art media center, opened in 1998.

A five-member board governs the District, and a superintendent manages it. In fiscal year 2002, the middle school and high school each had a principal and an assistant principal, while each of the other elementary schools had a principal. The District had 130 certified teachers, 52 instructional aides, 17 other certified employees, and 138 classified employees, such as administrative staff and custodians.

District programs

The District offers:

- Gifted education
- Honors and advanced placement classes
- Concurrent enrollment at Pima Community College
- Vocational programs
- Music/chorus/orchestra
- Art/drama classes
- Counseling services
- Yearbook/newspaper staff
- School news video staff
- Student council
- After-school programs
- On-site special education
- Science and computer labs

According to the District, 65 percent of its graduates continue their education at college, university, or technical schools. The District has won national and state awards for its vocational programs, including Prepared Speech and Automotive Technology, and its music program students have been selected for regional and state bands. For the past 2 years, students have constructed a Habitat for Humanity home on the main campus to be donated to a local family. Project Inspire, the District's special education inclusion program for students with severe multiple disabilities, serves as an instruction model for other school districts. In its efforts to incorporate technology into the classroom, the District has provided computer labs on both campuses, computers in every classroom, and additional computers available for students to take home. The District offers a wide range of instructional and extracurricular activities.

Two of Sahuarita's five schools were labeled as "improving" under the Arizona LEARNS program, meaning that school performance surpassed expectations through 2002. The District's intermediate and Sopori elementary schools were labeled as "maintaining," meaning that the school's performance met expectations. The primary school did not receive a profile because it serves students in pre-kindergarten through 2nd grades. The District's students performed well on standardized tests, surpassing the state and national averages in all tests and subtests of the SAT9 during fiscal year 2002.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's March 2002 report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars)* report, this audit focused on four main aspects of school district operations: administration, food service, student transportation, and plant operation and maintenance. Further, due to the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, as required by Laws 2002, Chapter 330, Section 54, auditors also assessed the accuracy of district-reported administrative costs and reported detailed information about district and school administrative personnel duties, salaries, and related costs.

In conducting this audit, auditors used a variety of methods, including examining various records such as available fiscal year 2002 summary accounting data for all

districts and Sahuarita Unified School District's fiscal year 2002 detailed accounting data, contracts, board minutes, and other documents; reviewing district policies and procedures; reviewing applicable statutes; and interviewing district administrators and staff. Additionally:

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

The audit was conducted in accordance with government auditing standards.

Following are the main conclusions related to the audit objectives:

- **Administration**—The District employs fewer administrative staff than comparable districts, and its costs were significantly lower, as well.

- **Food service**—The District's food service program has been operating efficiently with a cost-per-meal that is similar to the average of comparable districts. However, because total food service expenditures exceeded food service revenues by more than \$56,000 in fiscal year 2002, the District should analyze its costs and revenues to calculate meal prices needed to allow the program to be self-supporting.
- **Student transportation**—The District's transportation program appears to be operating efficiently and effectively. However, the District did not ensure that vendor billings were in accordance with the contract and, as a result, paid approximately \$200,000 in overcharges. Additionally, despite a 46 percent increase in rates, the District renewed its transportation contract without seeking more competitive rates.
- **Plant operation and maintenance**—The District's total and per-pupil plant costs were considerably higher than comparable districts', primarily because the district has significantly more square footage per student and also has high electricity costs.
- **Proposition 301 monies**—The District complied with statute and followed its plan when spending its Classroom Site Fund monies.
- **Classroom dollars**—The District generally reports its classroom and administrative costs accurately. In fiscal year 2002, the District spent 49.2 percent of every dollar in the classroom, while the state average for that year was 58.2 percent.

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

CHAPTER 1

Administration

The Sahuarita Unified School District's administrative costs per pupil and number of administrative staff per pupil were lower than comparable districts'. The District has experienced staff who perform multiple administrative duties.

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

What are administrative costs?

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

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

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

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

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

The District's administrative costs per pupil were lower than all comparable districts'

The District's administrative costs per pupil were lower than all of the comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected five districts that had a similar number of schools and students as Sahuarita Unified School District to serve as comparable districts.

As shown in Table 1, the District's fiscal year 2002 administrative costs were \$135 per pupil (17 percent) lower than the average of the five comparable districts. The table uses fiscal year 2002 cost information because it is the most recent year for which all comparable districts' cost data was available.

**Table 1: Total and Per-Pupil Administrative Costs Comparison
Fiscal Year 2002
(Unaudited)**

District Name	Total Administrative Cost ¹	Number of Students	Cost per Pupil
Sahuarita USD	\$1,295,974	1,977	\$655
Queen Creek USD	1,117,917	1,695	660
Globe USD	1,439,073	2,133	675
Parker USD	1,704,447	2,017	845
Florence USD	1,371,241	1,596	859
Holbrook USD	1,681,571	1,849	909
Average of the comparable districts	\$1,462,850	1,858	\$790

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

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

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

District Name	Number of	
	Administrative Staff	Students per Administrative Staff ¹
Globe USD	26.5	80.5
Sahuarita USD	27.0	73.2
Parker USD	30.8	65.6
Queen Creek USD	32.1	52.9
Holbrook USD	35.1	52.7
Florence USD	30.8	51.9
Average of the comparable districts	31.0	60.7

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

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

As shown in Table 2, this lower administrative cost was primarily due to the District having more students per administrative staff (i.e., fewer administrative staff). In fiscal year 2002, the District served 73 students per administrative staff, 20 percent more than the comparable districts' average of 61. By having fewer administrative staff per pupil than the comparable districts, the District was able to spend \$80 less per pupil for administrative salaries, which accounts for almost 60 percent of the District's below-average costs.

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

District Name	Salaries	Benefits	Purchased Services	Supplies and Other	Total
Sahuarita USD	\$461	\$117	\$61	\$16	\$655
Queen Creek USD	496	86	35	42	659
Globe USD	391	118	128	38	675
Parker USD	590	120	81	54	845
Florence USD	590	128	109	32	859
Holbrook USD	636	117	116	40	909
Average of the comparable districts	\$541	\$114	\$94	\$41	\$790

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

As shown in Table 3 (see page 7), the District also spent significantly less than the comparable districts for administrative purchased services and supplies. The District's lower purchased service costs were largely due to a few of the comparable districts having significant legal and computer consulting costs. The District's lower supply costs were partially due to the District's ordering supplies in bulk for all of its schools and maintaining a large central warehouse, while the comparable districts did neither.

District administrative staff perform multiple administrative duties

One reason for the District's relatively low number of administrators is that several administrators have multiple responsibilities that, in other districts, often require more staff. Most notably, two school principals split their time between school and district administrative duties. The Primary School Principal also served as Director of Student Services, and the Intermediate School Principal managed the District's Title I programs and other grant-writing efforts. Also, while the comparable districts have assistant superintendents or personnel directors, the District's superintendent directly manages these responsibilities. These district officials rely on experienced support staff, many of whom have worked for the District for more than 20 years, to help them balance the multiple administrative roles.

CHAPTER 2

Food service

The District's program, which is operated by a food service management company (vendor), operated efficiently with a cost per meal of \$2.11, which was similar to the comparable districts' average of \$2.10. However, in fiscal year 2002, total food service expenditures exceeded food service revenues by more than \$56,000. The District should consider raising meal prices to return the program to break-even status.

Background

For the past 7 years, the District has contracted with the same vendor to operate its food service program. The program provides breakfast, lunch, snacks, and a la carte sales at the three district cafeterias. Two cafeterias serve the four schools at the main campus, while one cafeteria serves the elementary school 18 miles south of the main campus. Under the current contract, the vendor bills the District monthly for all program operating costs, including food, supplies, and labor, plus an administrative and management fee based upon the number of meal equivalents served. The District provides all necessary equipment. The contract guarantees that gross receipts will exceed total operating costs by at least \$10,000 at the end of each year.¹ This guarantee provides the vendor with incentive to minimize program costs.

The District's cost per meal is similar to the average of comparable districts

The District served approximately 290,625 lunch-equivalent meals during fiscal year 2002, at an average cost per meal of \$2.11.² As shown in Table 4 (see page 10), this

Food service facts for Fiscal Year 2002

Average cost per meal*	\$2.11
Number of meals served:	
Breakfast	45,967
Lunch and a la carte	<u>267,641</u>
Total	<u>313,608</u>
Kitchens/cafeterias	3
Number of staff	22
Total revenues	\$590,379
Total noncapital expenditures	\$613,017
Total equipment purchases	\$34,119
Percentage of students eligible for free and reduced-price lunches	53%

* based on lunch-equivalent meals.

¹ Total operating costs did not include equipment costs or custodial services.

² Breakfasts are counted as one-half of a lunch to determine a lunch equivalent.

cost per meal is similar to the comparable districts' average. The District's slightly lower food and supply costs offset its higher "other" costs. The "other" category includes the administrative and management fees the District pays to the vendor.

**Table 4: Comparison of Costs per Meal
Fiscal Year 2002
(Unaudited)**

District Name	Percentage of Meals Provided Under Free/Reduced-Price Program	Salaries and Benefits	Food and Supplies	Other	Cost per Meal
Florence USD	45%	\$0.90	\$1.02	\$0.02	\$1.94
Parker USD	62%	\$0.96	\$0.94	\$0.09	\$1.99
Queen Creek USD	56%	\$1.14	\$0.92	\$0.01	\$2.07
Sahuarita USD	53%	\$1.04	\$0.93	\$0.14	\$2.11
Globe USD	48%	\$1.13	\$1.04	\$0.05	\$2.22
Holbrook USD	63%	\$0.98	\$1.25	\$0.04	\$2.27
Average of the comparable districts		\$1.02	\$1.03	\$0.04	\$2.10

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

The District should consider increasing its meal prices

The District's total food service program expenditures exceeded total revenues by \$56,757 in fiscal year 2002. Although the program operating revenue exceeded the vendor's total charges for operating the program by \$15,504, the District incurred additional expenditures for equipment, custodial services, and other miscellaneous items. In fiscal year 2003, the costs of the custodial services were included in the District's contract with the vendor and, therefore, will no longer contribute to a loss because of the contract's guaranteed \$10,000 profit to the District. However, to cover equipment costs and other miscellaneous items, the District will need to increase its meal prices.

As shown in Table 5 (see page 11), student meal prices for fiscal year 2002 were lower than the prices that the comparable districts charged. Specifically, lunch prices were 3 to 9 percent lower and breakfast prices were 38 percent lower than those of the comparable districts. By increasing the meal prices by \$0.10 for lunch and \$0.25 for breakfast, the District could have increased revenues by approximately \$38,000 and recovered the cost of its equipment purchases.

The program's shortfall has led the District to use Maintenance and Operation Fund and Capital Outlay Fund monies for food service, reducing the monies available for the classroom. Further, instead of just paying the shortfall, the District chose to pay an additional \$144,612 in food service expenses from the Maintenance and Operation Fund. It did this in order to build the Food Service Fund's available cash balance for future years' equipment needs and also to expend otherwise unused Maintenance and Operation Fund monies. Had the District chosen to use the additional \$144,612 of Maintenance and Operation Fund monies in the classroom, it could have increased its classroom dollar percentage by approximately 1.2 percent.

**Table 5: Comparison of Breakfast and Lunch Meal Prices
Fiscal Year 2002
(Unaudited)**

	Breakfast		Lunch	
	Grades K-8	Grades 9-12	Grades K-8	Grades 9-12
Sahuarita USD	\$0.50	\$0.60	\$1.35	\$1.60
Average of the comparable districts	\$0.81	\$0.97	\$1.48	\$1.65

Source: Auditor General staff analysis of district-reported 2002 food service data.

Recommendations

The District should analyze its costs and revenues to calculate the meal prices needed to allow the program to be self-supporting, thus freeing monies to be spent for classroom purposes. However, to ensure that meal price increases benefit the District, the District will need to negotiate with the vendor to add the corresponding increase in revenues to the current contract profit guarantee of \$10,000.

CHAPTER 3

Student transportation

The District's student transportation program, which is operated by a private transportation management company (vendor), appears to be operating efficiently and effectively. The District's transportation costs were higher than the state and national averages as a percentage of total current expenditures. However, the costs were reasonable compared with similar districts, given the number of riders transported and miles driven. Additionally, the Districts' bus routes were effectively managed, and driver files were complete. However, the District did not adequately review the vendor's invoices to ensure billings were in accordance with the contract. This resulted in the District paying approximately \$200,000 in overcharges in fiscal years 2002 and 2003 combined. Additionally, although the transportation contract was established with significantly higher rates in years 4 and 5 than in years 1 through 3, the District renewed the contract in each of those years without seeking more competitive rates from the current vendor or other potential contractors.

Transportation facts for Fiscal Year 2002

Riders	1,307
Bus drivers	31
Mechanics	3
Regular routes	23
Special-needs routes	4
Average daily route miles	2,480
Total route miles	436,406
Total noncapital expenditures	\$784,257

Background

For the past several years, the District has contracted with the vendor to operate its transportation program. The contract began in fiscal year 2000 and covered a total of 5 years, with each year separately renewable by the District. The contract required the vendor to employ its own drivers and staff, provide training and drug-screening for those employees, and repair and maintain all buses. The District was responsible for fuel and provided the majority of the buses. The vendor transported students to and from each of the District's five schools, four of which are located on one site. The District reports that the vendor transported 1,307 students over 436,000 miles in fiscal year 2002. In addition to 23 regular bus routes, the vendor operated 4 routes specifically to transport the District's special-needs students. Because the District is

geographically large but operates only one high school, bus routes ranged significantly, from 28 to 229 miles per day. The District pays the vendor a daily base amount for each route and an additional hourly charge for routes requiring more than 4 hours of drive time per day.

The District's student transportation program is generally efficient and effective

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

- Routes are efficient**—On average, the District's regular education routes lasted approximately 55 minutes and resulted in buses being filled to 80 percent of capacity. However, because of the District's decision to increase elementary instructional time and combine multiple bus runs, students spend an average of 20 minutes longer on buses in the afternoon than in the morning.
- Costs are reasonable**—During fiscal year 2002, the District's transportation costs were 6.6 percent of its total current expenditures, which is high compared to the state and national average of 3.9 and 4.0 percent, respectively. However, the costs were reasonable given the number of riders transported and route miles driven. The District's costs were compared to other districts with a similar number of schools, students, route miles, and riders. As illustrated in Table 6, although the District's cost per rider was 17 percent higher than the comparable

Table 6: Students Transported, Route Mileage, and Costs
Fiscal Year 2002
(Unaudited)

District Name	Regular Riders	Special-Needs Riders	Total Route Miles	Miles per Rider	Total Noncapital Expenditures	Cost per Rider	Cost per Mile
Holbrook USD	976	15	334,997	338	\$469,762	\$474	\$1.40
Sahuarita USD	1,290	17	436,406	334	784,257	600	1.80
Globe USD	1,089	35	267,029	238	554,246	493	2.08
Parker USD	1,004	13	292,496	288	621,227	611	2.12
Florence USD	1,081	24	218,933	198	500,930	453	2.29
Queen Creek USD	1,173	24	248,676	208	639,689	534	2.57
Average of the comparable districts	1,065	22	272,426	254	\$557,171	\$513	\$2.09

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

districts' average cost, its cost per mile was 14 percent lower. These differences appear to be partly the result of the District transporting students, on average, 32 percent more miles per rider than the comparable districts. Additionally, the Districts' higher cost per rider was partly attributable to its payment of approximately \$100,000 in overcharges during the year as discussed below. Excluding the overpayment, the District's cost per rider would have been \$524, much nearer the comparable districts' average.

- **Route miles are properly tracked**—A district's current year transportation funding is based on the number of route miles driven the previous school year. Therefore, it is important that districts develop a mechanism for accurately reporting these miles to the Arizona Department of Education. The vendor tracked the route miles by requiring drivers to record beginning and ending odometer readings and total miles driven on "Daily Bus Reports." Miles from these reports were entered into the vendor's computer system, which is used to prepare the monthly billings as well as to accumulate total miles for the District's Transportation Route Report. Auditors reviewed "Daily Bus Reports" from each route and determined that the District's reported route mileage was accurately reported.
- **Drivers are appropriately trained and screened**—The vendor keeps well-organized and complete driver files and uses computer software that generates status reports to indicate when employees are required to receive further training. Additionally, a separate company submits a list to the vendor quarterly, indicating which employees were selected to receive random drug screenings.

Inadequate oversight resulted in the District paying \$200,000 in overcharges

During fiscal years 2002 and 2003, the vendor overcharged the District by an estimated \$100,000 each year for drivers' "excess time." Although the District reviewed the monthly billing statements, it did not request documentation to support the excess time charges, and did not determine whether the charges were correct. The contract with the vendor did not define how excess time was to be determined; however, the vendor's best and final offer submitted during the bid process did. The vendor's statement specified that the "daily route rate" included 4 base hours of actual drive time. In other words, if a driver worked 5 hours during the day but only drove 3 hours, the District should not have to pay for any excess charges since the total drive time was less than the 4 base hours included in the daily route rate. However, the vendor charged the District for the greater of driver payroll time or 2 hours per bus segment (e.g., morning, midday, and afternoon), regardless of actual drive time. For example, the vendor would charge the District at least 6 hours (4 base and 2 excess hours) for a 3-segment route that required only 3 hours of actual drive time. Instead, the vendor should not have charged for any excess time, since the total actual drive time was less than 4 hours.

These excess charges were paid with Maintenance and Operation Fund monies that could have been otherwise spent in the classroom. The additional expenditures would have increased the District's classroom dollar percentage by 0.8 percent in fiscal year 2002.

The District should take action to recover the overpayments and review prior year billings to determine whether other overbillings occurred. Additionally, to avoid paying overcharges, the District should obtain a better understanding of how excess charges should be calculated and periodically obtain and review Daily Bus Reports to determine whether charges are appropriate.

The District did not adequately analyze contract rates before renewing the existing contract

**Table 7: District-Contracted Transportation Rates
Fiscal Years 2000 through 2004**

Fiscal year	Daily Route Rate	Increase from Previous Fiscal Year
2000	\$106.21	—
2001	109.14	\$2.93
2002	112.14	3.00
2003	164.26	52.12
2004	168.77	4.51

Source: The District's transportation contract for fiscal years 2000 through 2004.

Despite a 46 percent increase in the daily route rate in fiscal year 2003 (see Table 7), the District chose to renew its student transportation contract with the current vendor, rather than rebidding the service or using its own employees.

If the rate increase in 2003 had been the same as the rate increase in 2002, the District would have saved approximately \$207,000.

Recommendations

1. The District should pursue actions to recover overpayments made to the vendor. In addition, the District should review its billing statements and supporting documents to determine if they were overbilled for "excess time" charges during fiscal years 2000 and 2001, the first 2 years of the contract. As needed, the District should require additional documentation from the vendor to determine the validity of these charges.
2. In the future, the District should ensure that the method for calculating charges is specifically defined in the contract.
3. The District should re-evaluate its multi-year contracts each year to determine if the contract is still advantageous to the District. If the available contract terms are not in its best interest, the District should re-bid the contract or use its own employees to perform the services.

CHAPTER 4

Plant operation and maintenance

As reported in the Auditor General's 2003 Classroom Dollars report, Arizona districts spent 11.8 percent of their current dollars on plant operation and maintenance, while the national average was 9.7 percent. However, Sahuarita USD spent 17.4 percent of its current dollars on plant operation and maintenance, due primarily to its large amount of building space. The District's plant costs were high as a percentage of its current expenditures and on a per-student basis, but its plant costs per square foot were slightly lower than comparable districts'. Nevertheless, the District's high electricity costs per square foot warrant increased energy conservation measures.

What are plant operation and maintenance costs?

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

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

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

As shown in Table 8 (see page 18), the District spent more than \$2 million on plant operation and maintenance, 47 percent more in total and 38 percent more per student than the average spending by comparable districts. The higher plant costs resulted primarily from the District having significantly higher square footage per student than the comparable districts, and to a lesser extent from the District's high electricity costs.

- **District maintains significantly more building space per student than comparable districts**—As shown in Table 8 (see page 18), the District operates and maintains 234 square feet per student, 43 percent more than the comparable districts' average of 164 square feet per student. In fact, as shown in Table 9 (see page 18), the District's square footage nearly doubles the State's high school space requirements and more than doubles the State's junior high and elementary school requirements.¹ The District's higher square footage resulted primarily from the construction of its new high school in 1998, which was built on donated land in anticipation of a new housing development.

¹ A.R.S. §15-2011 establishes the minimum square footage requirements for school facility adequacy. These minimum standards provide a baseline for the School Facilities Board to assess whether districts have sufficient facilities and equipment necessary for pupils to achieve the State's academic standards.

**Table 8: Plant Costs Comparison
Fiscal Year 2002
(Unaudited)**

District Name	Total Plant Costs	Plant Costs Per Student	Plant Costs Per Square Foot	Square Footage Per Student
Sahuarita USD	\$2,057,603	\$1,041	\$4.44	234
Holbrook USD	1,702,837	921	5.55	166
Queen Creek USD	1,413,047	833	6.03	138
Parker USD	1,471,202	729	4.10	178
Globe USD	1,395,845	654	4.50	145
Florence USD	1,026,564	643	3.38	190
Average of the comparable districts	\$1,401,899	\$ 756	\$4.71	164
State-wide average of unified school districts		\$ 868		

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

- **District's slightly lower plant costs per square foot mask its high electricity costs**—Also as shown in Table 8, the District's total plant costs, at \$4.44 per square foot, were slightly lower than the comparable districts'. However, as shown in Figure 1 (see page 19), the District's electricity costs were 56 cents per square foot, or 63 percent, higher.

**Table 9: Per-Pupil Square Footage Comparisons to State Minimums
Fiscal Year 2002
(Unaudited)**

Grade level	Per-Pupil Square Footage	
	State Minimum Requirements	Sahuarita Unified School District ¹
High school	120	227
Junior high	84	201 ^a
Elementary	80	239

¹ The District's auditorium square footage is allocated proportionally among its schools by average daily membership.

^a The District's junior high school includes 6th grade.

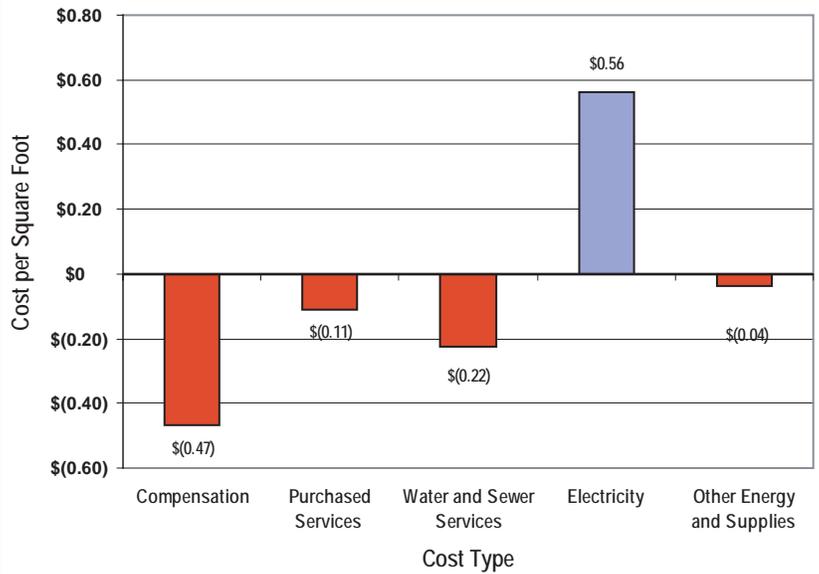
Source: Auditor General staff analysis of the District's fiscal year 2002 average daily membership counts and the School Facilities Board building reports for the District.

The District's cost per kilowatt-hour for electricity was substantially higher than the comparable districts', accounting for nearly half of the higher electricity costs. However, the remaining portion of the higher cost is caused by higher consumption, part of which is within the District's control. High energy consumption occurs across district facilities. The District's free-standing auditorium and three of its five schools consumed at least 50 percent more electricity per square foot than the comparable districts' average. This is partly because the District's auditorium and the intermediate school's gymnasium were built in 1977 and use older, less-efficient heating and cooling systems. The District plans to replace the auditorium's system in the next 2 years. Higher consumption is also partly due to a lack of centralized energy management and energy conscious scheduling. Although the District has a

centralized energy management system, the building temperature and time-of-use settings remain at the discretion of the individual school sites and fluctuate with comfort levels and facility usage desired by staff and scheduled groups. Also, the 29,506-square-foot district auditorium is a popular facility and, therefore, frequently used for district and community purposes. However, often it is only the facility's much smaller meeting rooms that are required, yet the entire building's heating and cooling system must be operated. Scheduling for this facility accommodates the school and community groups' requests, even though meeting space at more energy-efficient facilities may be available.

The District's high electricity costs were balanced by savings in other plant operations and maintenance areas, such as staff compensation and water and sewer services. Savings in compensation resulted because the District's custodian and maintenance staff maintained 26 percent more square footage per employee than the comparable districts'. That is, although the District had larger facilities, it did not hire proportionately more custodial and maintenance employees. Further, since the District operated its own water wells and wetlands reclamation facilities, it also had lower water and sewer costs.

Figure 1: Comparison of Sahuarita's Per-Square-Foot Plant Costs, by Type, to Comparable Districts' Average Fiscal Year 2002 (Unaudited)



Source: Auditor General staff analysis of fiscal year 2002 detailed accounting records and School Facilities Board building report for the District.

Recommendations

1. To reduce its per-pupil expenditures in this noninstructional area, the District should develop a district-wide energy conservation plan, which could include:
 - a. Monitoring energy usage at each school site to identify ways to lower energy usage based on each site's particular facilities and equipment.
 - b. Following its scheduled replacement of older, less-efficient heating and cooling equipment.
 - c. Including energy-wise policies in facility scheduling, such as using smaller facilities when possible, and combining scheduled usage of the auditorium facilities to the same days to maximize energy efficiency.

CHAPTER 5

Proposition 301 monies

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

Background

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

District's Proposition 301 plan

The District received \$605,752 of Proposition 301 monies in fiscal year 2002. Under the District's plan, all classroom teachers and additional certified staff were eligible to receive pay from these monies. The District's plan called for using the money as follows:

- **Base Pay Increases**—The District allocated a base pay increase of \$800 plus related benefits for each eligible employee. The increases were not included in the salary schedule, but were written into each eligible employee’s contract and distributed throughout the year in the employee’s regular paychecks.
- **Performance Pay**—Each eligible employee could earn up to \$1,600 plus related benefits if specified performance measures according to the District’s Performance Pay Plan were met. In fiscal year 2002, 96 percent of the eligible employees completed all of the District’s plan requirements. The district plan rated employees on a 100-point scale for meeting performance measures that required individual-, school-, and district-level accountability:
 - Staff annual evaluation (50 points)
 - Meeting district-approved plan for district test score/assessment goals (20 points)
 - Participating in the school-level implementation of the district plan for improved student attendance (10 points)
 - Setting and meeting individual professional improvement targets (10 points), and completing “Added Responsibility” (e.g., volunteer coaching, tutoring) (10 points)
- **Menu Options**—Statute allows school districts to choose among six different options for allocating the menu option 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 its menu options money entirely for teachers’ and other certified staffs’ salaries and benefits. All menu monies were distributed throughout the year among eligible certified staff, according to the District’s “Prop 301 Site Fund Distribution Salary Schedule.” The schedule provides for amounts ranging from \$750 to \$4,767 per employee, depending on the employee’s education level and years of experience. However, 77 percent of the full-time, eligible staff received less than \$1,150, and only 5 percent received more than \$3,000.

The District complied with law and followed its adopted plan

All of the District's Classroom Site Fund expenditures were made for salaries and benefits. This is both allowed by law and in keeping with the District's plan for spending its Proposition 301 monies. As shown in Table 10, on average, each full-time, eligible employee received \$4,035 in salaries and benefits in fiscal year 2002. The District budgeted the full amount that it was estimated to receive. However, the District's Proposition 301 plan allocated slightly lower amounts to each employee due to the uncertainty of the first-year Proposition 301 revenues. Unexpended Proposition 301 monies remain in the Classroom Site Fund to be spent in future years.

Table 10: Proposition 301 Monies Paid Per Employee
Fiscal Year 2002
(Unaudited)

Category	Budgeted	Actual
Base Pay	\$ 927	\$ 857
Performance Pay	1,854	1,657
Menu Options	1,854	1,521
Total	\$4,635	\$4,035

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

CHAPTER 6

Classroom dollars

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

The District accurately reports classroom and administrative expenditures

Generally, the District records expenditures in accordance with the school district Uniform Chart of Accounts, thereby providing an accurate report of its classroom and administrative costs. However, auditors noted a few errors that would have affected the District's classroom dollar and administrative percentages in fiscal year 2002. The District's corrected classroom dollar percentage was 49.2 percent, 0.4 percent lower than previously reported and significantly lower than the state-wide average of 58.2 percent. The District's corrected administrative percentage was 10.9 percent, slightly higher than the state-wide average of 10.2 percent, but below the comparable districts' average of 13 percent.

The District spends less of every dollar in the classroom

Primarily because of the District's exceptionally high transportation and plant operation and maintenance costs (see Chapters 3 and 4), it had less money available to spend in the classroom. Although some factors, such as electricity rates, are not within the District's control, others, such as energy conservation and contract monitoring, are. By spending at the state-wide average classroom dollar percentage level of 58.2 percent, the District would have spent more than \$1 million more in the classroom.

APPENDIX

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Appendix

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

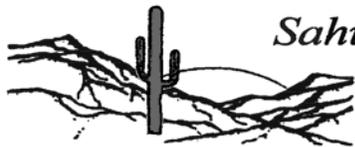
Position	FTE	Duties	Salary	Benefits
District Administration				
Superintendent	1	Advised and implemented school board policies, provided leadership to the District, and represented the District in community and legislative matters	\$ 82,646 (Includes a \$400 monthly car allowance)	\$ 8,326
Business Manager	1	Managed the fiscal and business operations of the District, and supervised the Business Office, Food Service, Transportation and Maintenance Departments	53,540	3,964
Executive Secretary	1	Coordinated official reporting of district information, and performed essential clerical and support activities for Superintendent and School Board	33,676	3,415
Director of Student Services and Support Personnel	0.5	Planned, directed, and integrated student services within a total district education program, managed related state and federal grants, and supervised all education specialists	29,373	2,941
Director of Technology	0.75	Maintained district networks and computers, trained and supported district staff in use of technology, and assisted in developing District's technology budget	29,193	2,019
Executive Secretary for Support Services	1	Maintained files and compiled report information for all student services programs, and provided administrative support for the Director of Student Services and all education specialists	26,690	2,683
Payroll Clerk IV	1	Processed the District's payroll, maintained employment files, and made required state and federal bank deposits	26,187	2,613
Inventory Control Technician	2	Received, posted, and processed requests for warehouse supplies, maintained inventory records, and tagged and entered fixed assets into the District's inventory computer system	21,437 16,311	2,274 1,653
Human Resources Specialist	1	Managed personnel records, recruiting, employee contracts, and benefit programs, and administered substitute teachers program	20,592	2,024
Administrative Assistant to the Business Manager	1	Maintained district office files, the calendar, service contracts, and supplies, and prepared account reports, correspondence, and meeting notes for the Business Manager as needed	20,093	2,038
Grant Coordinator	0.4	Managed Title I and other federal grants, submitted required district information, and monitored related federal regulations	20,023	1,909
Accounts Payable Clerk III	1	Processed accounts payable and travel claims, maintained purchase order and invoice files, and prepared financial reports as needed	18,496	1,782

Appendix (concluded)

Position	FTE	Duties	Salary	Benefits
District Administration (concl'd)				
Receptionist/ Special Accounts Clerk III	1	Interfaced with visitors to the District Office, answered phone, processed mail, maintained revolving fund, auxiliary, student activities and petty cash funds, and provided other clerical support	\$ 18,104	\$ 1,808
Offset Press Operator	0.75	Operated offset press, copy, collating, and stapling machines, and made copies as requested	10,563	1,107
Network Technology Specialist	0.7	Maintained and supported the District's computer network, and assisted Director of Technology with planning technology projects	6,913	674
Substitute Caller	0.3	Processed substitute teaching requests, contacted teachers, and maintained records of substitute assignments	4,906	375
School Administration				
Principal	4.1	Led the development and implementation of the school instructional program, supervised and evaluated school staff and physical plant, and served as liaison between the school and community	73,482 66,217 55,604 37,185 29,373	7,291 6,511 5,638 3,546 4,648
Assistant Principal	2	Handled student discipline and attendance, coordinated student activity programs, and managed day-to-day operations of the school's physical plant	60,237 51,527	6,108 6,451
School Secretary	6	Interfaced with students, parents, and staff, maintained school schedules, files, school-level accounts, and supplies inventory, and performed other general secretarial tasks	21,715 17,725 16,639 15,798 15,728 9,393	2,202 1,797 1,627 1,247 1,595 933
		Health insurance payments not separately identified by employee		75,875
TOTAL	<u>26.5</u>		<u>\$909,366</u>	<u>\$167,074</u>

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

DISTRICT RESPONSE



Sahuarita Unified School District No. 30

Sahuarita High School
Sahuarita Primary School

Sahuarita Middle School
Sahuarita Intermediate School

Sopori Elementary School
Sahuarita Intermediate School

Office of the Superintendent

November 21, 2003

Deborah K Davenport, C.P.A.
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

This letter is to serve as a preliminary response to our audit.

Sahuarita Unified School District appreciates the opportunity to have the Auditor General's School Wide Audit Team (S.W.A.T.) visit our school district. It has provided another view of the way in which we spend our education dollars. We appreciate the opportunity to respond. The response will be by section. The staff from the Auditor General's office was very accommodating to our needs in continuing to operate while being audited. They were very pleasant people to discuss and evaluate our district operations.

Chapter I

Administration

Sahuarita Unified School District, according to the S.W.A.T.'s report, has lower administrative costs per student than comparable districts. This was done deliberately on the part of the Governing Board.

Chapter II

Food Service

A contracted service provider operates the food service program at Sahuarita Unified School District. When the district originally agreed to outsource that responsibility we were struggling with large deficits in the cafeteria fund, and some expenses were being transferred to the Maintenance & Operation fund. Our vendor has assisted us in reducing the use of M&O funds to subsidize the Cafeteria fund. The district will respond in setting up an analysis of its costs and revenues to see whether the Governing Board is interested in passing on an increase of the cost of the meals to the parents of the district to cover the cost of equipment needs for the program. Historically, the district supported the cafeteria program out of the Maintenance & Operation fund, but never charged the capital costs back to the cafeteria fund. This will be a decision of the Board.

Chapter III

Transportation Service

We appreciated the fact that the Auditor General's office recognizes that in some school districts the transportation program is expensive to operate on a per child cost basis depending upon the geography of the school district.

The districts responses to the recommendations are as follows:

1. The District will pursue action to recover overpayments made to the vendor. The district has already taken action on this issue. We have turned the situation over to our attorneys.
2. In the future the District will insure that the method of calculating charges is specifically included in any contract for outsourcing transportation if that be the case.
3. The Governing Board directed the administration (early in the S.W.A.T's process) to employ an outside consultant (unfortunately additional administrative cost) to analyze the situation. At a recent Governing Board meeting the Board directed the administration to re-bid the transportation contract. They also directed them to present information to the Board about whether the district should return to operating the program itself.

Chapter IV

Operation & Maintenance Costs

The operation and maintenance costs in our district were described as being 17.4% of our current operating expenditure. The district historically has been a very property- wealthy district and has had excellent facilities. Nine years ago, the district was informed that there was a master plan community of twelve thousand homes being developed in our district. At that time, we asked the taxpayers in the district to approve general obligation bonds to build an additional 155,000 square feet of space. The plan on the part of the district was proactive rather than reactive, and we appreciate the fact that the Auditor General's office acknowledged that we have a great deal of square footage. We anticipated that we would have to operate and maintain that additional square footage until the student growth occurred.

1. The district is vigorously reducing its energy usage throughout the district. The general obligation bond issue that the voters approve in November 1995 included energy management systems at three of the five buildings in the district. The district has called upon the staff and patrons of the district to assist in a district wide energy reduction program including incentives through Proposition 301 for staff.
2. The Governing Board continues to schedule replacement of older, less efficient heating and cooling equipment. The Board at its most recent meeting voted to replace the inefficient heating and cooling equipment in the Auditorium. We have also asked the School Facilities Board to remove the auditorium from our instructional space.
3. The Governing Board is in the process of building a new administration building, which will include smaller meeting room facilities to make less use of the auditorium facilities. We have also asked our auditorium director to plan to combine schedule uses of the auditorium facilities to the same days to maximize energy efficiency.

Chapter V

Proposition 301 Monies

Sahuarita Unified School District is pleased with the way in which proposition 301 monies are expended in our district. The district plans to continue making that money available to improve salaries for certified teachers in the district.

Chapter 6

Classroom Dollars

The district appreciates the Auditor General's report indicating that moving additional dollars into the classroom dollar percentage needs to be a district wide effort. The district is experiencing a high rate of student growth. We feel that the plan operation & maintenance costs will go down as we will have a larger student base over which to spread those costs. We feel that the district has enough additional classroom space to support another 800 students without asking the School Facilities Board to provide additional space. That was a deliberate strategy on the part of the district to make sure that we didn't have to come up with a plan for the growth that have included items such as year round school. The district will correct the high transportation cost situation either with the current vendor, by changing vendors, or by returning the transportation program to the district.

Respectfully yours,

Jay C. St. John, Ed.D.
Superintendent